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Ventec International Group Co., Ltd.

2018 Annual Report

Printed Date: 29th May 2019

Taiwan Stock Exchange Market Observation Post System:<http://mops.twse.com.tw>

Corporate website:<http://www.ventec-group.com>

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

1、 Name of the spokesperson and acting spokesperson, job title, contact telephone, and email address:

Spokesperson: Tu, Jennifer	Title: Chief Financial Officer
Telephone: (86) 512-6809-1810	Email: jennifer@ventec.com.cn
Acting Spokesperson: Lee, Yi-Tien	Title: : Senior General Manager
Telephone: (86) 512-6809-1810	Email: susanlee@ventec.com.cn

2、 Headquarters, primary place of business, subsidiary and factory information:

(1) Name : Ventec International Group Co.,Ltd.

Address : The Grand Pavilion Commercial Centre, Oleander Way,802 West Bay Road,
P.O. Box 32052,Grand Cayman Ky1-1208,Cayman Islands
Website : <http://www.ventec-group.com>
Telephone: (86) 512-6809-1810

(2) Samoa subsidiary

Name : Ventec International Group Limited(SAMOA)
Address: Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road,
Apia, Samoa
Website: -
Telephone: (86) 512-6809-1810

(3) British Virgin Islands subsidiary

Name: Ventec Logistics Limited.
Address: OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands
Website: -
Telephone: (86) 512-6809-1810

(4) Hong Kong subsidiary

Name: Ventec International Group Limited(HK).
Address: Unit B 22/F.,Chung Pont Commerical Building,300 Hennseey Road, Wanchai,
Hong Kong
Website: -
Telephone: (86) 512-6809-1810

Name: Ventec Electronics (HK) Company Limited.
Address: Unit B 22/F.,Chung Pont Commerical Building,300 HonnessyRoad, Wanchai,
Hong Kong
Website: -
Telephone: (86) 512-6809-1810

(5) Taiwan subsidiary

Name: Ventec Electronics Corporation
Address: 10F., Gongye 5th Rd., Pingzhen Dist., Taoyuan City 324, Taiwan (R.O.C.)
Website: -
Telephone: (886) 3- 4195-901

(6) China subsidiaries

Name: Ventec Electronics (Suzhou) Co., Ltd.

Address: No. 308, Taishan Road, New District, Suzhou City, Jiangsu Province, China
215129

Website: -

Telephone: (86)512-6809-1810

Name: Ventec Electronics (Jiangyin) Co., Ltd.

Address: 73-1 Qingtong Road, Qingyang Town, Jiangyin, Jiangsu, P.R.C. 214403

Website: -

Telephone: (86) 510-8655-3456

Name: Ventec Electronics (Shenzhen) Co., Ltd.

Address: Chengguan INC., Qisan Rd, Shenzhen Export Processing Zone, Pingshan New District, Shenzhen, Guangdong, P.R.C. 518118

Website: -

Telephone: (86) 755-8398-9609

(7) Britain subsidiary

Name: Ventec Europe Limited

Address: Unit 1, Trojan Business Centre, Tachbrook Park Estate, Leamington Spa,
Warwickshire, CV34 6RH, United Kingdom

Website: -

Telephone: (44) 1926-423540

(8) Germany subsidiary

Name: Ventec Central Europe GmbH.

Address: Morschheimerstr, 15 D-67292 Kirchheimbolanden, Germany

Website: -

Telephone: (49) 6352-753260

(9) USA subsidiary

Name: Ventec USA LLC

Address: 311 South Highland Ave. Unit B, Fullerton, CA 92832, USA

Website: -

Telephone: (1) 714-7739621

3、Name, title, contact phone number, and e-mail address of the designated agent within the territory of the Republic of China

Name : Lao, Kai-Lu

Job title: Chairman of the Board

Telephone: (886) 3- 4195-901

Email: tonylau@ventec.com.cn

4、Name, Address, Website and Telephone of Stock Transfer Agency:

Name: Yuanta Securities Co., Ltd.

Website: <http://www.yuanta.com.tw>

Address: B1F., No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)

Telephone: +886-2-2586-5859

5、Most recent fiscal year financial report CPA's name, the CPA firm, address, website, and telephone number

Name of the accountants : Chen,Chun-Hung and Chien,Ming-Yen

Name of the firm: Deloitte & Touche

Website: <http://www.deloitte.com.tw>

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei, 11073, Taiwan

Telephone: (02) 2725-9988

6、Name of Overseas Securities Trading exchanges and methods for searching for overseas securities information: None.

7、The Company Website: <http://www.ventec-group.com>

8、List of Directors:

Job title	Name	Nationality	Main experience
Chairman	Top Master Limited	Samoa	Chairman of Ventec International Group Co.,Ltd. Chairman of Supreme Charger International Co., Ltd Chairman of Top Master Limite
	Representative: Lao, Kai- Lu	Taiwan	
Director	ACHEM Technology Corporation	Taiwan	Chief Financial Officer of YC Group
	Representative: Lin, Chien-Yu	Taiwan	
Director	Alpha Victor Limited	Samoa	Chairman of Good Things International Ltd. Chairman of Ten Mark Corporation
	Representative:: Wang, Yu-Tzu	Taiwan	
Director and CEO & General Manager	Chung, Chien- Jen	Taiwan	Manager of AICHEM Technology Corporation Chief Operating Officer for Asia of Ventec International Group Co.,Ltd. GM of Mainland China Business Group
Independent Director	Sheu, Yuan- Kuo	Taiwan	Legislator Assistant Professor, Risk Mangement And Insurance Department, Shih ChienUniversity
Independent Director	Chen, Tsung-Hsi	Taiwan	Assist of CSC Securities Ming Jong Technologies Finance Dep. Manager JSWAY Digital Technology Finance Dep. Director Tsung Fung CPA Office Executive CPA
Independent Director	Hou, Yu-Tau	Taiwan	Technical Marketing Director of Realtek Semiconductor Corp. Technical Marketing Director of SMC Corporation, Taiwan Branch Vice President Technical Marketing of Giantplus Technology Co., Ltd Vice President for Asia of ASTEC AGENCIES LTD Chief Operating Officer of Consulting Engineering Ltd.

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I. BUSINESS REPORT TO SHAREHOLDERS

Ladies and Gentlemen,

The summary of the Company's 2018 annual operating performance is as follows:

1.2018 Business Report

1.1 consolidated profit and loss comparison of operating results:

Unit: NT\$ thousands ,Except

Earnings Per Share

Year	2018	2017	Increase (decrease) Amount	Increase (decrease) ratio (%)
NET REVENUE	5,413,656	4,962,230	451,426	9.10%
COST OF REVENUE	4,067,705	3,711,603	356,102	9.59%
GROSS PROFIT	1,345,951	1,250,627	95,324	7.62%
OPERATING EXPENSES	858,511	736,897	121,614	16.50%
PROFITFROMOPERATIONS	487,440	513,730	(26,290)	(5.12)%
NON-OPERATING INCOME AND EXPENSES	12,689	(166,465)	179,154	(107.62)%
PROFIT BEFORE INCOME TAX	500,129	347,265	152,864	44.02%
INCOME TAX EXPENSE	94,865	48,945	45,920	93.82%
NET PROFIT FOR THE YEAR	405,264	298,320	106,944	35.85%
EARNINGS PER SHARE	6.75	5.40	1.35	25.00%

1.2. Budget execution: The Company did not publicly disclose any financial forecasts for 2018.

1.3. Summary of cash flow statements and analysis of profitability: In recent years, the sales volume has grown gradually. In 2018, a cash capital increase was carried out to raise working capital, enhance the current ratio, and improve the financial structure. Profitability has been improved and solvency is excellent.

1.4. Results of research and development: In response to the advent of 5G telecommunications technology, e-vehicles, and self-driving systems, the Company is firmly committed to the advancement of high-frequency and high-speed materials and high-end thermal interface materials with a heat conductivity coefficient of 7.0 or higher to solicit orders from large telecommunication manufacturers (e.g., Huawei, Zhongxing, Samsung, Ericsson, and Nokia), manufacturers of cloud computing and storage terminals (e.g., Google, HP, Dell, Inspur, AR/VR/ AI) and e-vehicle and self-driving system manufacturers. The projected approval and adoption of such products starting in the second half of 2019 is expected to contribute to the Company's revenues.

2、Summary of Year 2019 business plan

2.1. Operating strategy:

The Company continues its deep commitment to the copper clad laminate (CCL) industry and upholds the core values of innovation, teamwork, cooperation, and sharing. It is firmly dedicated to providing high-performance products and places high emphasis on excellent collaboration with customers, suppliers, employees, and shareholders. We provide visionary global supply chain solutions that encompass the process from the creation of samples to the adoption of new products and mass production. We aim to achieve high-standard management centered around the concepts of quality, speed, cost, and service and strive to satisfy market and customer demands in the fields of products and technologies with the ultimate goal of maximizing corporate values.

2.2. Expected Sales Volume and Its Basis:

The US-China trade conflicts and cut-throat competition in the high-tech industry have resulted in high market volatility. Based on a balanced development strategy characterized by a firm foothold in Asia and global deployment, customers are distributed evenly and strides have been made in the development of special materials. A constant increase in the field of certifications and order volume is expected to lead to continued growth in the area of production and marketing. The business philosophy of the Company mainly focuses on products with high profit margins (e.g., aluminum substrate, PI products, and diversified products in small quantities for US and European markets) rather than the pursuit of high output growth. Due to the constantly increasing aluminum substrate output and the launch of a whole series of 5G products, a balanced expansion of application areas and order volumes has been achieved.

2.3. Significant production and sales policies: :

Looking ahead to 2019, various factors including lingering protectionism, serious interference of politics into hi-tech industry development, increased economic volatility caused by post-Brexit effects, and the cooling down of the Chinese economy will cause uncertainty to pervade the global economy. Due to the pessimistic economic outlook in most countries in 2019, national governments are expected to adopt a large number of diversified public policies to provide economic stimulus and ease the burden of enterprises generating mixed reactions. Competitive pressures in the CCL industry will continue to persist. Against this backdrop, the Company has adopted the following development strategies:

(1) Marketing strategy:

- (A) Continued focus on products that require a high level of trust and certification and enhancement of product mixes and customer structure to increase profitability and alleviate competitive pressures.
- (B) Active development of new markets such as 5G, self-driving systems, and e-vehicles and new customers to spread out risks.
- (C) Establishment of long-term partnerships with customers and suppliers.

(2) Manufacturing policy:

- (A) Implementation of a policy of constant quality enhancements and increased investments in automated and smart manufacturing with the goal of cost reduction
- (B) Constant enhancement of teamwork, efficiency, and productivity of employees.

(3) Financial strategy:

More support from banks is available due to the recent approval of the listing application in Taiwan. In addition, capital increase may be conducted in line with business expansion needs to enhance the financial structure and make steady strides toward corporate sustainability provided that profitability remains unaffected.

3、Future corporate development strategy:

3.1. Marketing strategy:

- (1) Formation of strategic alliances with key clients to stabilize revenue sources and enhance competitiveness.
- (2) Establishment of diversified marketing channels for new products to spread risks and maximize profits.

3.2. Manufacturing policy: Cooperation with international manufacturers to raise technology standards.

3.3. R&D strategy:

- (1) In response to the imminent adoption of 5G and AI and gradual maturing of technologies required for smart applications for living spheres, the Company continues to develop high-end materials with high frequency and high speed characteristics.
- (2) Constant development of eco-friendly thermal interface materials in response to the rising power demands of energy-efficient lighting.
- (3) Development of new semiconductor substrates and packaging materials to satisfy the functional requirements of IC packaging with high density and integration characteristics as the main focus of future growth.

3.4. Financial strategy:

- (1) Acquisition of cheaper funding through full utilization of all financing tools available on capital markets as financial resources for Company operations.
- (2) Sound utilization of financial management tools to enhance capital utilization efficiency and create added value.

4、Impacts from External Competition, Laws and Regulations, and Macroeconomic Factors

4.1. External Competition:

The CCL industry is still facing the problem of excessive production capacities and constant competition between same-industry businesses. Price pressures persist in a climate of fierce market competition. Constant provision of products at highly competitive prices, a close rapport with clients, a clear understanding of customer demands, and rapid service provision are therefore key requirements. The provision of high-quality product and sales services helps minimize negative impacts of price competition. In addition, the Company continues to improve its competitive edge in the field of special materials in addition to optimization of its product mixes. The location of Corporate HQ in China which is characterized by market clusters and innovation ensures high market sensitivity. Ventec is

one of the few CCL manufacturers with a global outlook and a constantly improving competitiveness.

4.2. Laws and Regulations

The Company has acquired wastewater discharge and water pollutant discharge permits for its subsidiaries in China (VT SZ, VT JY, VT SZWT). The Taiwanese subsidiary (VT TW) has obtained toxic chemical registry and stationary source operation and setup permits and has established dedicated environmental protection units with relevant personnel. Soil and groundwater pollution remediation fees, stationary source fees, and air pollution control fees are paid in a timely manner. The Company places high emphasis on environmental issues and actively invests in environmental protection equipment. It meets all legal requirements and makes all necessary preparations to minimize uncertainty risks.

4.3. Macroeconomic Environment

- (1) Increasing raw material and manpower costs: Constant optimization of product mixes, active cultivation of exceptional talent for diverse fields, firm commitment to enhancement of employee work efficiency, maintenance of overall competitiveness, and maximization of economic benefits.
- (2) Rising trade protectionism: Constant focus on global deployment, close contact with global clients and suppliers, maintenance of market sensitivity, and reduction of business risks.
- (3) Brexit has led to an increased volatility of the European market. The Company has therefore strengthened the sales and technical teams of its German subsidiary to cope with the impact of Brexit on delivery efficiency and speed and mitigate unfavorable effects of Brexit.
- (4) The Company aims to further improve its financial health and minimize its financial risks through utilization of capital market competitiveness and search for medium- and long-term credit lines in Taiwan during listing review.

Sincerely,

Chairman: Lao, Kai-Lu

General Manager: Chung, Chien-Jen

Chief Financial Officer: Tu, Jennifer

II. COMPANY PROFILE

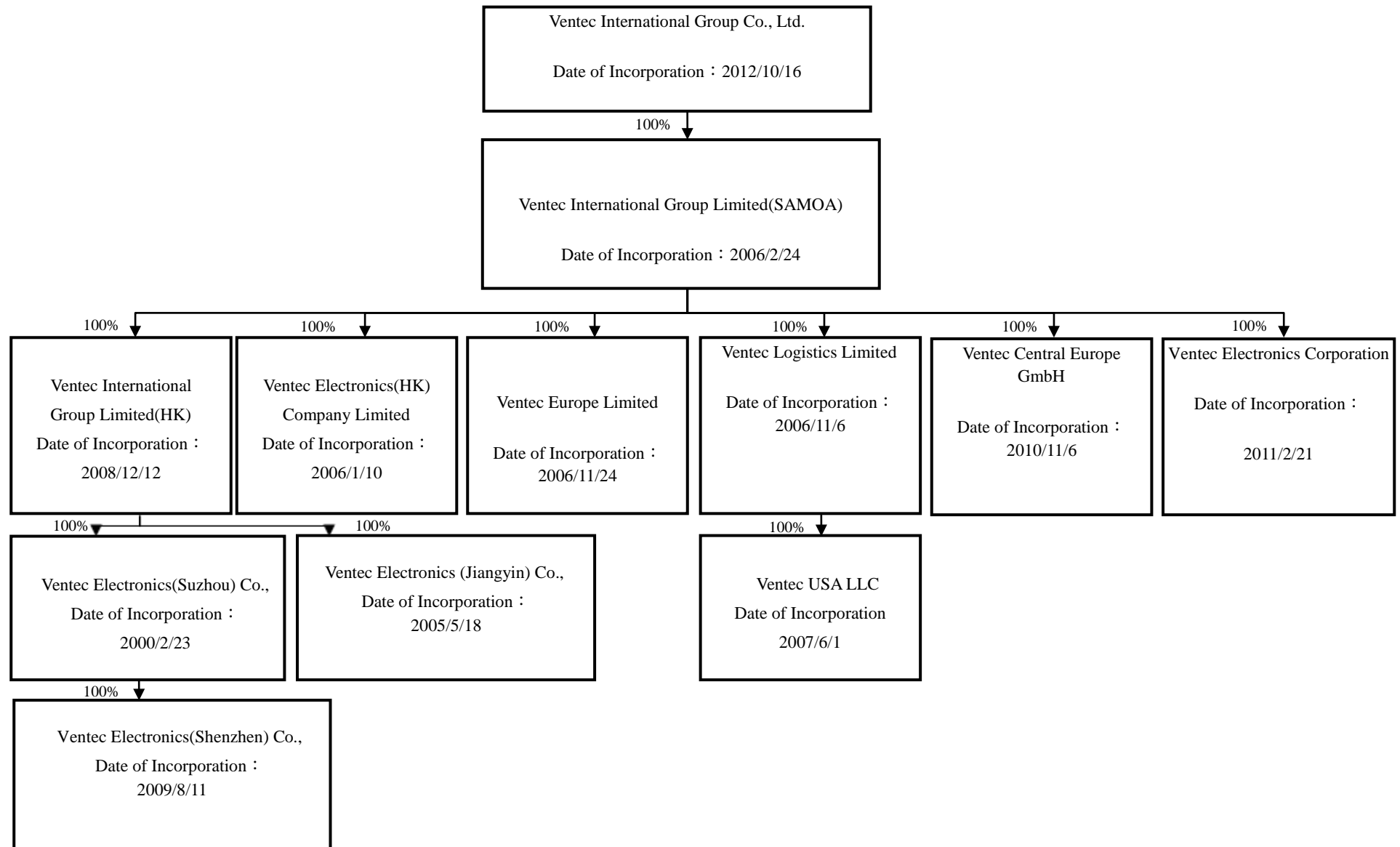
1、Date of incorporation:

Ventec International Group Co., Ltd. (the “Company”) was incorporated in the Cayman Islands on October 16, 2012. 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.

Subsidiaries Location and Business Content were as follows:

Company	Location	Business Content
Ventec International Group Limited(SAMOA) (VIG Samoa)	Samoa	General investment
Ventec International Group Limited(HK) (VIG HK)	Hong kong	General investment
Ventec Electronics (HK) Company Limited (VT HK)	Hong kong	General investment
Ventec Logistics Limited (VLL BVI)	British Virgin Islands	General investment
Ventec Electronics Corporation (VT TW)	Taiwan	Manufacture and sell of CCL, IMS and prepreg
Ventec Electronics (Suzhou) Co., Ltd. (VT SZ)	China	Research and development, manufacture and sell of CCL, IMS and prepreg
Ventec Electronics (Jiangyin) Co., (VT JY)	China	Manufacture and sell of CCL, IMS and prepreg
Ventec Electronics(Shenzhen) Co., (VT SZWT)	China	Manufacture and sell of CCL, IMS and prepreg
Ventec Europe Limited (VT UK)	Britain	Sell of CCL, IMS and prepreg
Ventec USA LLC (VT US)	USA	Sell of CCL, IMS and prepreg
Ventec Central Europe GmbH. (VT DE)	Germany	Sell of CCL, IMS and prepreg

2、Structure of the company



3、 Company History

Year	Company and Group History
2000	Establishment of Ventec Electronics (Suzhou) Co., Ltd. in the Gaoxin District, Suzhou City with Promax Investments Limited as the offshore holding company. The plant located on Xiangyang Rd, Gaoxin District, Suzhou City specializes in the manufacture of CCL and prepreg.
2005	Established Ventec Electronics (Jiangyin) Co.,
2006	Established Ventec Electronics(HK) Company Limited
2006	Established Ventec International Group Limited(SAMOA)
2006	Established Ventec Logistics Limited
2006	Established Ventec Europe Limited
2007	Corporate reorganization – Acquisition of 97.5% of the equity of Ventec Electronics (Suzhou) Co., Ltd. by Ventec International Group Limited(SAMOA)
2007	Established Ventec USA LLC
2007	Acquisition of 67,292.5 M ² of land on Taishan Rd., Gaoxin Dist.,Suzhou City for the construction of the Taishan plant
2008	Established Ventec International Group Limited(HK)
2008	Official commissioning of the plant located on Taishan Road, Gaoxin Dist., Suzhou City Acquisition of the ISO9001 Quality Management System Certification by the Suzhou Plant Initiation of the development of aluminum substrate by the Suzhou Plant PI(Polyimide) products pass UL certification – mass production initiated
2009	Established Ventec Electronics(Shenzhen) Co.,
2009	Aluminum substrate passes UL certification – mass production initiated PI(Polyimide) products approved by NASA and Boeing – expansion into the aerospace industry
2010	Established Ventec Central Europe GmbH
2011	Establishment of Ventec Electronics Co., Ltd. – monthly output of CCL exceeds 900,000 units
2012	Corporate reorganization – Equity swap between the newly established Ventec International Group Co.,Ltd.and Ventec International Group Limited (SAMOA); paid-in capital of NT\$ 450 million
2012	Acquisition of land and plant ownership rights by Ventec Electronics Co., Ltd.
2012	Acquisition of the AS 9100C Aerospace Industry Quality Management

Year	Company and Group History
	System certification for CCL and prepeg and approval of the use of aluminum substrate manufactured by the Suzhou Plant for automotive power control units by BMW and BYD
2013	Conclusion of an Agreement Governing Compensation for the Purchase of State-Owned Land Usage Rights in line with the service sector promotion policy for the Gaoxin District in Suzhou City; planned transfer of the land of the Xiangyang Plant to the government and expansion of the Taishan Plant
2014	Ventec International Group Limited(HK) acquires 2.5% of the equity of Ventec Electronics (Suzhou) Co., Ltd. from Suzhou New District Economic Development Group Corporation, turning the company into a full subsidiary of the group. Acquisition of the IECQ (Quality Assessment System for Electronic Components) certification by Ventec Electronics (Suzhou) Co., Ltd. Official approval of MCPCB materials by Valeo, a French global automotive supplier; utilization of end products for LED headlights of numerous high-end models manufactured by Mercedes Benz, Maserati, Volvo etc. Official approval of PI (Polyimide) products by the European Space Agency
2016	Acquisition of 100% of the equity of Kaiyin Electronic Material Co., Ltd. and the land and ownership rights to the Jiangyin Plant by Ventec Electronics (Jiangyin) Co., Ltd.
2016	Completion of Taishan Plant expansion project and official transfer of the Xiangyang Plant usage rights to the local government
2016	Cash capital increase by Ventec International Group Co., Ltd. in February; share capital increased to NT\$ 484,306,000
2016	Exercise of employee stock options in December; share capital increased to NT\$ 514,191,000
2017	Cash capital increase in March; share capital increased to NT\$ 544,126,000
2017	Cash capital increase in May; share capital increased to NT\$ 561,143,000
2017	Exercise of employee stock options in October; share capital increased to NT\$ 586,143,000
2017	Official approval of aluminum substrate by Shanghai Edrive Co., Ltd. and Kostal OBC, a German automotive part manufacturer; expansion into the new energy vehicle industry

Year	Company and Group History
2017	Share offering by Ventec International Group Co., Ltd.in Taiwan upon approval by the Securities and Futures Bureau
2018	Emerging stock market registration of Ventec International Group Co., Ltd. shares in Taiwan
2018	UL certification of high-frequency materials for 5G applications
2018	CUL (Canada) certification of aluminum substrate and high-TG materials
2018	Cash capital increase in October; share capital increased to NT\$ 646,143,000
2018	Development of high-TG,high-modulus, and highly reliable carrier materials for 5G smartphones and various high-end mobile handheld devices.
2018	Development of halogen-free CTI400 materials
2018	Initiation of trial production of ULL (ultra low loss) materials for 5G applications

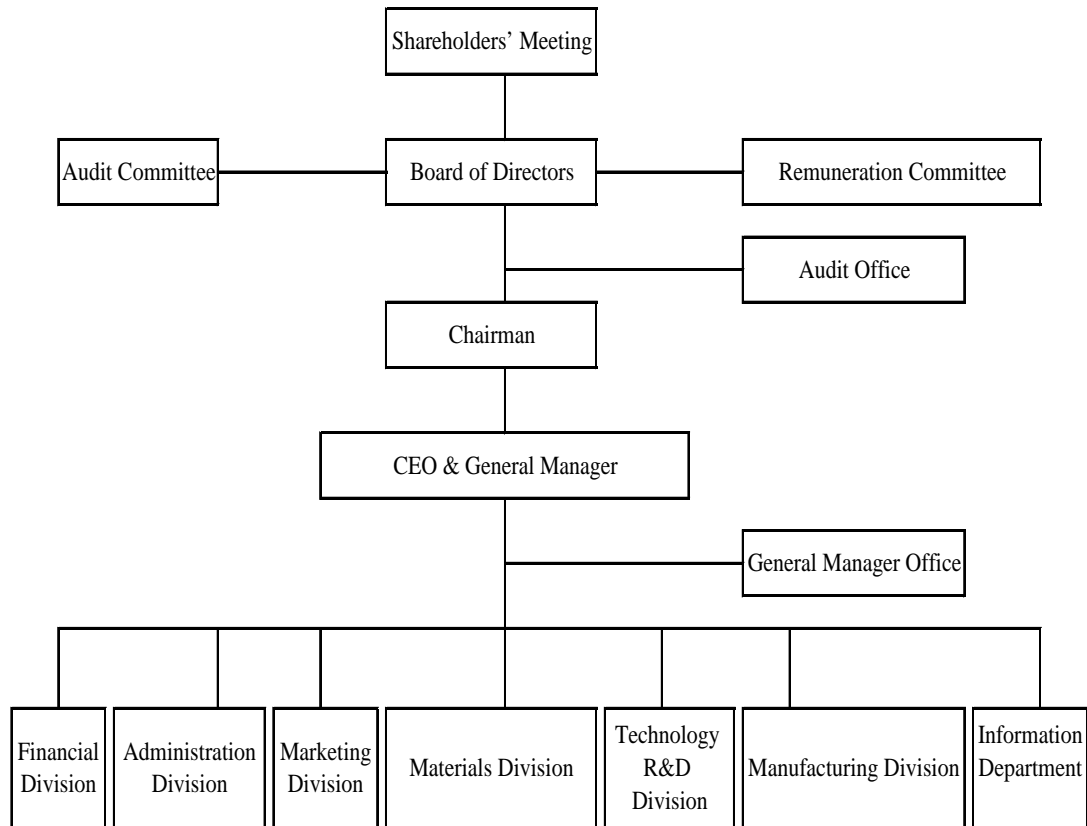
4.Assessment of Risks:

Please refer to Chapter VII. Discussion and Analysis of Financial Standing and Financial Performance and Risks of this annual report.

III. CORPORATE GOVERNANCE REPORT

1.Organization

1.1 Organization Chart



1.2 Affairs In Charge For Each Major Department

Principal Departments	Business Operations
Board Of Directors	Execution of resolutions adopted by shareholders' meetings and decisions on business plans and investment schemes of the Company within the scope authorized by shareholders' meetings
Remuneration Committee	Formulation and regular review of director and manager performance assessment and remuneration policies, systems, standards, and mechanisms; regular assessment and determination of director and manager remuneration contents and amounts and provision of recommendations to the board.
Audit Committee	Monitoring of group operations and finances, preparation of adequate financial statements, and effective implementation of the internal control system

Principal Departments	Business Operations
CEO & General Manager	Establishment of a sound group management system and organizational structure, execution of board resolutions, centralized management of company matters, and realization of group management and development goals
Audit Office	Carrying out of various auditing operations, assessment and execution of the internal control system, offering of suggestions for improvement, and constant tracking of improvement progress
Financial Division	Carrying out of accounting operations, formulation and execution of accounting policies and systems, and financial planning and funding
Administration Division	Human resource management, administrative and legal affairs, ethical corporate management, environmental protection, public security, and labor health and safety
Marketing Division	Sale of the Company's products on global markets, collection of market and customer information
Materials Division	Internal departmental planning, control of production and material progress, handling of abnormalities in the production progress, and tracking of processes and progress pertaining to new products
Technology R&D Division	<p>1. Product development and adoption, collection and management of information pertaining to the product development process, development and analysis of new formula, process analysis and improvement, testing, verification, and guidance for customer products, submission of reports on product feedback and improvement initiatives</p> <p>2. Planning operations for the QA Department, new product risk assessment, process design and reliability verification, supervision of the handling of quality issues, ISO system maintenance and implementation, and supervision of lab operations</p> <p>3. Management and maintenance of department equipment and facilities</p>
Manufacturing Division	Handling of manufacturing related matters
Information Department	Overall planning, implementation, and control of computer operations and planning and management of IT hard- and software

2. Background Information on Directors, Supervisors, General Managers, Vice General Managers, Assistant Managers
and Heads of Various Departments and Branches

2.1 Board Directors and Supervisors

(1) Information on board directors

2019/4/20; Unit: Thousand; shares; %

Title	Name	Gender	Nationality or Registration Place	Date First Elected	Date Elected	Term (Years)	Shareholding when elected		Current shareholding		Spouse & Minor Shareholding		Shares held in the name of others		Experience (Education)	Current jobs with the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Chairman	Top Master Limited	-	Samoa	2017.6.16	2018.6.19	3	4,495,307	8.01	4,713,307	6.67	-	-	-	-	-	-	-	-	-
	Lao, Kai-Lu	Male	Taiwan				-	-	-	-	-	-	4,713,307 (Note1)	6.67	Department of International Trade, Tamsui Institute of Business Administration	Director of Ventec International Group Limited (SAMOA). Director of Ventec International Group Limited.(HK) Director of Ventec Electronics (Suzhou) Co., Ltd. Director of Ventec Electronics (Shenzhen) Co., Ltd. Director of Ventec Electronics (Jiangyin) Co., Ltd. Director of Ventec Electronics(HK) Company Director of Limited Ventec Logistics Limited Director of Ventec USA LLC Director of Ventec Europe Limited Director of Ventec Electronics Corporation Chairman of Supreme Charger International Co., Ltd Chairman of Top Master Limite	-	-	-
Director	ACHEM Technology Corporation	-	Taiwan	2013.8.1	2018.6.19	3	5,842,971	10.41	5,002,971	7.08	-	-	-	-	-	-	-	-	-

Title	Name	Gender	Nationality or Registration Place	Date First Elected	Date Elected	Term (Years)	Shareholding when elected		Current shareholding		Spouse & Minor Shareholding		Shares held in the name of others		Experience (Education)	Current jobs with the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
	Lin, Chien-Yu	Male	Taiwan				—	—	—	—	—	—	—	—	Master's degree, Graduate Institute of Money and Banking, Drexel University	Chief Financial Officer of YC Group	—	—	—
Director	Alpha Victor Limited	-	Samoa				4,090,908	7.29	4,090,908	5.79	—	—	—	—	—	—	—	—	—
	Wang, Yu-Tzu	Male	Taiwan	2017.6.16	2018.6.19	3	—	—	—	—	—	—	4,090,908 (Note 2)	5.79	Department of International Trade, Fu Jen Catholic University Chairman of Good Things International Ltd. Chairman of Ten Mark Corporation	Director of Ventec International Group Limited (HK) Director of Alpha Victor Limited Chairman of Good Things International Ltd. Chairman of Ten Mark Corporation	—	—	—
Director	Chung, Chien-Jen	Male	Taiwan	2012.10.16	2018.6.19	3	1,114,623	1.99	1,359,623	1.92	128,848	0.18	—	—	Department of Chemical Engineering, Tunghai University Manager of ACHEM Technology Corporation Chief Operating Officer for Asia of Ventec International Group Co., Ltd. GM of Mainland China Business Group	Director and CEO & General Manager of Ventec International Group Co., Ltd. Director of Ventec Electronics (HK) Company Limited Director of Ventec Logistics Limited Director of Ventec Electronics Corporation Director and CEO & General Manager of Ventec Europe Limited	—	—	—
Independent director	Sheu, Yuan-Kuo-	Male	Taiwan	2018.6.19	2018.6.19	3	—	—	—	—	—	—	—	—	Doctor of Law, South Carolina State University Master's degree, Graduate Institute of Law, Tulane University Department of Law, Soochow University Legislator Assistant Professor, Risk Management And Insurance Department, Shih Chien University	Assistant Professor, Risk Management And Insurance Department, Shih Chien University	—	—	—

Title	Name	Gender	Nationality or Registration Place	Date First Elected	Date Elected	Term (Years)	Shareholding when elected		Current shareholding		Spouse & Minor Shareholding		Shares held in the name of others		Experience (Education)	Current jobs with the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Independent director	Chen, Tsung-Hsi	Male	Taiwan	2018.6.19	2018.6.19	3	—	—	—	—	—	—	—	—	Department of Accounting, Fu Jen Catholic University Master's degree, Graduate Institute of Accounting in-Service Master's Program, Taipei University Assist of CSC Securities Ming Jong Technologies Finance Dep. Manager JSWAY Digital Technology Finance Dep. Director Tsung Fung CPA Office Executive CPA	Tsung Fung CPA Office Executive CPA	—	—	—
Independent director	Hou, Yu-Tau	Male	Taiwan	2018.6.19	2018.6.19	3	—	—	—	—	—	—	—	—	Master's degree, Graduate Institute of Engineering, Brown University Technical Marketing Director of Realtek Semiconductor Corp. Technical Marketing Director of SMC Corporation, Taiwan Branch Vice President Technical Marketing of Giantplus Technology Co., Ltd Vice President for Asia of ASTEC AGENCIES LTD. Chief Operating Officer of Consulting Engineering Ltd.	Chief Operating Officer of Consulting Engineering Ltd.	—	—	—

Note1: Board Director, Lao Kai Lu, owns 100% of Top Master Limited .

Note 2: Board Director, Wang Yu Tzu owns 100% of Alpha Victor Limited.

(2) Major shareholders of Ventec's Directors are institutional shareholders

2019/4/22

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
ACHEM Technology Corporation	Yem Chio Co.,Ltd (100%)
Top Master Limited	Lao, Kai-Lu (100%)
Alpha Victor Limited	Wang, Yu-Tzu (100%)

(3) Major shareholders of the major shareholders that are juridical persons

2019/4/22

Name of Juridical Persons	Major Shareholders of the Juridical Persons
Yem Chio Co.,Ltd	Ying Chung Co., Ltd. (7.64%), Ings Chyung International Co., Ltd. (7.12%), Asia Plastics Co., Ltd. (7.01%), Li, Chih-Hsien (5.88%), Cheng Yang-Chun (4.15%), Yem Chio (BVI) Co., Ltd. investment account in custody of Mega International Commercial Bank (3.00%), Hohsieh Investments Ltd. (2.11%), Dimension Emerging Market Estimate Fund investment account in custody of CitibankTaiwan (1.02%), Liu, Hung-Jun (1.02%), Li, Shu-Wei (0.96%)

(4) Board Directors' and Supervisors' Information

Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence criteria (Note)										Number of other public companies in which the individual is concurrently serving as an independent director
	An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination been awarded a certificate in a profession necessary for the business of the Company	Have work Experience in the areas of commerce, law, finance, or accounting or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Top Master Limited Representative: Lao, Kai-Lu			✓				✓		✓		✓	✓		--
ACHEM Technology Corporation Representative: Lin, Chien-Yu			✓	✓	✓		✓		✓	✓	✓	✓		--
Alpha Victor Limited Representative: Wang, Yu- Tzu			✓	✓			✓		✓	✓	✓	✓		--
Chung, Chien-Jen			✓				✓	✓	✓	✓	✓	✓	✓	--
Sheu, Yuan-Kuo	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	--
Chen, Tsung-Hsi		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	--
Hou, Yu-Tau			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	--

Note: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office :

- (a) Not an employee of the Company or any of its affiliates;
- (b) Not a director or supervisor of the Company or any of its affiliates (the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary in which the Company holds, directly and indirectly, more than 50% of the voting shares).
- (c) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (d) Not a spouse, relative within second degree of kinship, or lineal relative within fifth degree of kinship of any of the persons in the preceding three paragraphs.
- (e) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.
- (f) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- (g) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, members who exercise their duties in accordance with Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (h) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.
- (i) Not having a person of any conditions defined in Article 30 of the Company Law.
- (j) Not a governmental, juristic person, or its representative as defined in Article 27 of the Company Law.

2.2 President, Vice Presidents, Assistant Vice Presidents, and Chiefs of Units and Branches

2019/4/20; Unit: Shares, %

Title	Name	Gender	Nationality	Date Effective	Shareholding		Shareholding of Spouse&Minor Children		Other Positions and Other Companies		Curriculumvitae	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship			Employee Stock Options
					Share	(%)	Share	(%)	Share	(%)			Title	Name	Relationship	
CEO & General Manager	Chung, Chien-Jen	Male	Taiwan	2000.02	1,359,623	1.92	128,848	0.18	-	-	Department of Chemical Engineering, Tunghai University Manager of AICHEM Technology Corporation Chief Operating Officer for Asia of Ventec International Group Co.,Ltd. GM of Mainland China Business Group	Director and CEO & General Manager of Ventec International Group Co.,Ltd. Director of Ventec Electronics(HK) Company Limited Director of Ventec Logistics Limited Director of Ventec Electronics Corporation Director and CEO & General Manager of Ventec Europe Limited	-	-	-	535,000
Vice GM of Oversea Company	Mark Ian Goodwin	Male	Britain;	2007.02	150,000	0.21	342,605 (Note)	0.48	-	-	The Open University Professional Diploma In Management Isola Group Sales Manager UK and Ireland IsolaGroup Commercial Manager BTR UK Sales Director Vente International Group General Manager Europe Ventec International Group Chief Operating Officer	Director of Ventec Europe Limited Director of Ventec Central Europe GmbH	-	-	-	300,000
Chief Financial Officer	Tu, Jennifer	female	Taiwan	2018.07	-	-	-	-	-	-	University of Illinois Urbana-Champaign MSA Department of Accounting, National Taiwan University Audit Assistant of Deloitte & Touche Asia Pacific Operations Management Finance Manager,	Supervisor of of Ventec Electronics Corporation	-	-	-	-

Title	Name	Gender	Nationality	Date Effective	Shareholding		Shareholding of Spouse&Minor Children		Other Positions and Other Companies		Curriculumvitae	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship			Employee Stock Options
					Share	(%)	Share	(%)	Share	(%)			Title	Name	Relationship	
											China Regional Finance Manager, Operations Analysis Finance Manager of Fletcher Building NZ Chief Financial Officer of DR.WU SKINCARE CO., LTD					
Chief Audit Officer	Chou, Hung-Kung (Note)	Male	Taiwan	2019.05	12,000	0.02	-	-	-	-	Department of Accounting, Tamkang University Semi-Senior of Deloitte & Touche Audit Assistant of Deloitte & Touche Chief Audit Officer of For Land Auto Trade Holding Co. Ltd.	-	-	-	-	-

(Note): As of May 13, 2019, Mr. Chou, Hung-Kung serves as chief audit officer replacing Ms. Li, Yi-Tien due to personnel adjustment as per board approval.

3、Remunerations paid to directors, supervisors, general managers and vice general managers in recent years

3.1 Remuneration of directors (including independent directors)

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary	
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)							
		The company	All companies in the consolidated financial	The company	All companies in the consolidated financial	The company	All companies in the consolidated financial	The company	All companies in the consolidated financial	The company	All companies in the consolidated financial	The company	All companies in the consolidated financial	The company	All companies in the consolidated financial	The company		All companies in the consolidated financial		The company	All companies in the consolidated financial		
Chairman	Top Master Limited	-	-	-	-	5,478	5,478	114	114	-	1.38	9,018	11,582	-	-	3,484	-	3,484	-	-	5.09	-	
	Representative :LAO, Kai- Lu																						
Director	ACHEM Technology Corporation																						
	Representative: Lin,Chien-Yu																						
Director	Alpha Victor Limited																						
	Representative: Wang, Yu-Tzu																						
Director	Chang, Kuo- Chao (NOTE 1)																						
Director	Chung, Chien-Jen																						
Director	Elite Gain International Limited (NOTE1)																						
	Representative: Pai Yu Li																						
Director	Prime Mission Limited																						

	(NOTE 1) Representative: Wang , Chien Kuo																					
Independent Director	Sheu, Yuan-Kuo																					
Independent Director	Chen, Tsung-His (NOTE 2)																					
Independent Director	Hou,Yu-Tau (NOTE 2)																					

NOTE 1: Resignation prior to the election of a new board by the shareholders' meeting on June 19, 201

NOTE 2: Appointment following the election of a new board by the shareholders' meeting on June 19, 2018

Table of range of remuneration

Range of Remuneration Paid to Each Director	Name of Director			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated Financial statements (I)	The company	Companies in the consolidated Financial statements (J)
<\$2,000,000	Top Master Limited (Representative: Lao, Kai- Lu)、 ACHEM Technology Corporation (Representative: Lin, Chien- Yu)、 Alpha Victor Limited (Representative: Wang, Yu- Tzu)、 Chang, Kuo-Chao、 Chung, Chien-Jen、 Elite Gain International Limited (Representative: Pai, Yu-Li)、 Prime Mission Limited (Representative: Wang, Chien- Kuo)、 Sheu, Yuan-Kuo、 Chen, Tsung-Hsi、 Hou, Yu-Tau	Top Master Limited (Representative: Lao, Kai- Lu)、 ACHEM Technology Corporation (Representative: Lin, Chien- Yu)、 Alpha Victor Limited (Representative: Wang, Yu- Tzu)、 Chang, Kuo-Chao、 Chung, Chien-Jen、 Elite Gain International Limited (Representative: Pai, Yu-Li)、 Prime Mission Limited (Representative: Wang, Chien- Kuo)、 Sheu, Yuan-Kuo、 Chen, Tsung-Hsi、 Hou, Yu-Tau	ACHEM Technology Corporation (Representative: Lin, Chien- Yu)、 Alpha Victor Limited (Representative: Wang, Yu- Tzu)、 Chang, Kuo-Chao、 Chung, Chien-Jen、 Elite Gain International Limited (Representative: Pai, Yu-Li)、 Prime Mission Limited (Representative: Wang, Chien- Kuo)、 Sheu, Yuan-Kuo、 Chen, Tsung-Hsi、 Hou, Yu-Tau	ACHEM Technology Corporation (Representative: Lin, Chien- Yu)、 Alpha Victor Limited (Representative: Wang, Yu- Tzu)、 Chang, Kuo-Chao、 Chung, Chien-Jen、 Elite Gain International Limited (Representative: Pai, Yu-Li)、 Prime Mission Limited (Representative: Wang, Chien- Kuo)、 Sheu, Yuan-Kuo、 Chen, Tsung-Hsi、 Hou, Yu-Tau
\$2,000,000 元～<\$5,000,000	-	-	-	-
\$5,000,000～<\$10,000,000	-	-	Top Master Limited (Representative: Lao, Kai- Lu) (Note2)、 Chung Chien-Jen	Top Master Limited (Representative: Lao, Kai- Lu) (Note2)、 Chung Chien-Jen
\$10,000,000～<\$15,000,000	-	-	-	-
\$15,000,000～<\$30,000,000	-	-	-	-
\$30,000,000～<\$50,000,000	-	-	-	-
\$50,000,000～<\$100,000,000	-	-	-	-
\$100,000,000 or higher	-	-	-	-
Total	10 persons	10 persons	10 persons	10 persons

Note 1: Director names shall be listed separately (for institutional shareholders, names and representatives shall be listed separately) and payable amounts shall be presented in summarized form. Where directors concurrently serve as Presidents or Vice Presidents, they shall be listed in this table and the respective table below.

Note 2: On July 19, 2018, the promotion of Mr. Chung, Chien-Jen from president to CEO as a replacement for Mr. Lao, Kai-Lu due to personnel adjustment was approved by the board

3.2 Remuneration of supervisors:

Unit:NT\$ thousands

Title	Name	Remuneration of supervisors						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Remuneration (A)		Remuneration Of Retained Earnings (B)		Allowances (C)				
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
supervisor	Chien, Ju- Liang (Note1)	609	609	-	-	4	4	-	0.15	-
supervisor	Hsien, Wei-Cheng (Note1)	304	304	-	-	-	-	-	0.08	-

Note 1: Resignation prior to the election of a new board by the shareholders' meeting on June 19, 2018

Table of range of remuneration

Range of Remuneration Paid to supervisors	Name of supervisors	
	Total (A+B+C)	
	The company	Companies in the consolidated Financial statements D
<\$2,000,000	Chien, Ju- Liang、 Hsien, Wei- Cheng	Chien ,Ju- Liang、 Hsien ,Wei- Cheng
\$2,000,000 元 ~ <\$5,000,000	-	-
\$5,000,000 ~ <\$10,000,000	-	-
\$10,000,000 ~ <\$15,000,000	-	-
\$15,000,000 ~ <\$30,000,000	-	-
\$30,000,000 ~ <\$50,000,000	-	-
\$50,000,000 ~ <\$100,000,000	-	-
\$100,000,000 or higher	-	-
Total	2 persons	2 persons

3.3 Remuneration paid to President, Senior Vice President, and Vice President

Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonus and allowance (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D)to net income (%)		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidate d financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the Consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman	Lao, Kai- Lu (Note 1)	8,358	19,088	-	-	2,396	3,237	4,387	-	4,387	-	-	6.59	-
CEO & General Manager	Chung, Chien-Jen (Note 3)													
Vice GM of Oversea Company	MarkIan Goodwin													
Chief Financial Officer	Wang, Shiao-Jong (Note 2)													
Chief Financial Officer	Tu,Jennifer (Note 2)													

Note1: On July 19, 2018, the promotion of Mr. Chung, Chien-Jen from GM to CEO as a replacement for Mr. Lao, Kai-Lu due to personnel adjustment was approved by the board.

Note 2: On June 5, 2018, Ms. Jennifer Tu, Special Assistant to the Chairman, was appointed as interim CFO. On July 19, 2018, Ms. Tu was officially appointed CFO as per board approval.

Note 3: On January 18, 2019, Mr. Wang Cho was promoted from Director of the Technology Division to R&D Supervisor as a replacement for Mr. Chung, Chien-Jen due to personnel adjustment.

Table of range of remuneration

Bracket of compensation to respective president or vice president	Names of Presidents and Vice Presidents	
	The company	Companies in the consolidated financial statements
<\$2,000,000	Wang, Shiao-Jong 、 Tu, Jennifer	-
\$2,000,000～<\$5,000,000	-	Wang, Shiao-Jong 、 Tu, Jennifer
\$5,000,000～<\$10,000,000	Lao, Kai- Lu 、 Chung,Chien-Jen	Lao, Kai- Lu 、 Chung,Chien-Jen 、 Mark Ian Goodwin
\$10,000,000～<\$15,000,000	-	-
\$15,000,000～<\$30,000,000	-	-
\$30,000,000～<\$50,000,000	-	-
\$50,000,000～<\$100,000,000	-	-
\$100,000,000 or higher	-	-
Total	4 persons	5 persons

3.4 Names of managers determining employees' compensation and distribution status

Unit: NT\$ thousands

	Title	Name	Stock (Fair Market Value)	Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Chairman	LA,O Kai- Lu (Note1)	-	4,387	4,387	1.08
	CEO & General Manager	Chung,Chien- Jen (Note 3)				
	Vice GM of Oversea Company	Mark Ian Goodwin				
	Chief Financial Officer	Wang, Shiao-Jong (Note 2)				
	Chief Financial Officer	Tu, Jennifer (Note 2)				

Note 1: On July 19, 2018, the promotion of Mr. Chung, Chien-Jen from GM to CEO was approved by the board

Note 2: On June 5, 2018, Ms. Jennifer Tu, Special Assistant to the Chairman, was appointed as interim CFO. On July 19, 2018, Ms. Tu was officially appointed CFO as per board approval.

Note3: On January 18, 2019, Mr. Wang Cho was promoted from Director of the Technology Division to R&D Supervisor due to personnel adjustment

3.5 Provide a comparative explanation and analysis for total remuneration paid to the Company' Directors, Supervisors, Presidents, and Vice Presidents in the most recent two years as a percentage of net income after tax (NIAT) of any entity or individual financial statements as stated in the Company's financial statements and consolidated financial statements, and the effects of the remuneration policy, standards, and combinations, the processes and procedures for determination of remuneration, and relation to operational efficacy and future risks.

- (1) The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Unit: NT\$ thousands; %

Item	2017		2018	
	The company	All companies listed in this consolidate	The company	All companies listed in this consolidate
Directors	1,870	1,870	5,478	5,478
Ratio of total remuneration paid to directors	-	0.63	-	1.03
Supervisors	203	203	917	917
Ratio of total remuneration paid to supervisors	-	0.07	-	0.23
Presidents and Vice Presidents	18,534	31,704	15,141	26,712
Ratio of total remuneration paid to presidents and vice Presidents	-	10.63	-	6.59

- (2) The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

(a) Directors and Supervisors

The Company has already established a Remuneration Committee, which is responsible for establishing and periodically reviewing Directors' and managers' performance efficacy and salary compensation and remuneration policies, system, standards and structure, while concomitantly evaluating and determining Director and manager salaries and remuneration. As for Directors' remuneration, it is determined in accordance with the position held in the Company and the extent of participation and relative value of contributions to the Company's operations.

(b) Presidents and Vice Presidents

The remuneration of the President is determined in accordance with the position, in light of the extent of contributions to the Company and comparable industry standards, and in conformity with the Company's human relations provisions.

4、Corporate Governance:

4.1 Board Meetings' Implementation Status:

A total of 11 meetings of the board of directors were held in 2018. Director attendance was as follows:

Title	Name	Times actually attending (B)	Times in Attendance by Proxy	Actual Attendance rate(%) (B/A) (Note)	Remarks
Chairman	Top Master Limited Representative: Lao, Kai- Lu	11	0	100.00%	The election for the Board was held on July 16, 2017 and was eligible for reappointment on July 19, 2018.
Director	Chung, Chien- Jen	11	0	100.00%	The election for the Board was held on July 16, 2017 and was eligible for reappointment on July 19, 2018.
Director	Alpha Victor Limited Representative: : Wang, Yu-Tzu	9	2	81.82%	The election for the Board was held on July 16, 2017 and was eligible for reappointment on July 19, 2018.
Director	ACHEM Technology Corporation Representative: Lin, Chien-Yu	6	5	54.55%	The election for the Board was held on July 16, 2017 and was eligible for reappointment on July 19, 2018.
Independent Director	Sheu, Yuan- Kuo	10	1	90.91%	The election for the Board was held on July 19, 2018.
Independent Director	Hou, Yu-Tau	11	0	100.00%	The election for the Board was held on July 19, 2018.
Independent Director	Chen, Tsung-Hsi	11	0	100.00%	The election for the Board was held on July 19, 2018.

Other required disclosure:

A (a) Items listed in Article 14-3 of the Securities and Exchange Act:

Date	Period	Contents of motions	All independents directors' opinion and the Company's response to independent directors' opinion
2018/7/19	4-3	Endorsement/guarantee for the subsidiary Ventec Electronics Co., Ltd.	Approved by all independent directors in attendance
		Appointment of a new CFO and acting spokesperson and compensation approval	
		Appointment of a new Chief Audit Officer	
2018/8/6	4-4	Approval of endorsement/guarantee for Ventec Electronics (Suzhou) Co., Ltd.	Approved by all

		Approval of the 2018 internal control review report and internal control statement	independent directors in attendance
2018/9/27	4-5	Amendment of the Regulations Governing Making of Endorsements/Guarantees and Lending of Funds to Other Parties and the Procedures Governing the Acquisition and Disposal of Assets	Approved by all independent directors in attendance
		Amendment of the internal control system	
		Amendment of the Internal Control System and Management Guidelines for Subsidiaries	
		Approval of endorsement/guarantee for Ventec Electronics (HK) Company Limited	
		Endorsement/guarantee for loan from financial institution	
2018/10/19	4-6	Planned cash capital increase for for the overseas subsidiaries Ventec International Group Limited (hereinafter referred to as VIG Samoa), Ventec Logistic Limited (hereinafter referred to as VLL) and Ventec USA LLC(hereinafter referred to as VTUS)	Approved by all independent directors in attendance
2018/12/19	4-9	Prohibition of Lending of Funds to Other Parties and making of endorsements/guarantees by 4 overseas subsidiaries	Approved by all independent directors in attendance
		2018 IPO and cash capital increase through issuance of new shares	
2019/3/11	4-10	Amendment of the Procedures Governing the Acquisition and Disposal of Assets	Approved by all independent directors in attendance
		Amendment of the Procedures Governing the Acquisition and Disposal of Assets by subsidiaries	
		Provision of an endorsement/guarantee for Ventec Electronics (Suzhou) Co., Ltd. by the subsidiaries Ventec Electronics (Jiangyin) Co., Ltd. and Ventec Electronics (Shenzhen) Co., Ltd.	
		Credit line renewal for the subsidiary Ventec Electronics (HK) Co., Ltd. at Taishin Bank Taipei	
		Credit line renewal for the subsidiary Ventec Electronics (Suzhou) Co., Ltd. and Ventec Electronics Co., Ltd. at Citibank	
		Credit line renewal for the subsidiary Ventec Electronics (Suzhou) Co., Ltd. at Shanghai Bank, Suzhou Xinqu Branch	
		Report on derivative transactions	
2019/5/13/	4-10	Appointment of Chief Audit Officer	Approved by all independent directors in attendance
		Amendment of the Procedures Governing Endorsements/Guarantees and the Regulations	

		Governing Lending of Funds to Other Parties	attendance
		Amendment of the Procedures Governing Endorsements/Guarantees and the Regulations Governing Lending of Funds to Other Parties by the Group's subsidiaries Ventec International Group Limited(SAMOA), Ventec International Group Limited(HK), Ventec Electronics (HK) Company Limited, Ventec Electronics Co., Ltd., Ventec Electronics (Suzhou) Co., Ltd., Ventec Electronics (Jiangyin) Co., Ltd., and Ventec Electronics (Shenzhen) Co., Ltd.	
		Approval of provision of an endorsement/guarantee by the Company for the subsidiary Ventec Electronics (HK) Co., Ltd.	
		Credit line renewal for the subsidiary Ventec Electronics (HK) Co., Ltd. at Shanghai Commercial Bank	
		Extension of loans to Ventec Electronics (HK) Co., Ltd., Ventec International Group Limited(SAMOA), and Ventec Logistics Limited	
		Credit line renewal for the subsidiary Ventec Europe Ltd at HSBC Bank Plc	
		Planned cash capital increase for Ventec International Group Limited (hereinafter referred to as VIG Samoa)	

(b) Other than the matters mentioned above, other resolutions on which the Independent Directors have dissenting opinions or qualified opinions, and for which there are written records or statements of the Board's decisions thereon: None

B、If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified :

Date	Name of Director	Proposal Contents	Reasons for Recusal Due to Conflict of Interests	Participation in Voting
2018/7/19	Chung, Chien- Jen	Credit line renewal for the subsidiary Ventec Electronics (HK) Co., Ltd. at Shanghai Commercial Bank	Credit line renewal for the subsidiary Ventec Electronics (HK) Co., Ltd. at Shanghai Commercial Bank	Credit line renewal for the subsidiary Ventec Electronics (HK) Co., Ltd. at Shanghai Commercial Bank

C、Targets for strengthening the functions of the Board of Directors (such as establishing an Audit Committee and enhancing information transparency) in the current and the most recent fiscal year and assessing implementation there of:

To clarify the duties of the Board of Directors, the Company has adopted "Rules of Procedure for Board of Directors Meetings", which will hereafter govern the Board of Directors. Also, in 2018 the Company elected three independent directors, and formed an Audit Committee and Remuneration Committee, to fully implement and realize corporate governance operation.

4.2 Operational status of the Audit Committee or Supervisors' Participation in the Board Meetings

The Company's Audit Committee held 9 meetings (A) in the most recent year of 2018. The attendance (presence) of Audit Committeemembers was as follows:

Title	Name	Times actually attending (B)	Times in Attendance by Proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Independent Director	Sheu, Yuan-Kuo	8	1	88.89%	The election for the Board was held on July 27, 2018
Independent Director	Chen, Tsung-Hsi	9	0	100.00%	The election for the Board was held on July 27, 2018
Independent Director	Hou, Yu-Tau	9	0	100.00%	The election for the Board was held on July 27, 2018

Other required disclosure:

A(a)Items listed in Article 14-5 of the Securities and Exchange Act:

Date	Period	Contents of motions	All independents directors' opinion and the Company's response to independent directors' opinion
2018/7/19	1-1	Endorsement/guarantee for the subsidiary Ventec Electronics Co., Ltd.	Approved by all independent directors in attendance
		Appointment of new CEO	
		Appointment of new CFO	
		Appointment of new chief audit officer	
2018/8/6	1-2	Approval of 2018 Q2 Consolidated Financial Statement	Approved by all independent directors in attendance
		Approval of an endorsement/guarantee for Ventec Electronics (Suzhou) Co., Ltd.	
		Approval of the 2018 internal control review report and internal control statement	
2018/9/27	1-3	Approval of 2018 Q4 and 2019 Q1 Consolidated Financial Statement	Approved by all independent directors in attendance
		Amendment of the Regulations Governing Making of Endorsements/Guarantees and Lending of Funds to Other Parties and the Procedures Governing the Acquisition and Disposal	

		of Assets	
		Amendment of the internal control system	
		Amendment of the Internal Control System and Management Guidelines for Subsidiaries	
		Adjustment of the group's organizational structure	
		Approval of an endorsement/guarantee by the Company for Ventec Electronics (HK) Co., Ltd.	
		Endorsement/guarantee for loan from financial institution	
		Corporate governance self-assessment report	
2018/10/19	1-4	Planned cash capital increase for the overseas subsidiaries Ventec International Group Limited (hereinafter referred to as VIG Samoa), Ventec Logistic Limited (hereinafter referred to as VLL) and Ventec USA LLC(hereinafter referred to as VTUS)	Approved by all independent directors in attendance
2018/11/12	1-5	Approval of 2018 Q3 Consolidated Financial Statement	Approved by all independent directors in attendance
2018/11/29	1-6	Correction of the 2016 and 2017 Consolidated Financial Statements	Approved by all independent directors in attendance
2018/12/19	1-7	2019 budget	Approved by all independent directors in attendance
		Review of the 2019 Internal Audit Plan	
		Prohibition of Lending of Funds to Other Parties and making of endorsements/guarantees by 4 overseas subsidiaries	
		CPA independence assessment	
		2018 IPO and cash capital increase through issuance of new shares	
2019/3/11	1-8	2018 Business Report and Financial Statement	Approved by all independent directors in attendance
		2018 Earnings Distribution Plan	
		2018 Internal Control Statement	

		Amendment of the Procedures Governing Acquisition or Disposal of Assets	
		Amendment of the Procedures Governing Acquisition or Disposal of Assets by Subsidiaries	
		Application for a credit line for the subsidiary Ventec Electronics (HK) Co., Ltd. at Cathay United Bank, Taipei	
		Petition for approval of endorsements/guarantees for Ventec Electronics (Suzhou) Co., Ltd. by the subsidiaries Ventec Electronics (Jiangyin) Co., Ltd. and Ventec Electronics (Shenzhen) Co., Ltd.	
		Credit line renewal for the subsidiary Ventec Electronics (HK) Co., Ltd. at Taishin Bank Taipei	
		Credit line renewal for the subsidiary Ventec Electronics Co., Ltd. at Taishin Bank Taipei	
		Credit line renewal for the subsidiary Ventec Electronics (HK) Co., Ltd. at Bank SinoPac, Taipei Branch	
		Credit line renewal for the subsidiary Ventec Electronics (Suzhou) Co., Ltd. and Ventec Electronics Co., Ltd. at Citibank	
		Credit line renewal for the subsidiary Ventec Electronics (Suzhou) Co., Ltd. at Shanghai Bank, Suzhou Xinqu Branch	
		Application for credit line renewal for the subsidiary Ventec Electronics (Suzhou) Co., Ltd. at Bank SinoPac, Nanjing	
2019/5/13	1-9	Report on derivative transactions	Approved by all independent directors in attendance
		Appointment of the Chief Audit Officer	
		Amendment of the Procedures Governing Endorsements/Guarantees and the Regulations Governing Lending of Funds to Other Parties	

		Amendment of the Procedures Governing Endorsements/Guarantees and the Regulations Governing Lending of Funds to Other Parties by the Group's subsidiaries Ventec International Group Limited(SAMOA), Ventec International Group Limited(HK), Ventec Electronics (HK) Company Limited, Ventec Electronics Co., Ltd., Ventec Electronics (Suzhou) Co., Ltd., Ventec Electronics (Jiangyin) Co., Ltd., and Ventec Electronics (Shenzhen) Co., Ltd.	
		Approval of provision of an endorsement/guarantee by the Company for the subsidiary Ventec Electronics (HK) Co., Ltd.	
		Credit line renewal for the subsidiary Ventec Electronics (HK) Co., Ltd. at Shanghai Commercial Bank	
		Extension of loans to Ventec Electronics (HK) Co., Ltd., Ventec International Group Limited(SAMOA), and Ventec Logistics Limited	
		Credit line renewal for the subsidiary Ventec Europe Ltd at HSBC Bank Plc	
		Planned cash capital increase for Ventec International Group Limited (hereinafter referred to as VIG Samoa)	

(b) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None

B、If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified : None.

C、Communications between the independent directors, the Company's Chief Internal Auditor and CPAs:

Internal audit compliance supervisors provide internal audit compliance reports to the Audit Committee members in attendance, and by the end of the following month provide the prior month's Internal Audit Plan Forms to the Audit Committeemembers for review and approval. During discussions of the auditing CPAs Financial Report, the Company extends invitations to the CPAs to attend the Audit Committee for discussion of the Company's financial status, and the results of the communication are highly productive.

4.3 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
1. Whether the Company has set and disclose corporate governance in accordance with “Corporate Governance Best-Practice Principles for TWSE/ TPEX Listed Companies”.	V		The Company’s Board of Directors adopted the Corporate Governance Best Practice Principles on April 24, 2018, and published their contents on the Company website.	At present there are no major impediments or deviations in implementation.
2. Shareholding structure & shareholders’ rights				
(I) Has the Company established internal procedures for handling shareholder proposals, inquiries, disputes, and litigation? Are such matters handled according to the internal procedures?	V		(I) The Company clearly stipulates in its Articles of Incorporation and internal regulations how shareholder rights and interests are safeguarded. A dedicated unit has been established for the proper handling of matters pertaining to the Company’s relationships with its investors as well as shareholder proposals, inquiries, and disputes.	At present there are no major impediments or deviations in implementation.
(II) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		(II) The Company has formulated procedures governing stock affairs and has assigned dedicated personnel for the management of relevant information. Changes in the shareholdings of insiders are reported to the Market Observation Post System on a monthly basis pursuant to the regulations set forth in Article 25 of the Securities and Exchange Act.	
(III) Has the Company established and enforced risk control and firewall systems with its affiliated businesses?	V		(III) The Company and its affiliated businesses have established an Internal Control System and formulated Guidelines Governing Authorized Representatives and Proxies, Procedures Governing Transactions with Related Parties, Rules Governing Financial and Business Matters Between this Company and its Affiliated Businesses, Procedures Governing the	
(IV) Has the Company established an internal regulation that prohibits the use of undisclosed information in the market?	V			

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
			<p>Supervision and Management of Subsidiaries, Regulations Governing the Acquisition and Disposal of Assets, Regulations Governing Lending of Funds to Other Parties, Regulations Governing Endorsements/Guarantees to regulate the management of personnel, assets, and financial matters and facilitate effective risk assessment and establishment of adequate firewall systems.</p> <p>(IV) The Company has formulated Procedures for the Prevention of Insider Trading and the Handling of Material Inside Information to regulate confidentiality obligations with regard to such information, prohibit relevant transactions, prevent insider trading, and education of internal personnel on relevant laws.</p>	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the Board of Directors drawn up policies on diversity of its members and implemented the same?</p> <p>(II) In addition to the Remuneration Committee and Audit Committee Established according to law, has the</p>	<p>V</p> <p>V</p>		<p>(I) The Company has formulated and implemented Director Election Guidelines to define requirements regarding board composition diversity and possession of expertise, skills, and literacy required for the performance of duties by directors</p> <p>(II) The Company has established a Remuneration Committee in accordance with relevant laws. In the General Shareholders' Meeting convened on June 19,</p>	At present there are no major impediments or deviations in implementation.

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
<p>company voluntarily established other functional committees?</p> <p>(III) Has the Company established evaluation of the performance of the Board of Directors and the methods of assessment thereof? Are such evaluations conducted annually and carried out regularly?</p> <p>(IV) Does the Company regularly implement assessments on the independence of the CPA?</p>	<p>V</p> <p>V</p>		<p>2018, the supervisor system was abolished and a system of independent directors was added. Upon the election of a new board in the shareholders' meeting, an Audit Committee was formed to assume the functions of the supervisors. Other functional committees will be established in the future if deemed necessary in line with operational requirements.</p> <p>(III) The Company has formulated Board Performance Assessment Guidelines. Assessment methods will be gradually perfected by the board.</p> <p>(IV) The Company regularly assesses the professional qualifications and independence of hired CPAs. The commissioned CPA firm also has rigorous requirements regarding CPA independence. For instance, a CPA may not serve for seven consecutive years at the same publicly listed company. Where the CPA must be replaced due to internal organizational adjustments of the CPA firm, the Company fully assesses the professionalism, integrity, and independence of the newly appointed CPA and submits a report to the board for final decision.</p>	
<p>4. Has the publicly traded or over the counter traded Company established a dedicated (or concurrent) unit to handle corporate governance related matters (including but not limited to matters and information related to the implementation of Directors and</p>	V		<p>The Financial Affairs Division is responsible for the handling of corporate governance related matters</p>	<p>At present there are no major impediments or deviations in</p>

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
Supervisors duties, and as by law required all matters for the Board of Directors and shareholders' meetings, as well as corporate registration and amendment of the minutes of the Company's Board of Directors' meetings and shareholders' meeting)?				implementation.
5. Has the company established a channel to communicate with stakeholders (including but not limited to the shareholders, employees and suppliers), and created a stakeholder section on the Company's website, and appropriately responded to the important corporate social responsibility issues that are relevant to the stakeholders?	V		(I) The Company appoints spokespersons and acting spokespersons as an external communication channel. Feedback is handled in accordance with the regulations of the internal control system. (II) The Company has set up a website which can be conveniently accessed via the Internet for the provision of information on financial operations and corporate governance for shareholders and stakeholders. Dedicated personnel has been assigned for the maintenance of this website to ensure that the presented information is detailed, accurate, up-to-date, and unambiguous.	At present there are no major impediments or deviations in implementation.
6. Has the Company appointed a professional shareholder services agency in handling of the shareholders' meeting?	V		The Company has entrusted Yuanta Securities with the handling of its shareholders' meetings	At present there are no major impediments or deviations in implementation.

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
<p>7. Information Disclosure</p> <p>(I) The Company's corporate website discloses information on financial operations and corporate governance.</p> <p>(II) The Company has adopted other information disclosure methods (such as creating an English website, delegating specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website).</p>	<p>V</p> <p>V</p>		<p>(I) The Company has set up a website and fully discloses information pertaining to its financial operations and corporate governance on the Market Observation Post System.</p> <p>(II) Responses to relevant issues of the Company are provided by the spokesperson or acting spokesperson. Relevant departments and the spokesperson or acting spokesperson are responsible for the collection and disclosure of information.</p>	At present there are no major impediments or deviations in implementation.
<p>8. Has the Company provided other information which is helpful to understand implementation of corporate governance (including but not limited to the rights and interests of employees, employee care, investor relations, supplier relations, stakeholder relations, continuing</p>	V		<p>1. Employee rights and interests: Labor-management relations are harmonious and the lawful rights and interests of employees are safeguarded in accordance with local labor laws at all operating sites. No major labor-management disputes have occurred and no fines have been imposed by the competent authority for serious labor-management issues or severe violations of labor laws.</p> <p>2. Employee care: The Company provides reasonable compensation and bonuses for its employees and organizes staff trips and welfare measures</p>	At present there are no major impediments or deviations in implementation.

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
education status for Board members and Supervisors, risk management policies and risk balance standards' implementation, customer policy implementation status, and purchasing Directors' and Supervisors' liability insurance)?			<p>(through its trade union) to build excellent labor-management relations that are characterized by mutual trust and dependence.</p> <p>3. Investor relations: The Company has established a corporate website and a spokesperson system. It makes financial and other material information public on the Market Observation Post System in a timely manner to safeguard investor rights and interests.</p> <p>4. Supplier relations: The Company embraces ethical corporate management and fair trading with suppliers. It maintains long-term positive partnerships with all its suppliers.</p> <p>5. Stakeholder rights: The Company has established excellent channels for smooth communication with stakeholders to safeguard their rights and interests. It upholds integrity principles and adopts a responsible attitude to facilitate proper handling and fulfillment of its CSR.</p> <p>6. Continuing education for directors and supervisors: The Company organizes workshops on securities laws and courses on corporate governance pursuant to the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies and regulations governing the required number of training hours.</p> <p>7. Implementation of risk management policies and risk balance standards: The Company formulates various internal rules and carries out different</p>	

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
			<p>types of risk management and assessment.</p> <p>8. Implementation of customer policies: The Company is firmly committed to the provision of the best possible services and products to its customers. Customer service hotlines are available for the handling of customer problems by dedicated personnel.</p> <p>9. Purchase of liability insurance for directors and supervisors: Insurance has been purchased for directors pursuant to relevant regulations set forth in the Company's Corporate Governance Best Practice Principles</p>	
<p>9. Please provide explanation and measures for improvements made, as well as the improvement measures awaiting amelioration and prioritized items and measures to be undertaken in response to the corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation. (Companies not included in the evaluation need not complete): The Company has not been included in the evaluation.</p>				

4.4 The Company has established a Remuneration Committee, it shall disclose its composition, duties and operational status

(1) Profiles of the Members of the Remuneration Committee

Status (Note)	Condition Name	Does the individual have more than 5 years of work experience and the following professional qualifications? and the following professional qualifications?			Compliance with independence requirements (Note)								Number of Other Public Companies where the Individual Concurrently Serves as a Member of the Remuneration Committee	Remarks
		Is currently serving as an instructor or a higher post in a private or public college in the field of business, law, finance, accounting, or any business sector of the Company's operations	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and has specialized licenses.	Has work experience necessary for business administration, legal affairs, finance, accounting, or any business sector of the Company's operations	1	2	3	4	5	6	7	8		
Independent Director	Sheu, Yuan-Kuo	v	—	v	v	v	v	v	v	v	v	v	0	
Independent Director	Hou, Yu-Tau	—	—	v	v	v	v	v	v	v	v	v	0	
Independent Director	Chen, Tsung-Hsi	—	v	v	v	v	v	v	v	v	v	v	0	

Note: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during their term of office, please provide the [""] sign in the data field next to the corresponding condition(s).

- (a) Is not employed by the Company or its affiliated companies.
- (b) Not a director or supervisor of the Company or any of its affiliated companies. This restriction does not apply to Independent Directors serving the Company or its parent company or subsidiaries as established in accordance with this law or regulations of the local country thereof.
- (c) Is not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (d) Is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship for any of the three preceding items.
- (e) Is not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (f) Is not a director (member of the governing board), supervisor (member of the supervising board), manager, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (g) Is not a professional person or owner, partner, director (member of the governing board), supervisor (member of the supervising board), manager, or a spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated business.
- (h) No condition defined in Article 30 of the Company Law applies.

(2) Duties and responsibilities of the Remuneration Committee

The Remuneration Committee shall exercise the following functions and powers in a loyal manner with the due care of a good administrator. It shall be responsible to the board and submit its recommendations to the board for discussion:

- (a) Regular review of the organizational charter of the Remuneration Committee and offering of suggestions for revision
- (b) Formulation and regular review of annual and long-term performance assessment and remuneration policies, systems, standards, and mechanisms for directors and managers
- (c) Regular assessment of performance goal achievement by directors and managers and determination of individual remuneration contents and amounts

(3) Operations of Remuneration Committee

- (a) The Company's Remuneration Committee consists of three (3) members.
- (b) This slate of the Committee is in office from: June 19, 2018 through June 18, 2021.

A total of 4 meetings of the remuneration committee were held in the most recent years. Director attendance was as follows:

Title	Name	Number in actual attendance (B)	Numbers in Attendance by Proxy	Actual presence (%) (B/A) (Note)	Remarks
Independent Director	Sheu, Yuan- Kuo	4	0	100%	The election for the Board was held on June 27, 2018
Independent Director	Chen, Tsung-Hsi	4	0	100%	The election for the Board was held on June 27, 2018
Independent Director	Hou, Yu-Tau	4	0	100%	The election for the Board was held on June 27, 2018

Other required disclosures:

1. In the event the Board of Directors does not adopt or amends the proposals of the Remuneration Committee, please state the date and number of the Board meeting, the content of the proposals, determination and any resolution from the Board of Directors, and the method by which the opinion of the Remuneration Committee was handled (e.g., if the salaries and compensations approved by the Board were higher than the levels suggested by the Remuneration Committee, please state the differences and reasons thereof): None.
2. If for any matter under consideration of the Remuneration Committee, any member has a dissenting or qualified opinion, and there is a record thereof or written statement, then the date, session, contents of the proposal, all members' opinions and the handling of the opinions of the member(s) of the Remuneration Committee shall be duly stated: None.

4.5 Fulfillment of social responsibilities:

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TP Ex Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
<p>1. Implementing corporate governance</p> <p>(I) Has the Company set out corporate social responsibility (CSR) policies and systems and reviewed the effectiveness of CSR actions?</p> <p>(II) Does the Company conduct CSR education and training on a regular basis?</p> <p>(III) Does the Company have a dedicated (or concurrent) unit to promote CSR, and is there senior executive management authorized by the Board of Directors to handle such matters and report on its implementation to the Board of Directors?</p> <p>(IV) Has the Company established a reasonable remuneration policy and combined its employee performance appraisal system and CSR policies, and has the company established a clear reward and penalties system?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(I) The Company has formulated Corporate Social Responsibility Best Practice Principles to realize a corporate culture characterized by integrity and moral concepts and ensure compliance by the management level and employees. Competent units are responsible for the determination and review of CSR implementation results.</p> <p>(II) The Company shares CSR concepts by adopting various methods including media and websites.</p> <p>(III) The Administrative Department promotes CSR and senior executives report implementation results to the Board of Directors on a regular basis</p> <p>(IV) The Company has established a reasonable remuneration policy and has integrated its CSR policies into the employee performance appraisal system. A clearly defined reward and penalties system has been established to uphold principles of fairness and reasonableness.</p>	<p>At present there are no major impediments or deviations in implementation.</p>

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TP Ex Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
<p>II. Developing a sustainable environment</p> <p>(I) Is the Company committed to improving the efficiency of use of various resources and utilizing renewable materials that have a reduced environmental impact and footprint?</p> <p>(II) Has the Company established a suitable environmental management system based on the characteristics of its industries?</p> <p>(III) Is the company concerned with global climate change and how it may affect businessactivities? Has the company implementedgreenhouse gas (GHG) inventory checks andformulated strategies for reducing energy consumption, carbon emissions, andgreenhouse gas reductions?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I)The Company is fully committed to the use of e-forms and documents and sorting of garbage to minimize environmental burdens.VT SZ converts thermal energy generated by its air compressors and waste gas incinerators for use for its plant heating system.</p> <p>(II) The Company has complete quality management and environmental protection facilities in place. For instance, the gluing areas in plants are equipped with numerous incinerators for the treatment of waste gas to ensure conformity to the inspection standards of the competent authority and meet public expectations with regard to corporate social responsibility.</p> <p>(III) The Company provides regular education on energy, power, and water conservation. AC standards and operating norms are in place for the summer season to fulfill the Company’s responsibility in the field of energy conservation and carbon reduction.</p>	<p>At present there are no major impediments or deviations in implementation.</p>

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TP Ex Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
<p>III. Preserving Social Welfare</p> <p>(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(II) Has the company established an employee appeals system and channels, and are employee appeals handled appropriately?</p> <p>(III) Has the company provided employees with a safe and healthy working environment, and routinely implemented safety and health education foremployees?</p> <p>(IV) Has the company established a system to regularly communicate with itsemployees, and appropriately notifiedemployees of operational changes thatmay result in major impacts?</p> <p>(V) Has the Company established an effective competency development career training program for employees?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(I) The Company has formulated appropriate HR managements systems and norms as well as work rules for all plant areas in accordance with local labor laws to safeguard the lawful rights and interests of employees. In addition, an Employee Welfare Committee and a trade union have been established and regular labor-management meetings are convened to ensure harmonious labor-management relations.</p> <p>(II) The Company has established an employee appeals system and relevant channels to ensure proper and sound handling of employee rights and interests</p> <p>(III) The Company provides its employees with a safe and healthy working environment and routinely administers professional training courses for in- and off-plant personnel</p> <p>(IV) The Company regularly convenes executive and employee meetings to provide education on Company policies and the status of business operations, while regular departmental meetings serve the purpose of</p>	<p>At present there are no major impediments or deviations in implementation.</p>

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TP Ex Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
(VI) Has the Company formulated policies and systems of appeal for consumer rights' regarding research and development, purchase, production, operations, and services?	V		establishing a communication mechanism with employees.	
(VII) With regard to the marketing and labeling of products and services, does the Company comply with related regulations and international standards?	V		(V) The Company provides internal and external training in accordance with annual training plans. Effective professional training plans help strengthen the career development competency of employees.	
(VIII) Has the Company evaluated the records of its suppliers that have impact on the environment and society before engaging in commercial dealings with the said supplier?	V		(VI) The Company maintains excellent communication channels with its employees and provides transparent and effective customer complaint channels for its products and services. Customers can protect their rights and interests by contacting responsible personnel of the Company if they have any issues with the Company's products and services.	
(IX) Do contracts between the Company and its major suppliers include terms where the Company may terminate or rescind the contract at any time if the said supplier has violated the company's corporate social responsibility policy and caused significant impacts on the environment or society?	V		(VII) The Company's products have passed numerous international certifications. The Company's services and marketing efforts conform to related regulations and international standards and all its products are clearly labeled. (VIII) The Company carefully evaluates its suppliers and has a clear understanding of environmental and social	

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
			<p>impacts caused by suppliers.</p> <p>(IX) Where it is detected that contracts between the Company and its suppliers involve violations of CSR policies, such contracts may be terminated or rescinded immediately pursuant to relevant terms and conditions set forth herein.</p>	
<p>IV. Strengthening information disclosure</p> <p>(I) Does the Company disclose relevant and reliable information relating to CSR on its official website or on the Market Observation Post System (MOPS)?</p>	V		<p>Upon its IPO, the Company developed various CSR systems in a prompt manner. Relevant information is disclosed on its official website for viewing by the public.</p>	<p>At present there are no major impediments or deviations in implementation.</p>
<p>V. If the Company has established its own corporate social responsibility practices according to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies", describe any existing gaps between the prescribed best practices and their actual implementation: The Company has already established "Corporate Social Responsibility Principles", and to date internal corporate operations and the provisions of the guidelines have seen no discrepancies or deviations.</p>				
<p>VI. Other important information helpful in understanding CSR operations: None</p>				
<p>VII. If the Company's CSR Report has been verified by relevant certification institutions, provide a description thereof: At present the Company does not have any corporate social responsibility reportage.</p>				

4.6 Implementation of ethical corporate management and measures deployed

Performance Evaluation Items	Operational status			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons For such Discrepancies
	Yes	No	Summary	
<p>1. Formulating policies and plans for ethical corporate management</p> <p>(1) Does the Company specify ethical corporate management policies and methods in its bylaws and external documents, and are the Board of Directors and management actively fulfilling their commitment to those business policies?</p> <p>(2) Has the company formulated solutions to prevent unethical conduct from occurring, and specified the procedures, guidelines, and penalties for violations, and complaint and grievance systems, as well as ensuring their actual implementation?</p>	V		<p>(I) The Company has formulated Ethical Corporate Management Best Practice Principles to regulate relevant policies of the Company. The goal is to ensure that employees, managers, and directors are familiar and comply with these principles and policies and that they are incorporated into the internal control system.</p> <p>(II) The Company has formulated and implements the following rules, regulations, and principles:</p> <ol style="list-style-type: none"> 1. Ethical Corporate Management Best Practice Principles 2. Procedures for Ethical Management and Guidelines for Conduct 3. Code of Ethical Conduct 4. Rules of Procedure for Shareholders' Meetings 5. Rules of Procedure for Board Meetings 6. Procedures Governing Election of Directors 7. Procedures Governing Acquisition or 	At present there are no major impediments or deviations in implementation.

Performance Evaluation Items	Operational status			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons For such Discrepancies
	Yes	No	Summary	
(3) Has the Company established preventive measures for the items prescribed in Paragraph 2, Article 7, of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies or business activities with a higher risk of being involved in unethical conduct within the Company's scope of business?	V		<p>Disposal of Assets</p> <p>8. Procedures Governing Endorsements/Guarantees</p> <p>9. Procedures Governing Lending of Funds to Other Parties</p> <p>10. Organizational Charter for the Remuneration Committee</p> <p>11. Guidelines Governing Authorized Representatives and Proxies</p> <p>12. Guidelines Governing Transactions with Related Parties</p> <p>(III) The Company strictly abides by Ethical Corporate Management Best Practice Principles. Offering and acceptance of bribes and illegal contributions is explicitly forbidden.</p>	
2. Implementing ethical corporate management				
(1) Has the company evaluated the integrity records of its potential business partners, and stipulated requirements of ethical conduct in its transactions with its prospective business partners?	V		(I) Agreements concluded with cooperating subcontractors clearly stipulate that both sides shall not accept bribes or engage in any other unethical business practices.	
(2) Has the company established a dedicated (or	V			

Performance Evaluation Items	Operational status			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons For such Discrepancies
	Yes	No	Summary	
<p>concurrent) unit for promoting ethical corporate management specifically under the Board of Directors, and does the unit report the progress of its implementation regularly to the Board of Directors?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policies properly?</p> <p>(4) Has the company established an effective accounting system and internal control systems to implement ethical corporate management, and regularly audits the internal audit unit, or retains CPAs to perform audits?</p> <p>(5) Does the company regularly hold internal and external education and training for ethical corporate management?</p>	V		<p>(II) The Administrative Division serves as the dedicated unit of the Company for the promotion of ethical corporate management. It submits reports to the board after regular reviews.</p> <p>(III) Where directors or the juristic persons they represent have conflicts of interest that may prejudice the interest of the Company, said directors may state their opinions and respond to inquiries but may not participate in discussion or voting.</p> <p>(IV) The Company has established an effective accounting and internal control system. Internal auditors regularly audit compliance with said system.</p> <p>(V) The Company holds internal and external education education and training for ethical corporate management periodically in line with actual needs.</p>	At present there are no major impediments or deviations in implementation.

Performance Evaluation Items	Operational status			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons For such Discrepancies
	Yes	No	Summary	
<p>3. Operational status of the whistle blowing channels</p> <p>(1) Has the company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to receive complaints?</p> <p>(2) The Company has established a whistleblowing system and set up standard operating procedures and related confidentiality mechanisms for investigating reported cases.</p> <p>(3) The Company has established a whistleblowing system and set up measures to protect whistleblowers from inappropriate disciplinary actions or retaliation for reporting purposes.</p>	V		<p>(I) The Company has set up a grievance mailbox. Where employees detect conduct that violates relevant laws and regulations or the code of ethical conduct, reports are handled by dedicated personnel assigned by the Company. Penalties are imposed and disciplinary action is taken after joint deliberations by the GM and HR Department in accordance with the severity of the violation.</p> <p>(II) The Company has established internal communication channels. The HR Department is responsible for the handling of related matters. Confidentiality mechanisms have been adopted for relevant information.</p> <p>(III) The Company protects whistleblowers from inappropriate disciplinary actions through its HR Department, which has overall responsibility.</p>	At present there are no major impediments or deviations in implementation.

Performance Evaluation Items	Operational status			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons For such Discrepancies
	Yes	No	Summary	
4. Strengthening information disclosure (1) Has the Company disclosed the content and effectiveness of its ethical corporate management best practice principles on its website and the Market Observation Post System (MOPS)?	V		(I) Upon its IPO, the Company developed various CSR systems in a prompt manner. Relevant information is disclosed on its official website for viewing by the public.	At present there are no major impediments or deviations in implementation.
5. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", please describe any discrepancies between the prescribed best practices and the actual implementation of the Company: No discrepancy or deviation.				
6. Other important information that facilitates the understanding of the implementation of ethical corporate management (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles) None.				

4.7 If the Company has established Corporate Governance Principles and related guidelines, disclosure of the method for searching their contents:

The Company has established Corporate Governance Principles and related guidelines, and they have been published on the corporate website.

4.8 Any material information as to increasing an understanding of the Company's governance operating status: none.

4.9 Status of implementation of the internal control system:

(1) Internal Control Statement:

Ventec International Group Co., Ltd.
Statement on Internal Control System

Date: March 11, 2019

The Company's internal control system for 2018 is announced according to the results of self-evaluation, and the following is a summary thereof:

1. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of Directors and the managers of the Company, and the Company has established such a system. Our internal control process is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency in our reporting, and compliance with applicable rulings, laws and regulations, to ensure reasonable assurance thereof.
2. The internal control system has inherent limitations. No matter how complete their design, effective internal control systems are limited to providing reasonable assurance of the aforementioned three objectives. Moreover, in light of the environment and changes in circumstances, internal control system effectiveness may also be affected. However, the Company's internal control system contains self-monitoring mechanisms, and when any fault is noted, the Company immediately deploys corrective action.
3. The Company has made its judgments as to components of, and the effectiveness of the design and implementation of the internal control systems according to the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Compliance Guidelines"). The internal control system adopted in the "Compliance Guidelines" involves the process of management control, and is divided into five elements:
 1. The control environment, 2. Risk assessment, 3. Control processes, 4. Information communication, and 5. Supervision operations. Each constituent element includes a number of items. For the aforementioned items, please refer to the "Compliance Guidelines"
4. The Company has adopted the abovementioned internal control system assessment items to evaluate the effectiveness of the internal control system design and implementation.
5. In accordance with the Company's aforementioned evaluation, the Company found that its internal control system (including the assessment and management of subsidiaries) including efficacy of understanding operations, efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant Guidelines and law, indicate that the internal control system design and implementation are effective, and can reasonably provide assurance of the aforesaid goals as of December 31, 2018.
6. This Declaration will become an integral part of the main contents of the Company's annual report and prospectus, and shall be made public. For any falsehood, concealment, or other illegality in the content to be made public, there will be legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. The Statement has been agreed to by the Company's Board of Directors on March 11, 2019, where none of the 7 directors present voted against the resolution, and the remaining directors thus all agreed with the content of the Statement, and such is now attested to.

Ventec International Group Co., Ltd.
Chairman: Lao, Kai-Lu
General Manager: Chung, Chien-Jen

- (2) For any CPA retained to conduct a project review of the internal control system, the CPA's audit report shall be disclosed:

Internal Control Systems' Compliance Report

Attached is the August 6, 2018 assessment of the internal control system of Ventec International Group Co., Ltd. and its external financial reports and assurance of its protection of assets, with the Attestation of June 30, 2018 as to effective design and implementation thereof, duly approved upon conclusion of audit by the CPA. The internal control system and evaluation of its effectiveness are responsibilities of the Company's management, and this CPA is responsible in accordance with the results of the audit to express an opinion of the effectiveness of the Company's internal control system and the aforementioned Attestation regarding the Company's internal control system.

The CPA has conducted the audit review in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the audit standards generally accepted in the Republic of China to ensure that the Company maintains a reasonable assurance on all material aspects of the internal control system. The audit review work includes understanding the Company's internal control system, evaluation of management levels' processes of evaluation of the effectiveness of the overall internal control system, and testing and evaluation of the effectiveness of the design and implementation of the internal control system, as well as any other audit review procedures that the CPAs deem necessary. The CPAs believe that this audit review work provides a reasonable grounds for our opinion.

Any internal control system has its inherent limitations, therefore, the above internal Control systems of Ventec International Group Co., Ltd., may not be able to prevent or detect errors or fraud that have taken place. Furthermore, future environmental changes may result in reduced efficacy of the internal control system. Hence, while the internal control system is deemed effective for this period, this does not mean that it will be effective in the future.

In accordance with the opinion of the CPAs, and in light of the provisions of the Regulations Governing Establishment of Internal Control Systems by Public Companies as to the items reviewed for internal control efficacy determinations, San Neng Group Holdings Co., Ltd. and its design and implementation of internal control systems governing external financial reports and assuring protection of assets are deemed to continue to be effective in all material respects as of June 30, 2018, also as of August 6, 2018, the Attestation of Ventec International Group Co., Ltd. regarding effective design and implementation of internal control systems for external financial reports and assuring protection of assets is found reasonable in all material respects.

Deloitte & Touche

Chen, Chun-Hung

Chien, Ming-Yen

October 25, 2018

- 4.10 For the most recent fiscal year up to the publication of this Annual Report, explain any circumstances in which the Company or its personnel have been punished by law, any penalties applied to the Company or internal personnel for violations of internal control system regulations, and any material deficiencies and ameliorative action: None.
- 4.11 Key resolutions adopted by the Shareholders' Meeting and the Board of Directors in the most recent fiscal year up to the publication date of this Annual Report.

(1) Key resolutions adopted by the Shareholders' Meeting

Date	Major resolutions of the shareholders' meetings	Status of the execution
2018/6/19	1. Adoption of the 2017 Consolidated Financial Statement	Approved by resolution
	2. Adoption of the 2017 Earnings Distribution Proposal	August 12 and 24, 2018 were set as the ex-dividend and cash dividend distribution dates, respectively (cash dividends of NT\$ 1 per share)
	3. Approval of the amendment of the Memorandum and Articles of Incorporation	Approval by resolution and completion of document filing
	4. Amendment of several provisions of the Rules of Procedure for Shareholders' Meetings	Approval by resolution and implementation of amended procedures
	5. Amendment of several provisions of the Director and Supervisor Election Guidelines	Approval by resolution and implementation of amended procedures
	6. Amendment of several provisions of the Regulations Governing the Lending of Funds to Other Parties	Approval by resolution and implementation of amended procedures
	7. Application for Listing of Stock submitted to TWSE	Approved by resolution
	8. Cash capital increase through issuance of new shares and relinquishment of preemptive rights by existing shareholders prior to IPO	Approved by resolution
	9. Election of a new board	Election of the members of the new board
	10. Lifting of non-competition restrictions for newly appointed directors and the juristic persons they represent	Approved by resolution

(2) Key resolutions adopted by the Board of Directors

Date	Important resolutions adopted in board of directors meetings
2018/6/19	Election of directors
2018/6/27	1. Formulation of the Audit Committee Organizational Charter and Guidelines Governing Audit Committee Proceedings and Operations and establishment of an Audit Committee
	2. Amendment of the Remuneration Committee Organizational Charter and Formulation of Guidelines Governing Remuneration Committee

Date	Important resolutions adopted in board of directors meetings
	Operations
	3. Appointment of the members of the 2nd Remuneration Committee
2018/7/19	<ol style="list-style-type: none"> 1. Amendment of the Director and Manager Remuneration Guidelines 2. Planned endorsement/guarantee for the subsidiary Ventec Electronics Co., Ltd. 3. Appointment and approval of compensation for the new CEO 4. Appointment and approval of compensation for the new CFO 5. Appointment of the Chief Audit Officer 6. Distribution of 2017 Director and Supervisor Compensation and Employee Bonuses
2018/8/6	<ol style="list-style-type: none"> 1. Approval of 2018 Q2 Consolidated Financial Statement 2. Approval of endorsement/guarantee for Ventec Electronics (Suzhou) Co., Ltd. 3. Approval of the 2018 internal control review report and internal control statement
2018/9/27	<ol style="list-style-type: none"> 1. Approval of 2018 Q4 and 2019 Q1 Financial Forecast 2. Amendment of the Regulations Governing Making of Endorsements/Guarantees and Lending of Funds to Other Parties and the Procedures Governing the Acquisition and Disposal of Assets 3. Amendment of the internal control system 4. Amendment of the Internal Control System and Management Guidelines for Subsidiaries 5. Adjustment of the organizational structure of the group 6. Approval of endorsement/guarantee for Ventec Electronics (HK) Co., Ltd. 7. Endorsement/guarantee for loan from financial institution 8. Approval of the corporate governance self-evaluation report 9. Commissioning of a dedicated organization with the handling of tax payment and information disclosure 10. Appointment of a representative in litigation and non-litigation matters in Taiwan 11. Approval of an Agreement on Over-Allotment Options and Lock-up Periods for Specific Shareholders
2018/10/19	<ol style="list-style-type: none"> 1. Authorization of the chairman to deliberate and determine matters pertaining to the 2018 cash capital increase and solicitation of investors on behalf of the company 2. Authorization of the chairman to open deposit accounts and related services on behalf of the company and all its subsidiaries 3. Planned cash capital increase for for the overseas subsidiaries Ventec International Group Limited (hereinafter referred to as VIG Samoa), Ventec Logistic Limited (hereinafter referred to as VLL) and Ventec USA LLC(hereinafter referred to as VTUS)
2018/11/12	Approval of 2018 Q3 Consolidated Financial Statement
2018/11/29	Correction of the 2016 and 2017 Consolidated Financial Statements

Date	Important resolutions adopted in board of directors meetings
2018/12/19	<ol style="list-style-type: none"> 1. 2019 Budget 2. 2019 Audit Plan 3. Prohibition of Lending of Funds to Other Parties and making of endorsements/guarantees by 4 overseas subsidiaries 4. CPA independence assessment 5. Deliberation of compensations for directors and managers in 2018 6. 2018 IPO and cash capital increase through issuance of new shares 7. Employee and manager share subscription guidelines and details in the context of the cash capital increase prior to IPO
2019/3/11	<ol style="list-style-type: none"> 1. Amendment of the Memorandum and Articles of Incorporation (hereinafter referred to as “Article of Incorporation”) 2. 2018 Employee and Director compensation amounts and distribution methods 3. 2018 Business Report and Financial Statement 4. 2018 Earnings Distribution Proposal 5. 2018 Internal Control Statement 6. Amendment of the Procedures Governing Acquisition or Disposal of Assets 7. Amendment of the Procedures Governing Acquisition or Disposal of Assets by subsidiaries 8. Amendment of several provisions set forth in Rules of Procedure for Shareholders’ Meetings, Rules of Procedure for Board Meetings, and Director Election Guidelines 9. Compensations for overseas COO and VTDE GM 10. Application for a credit line for the subsidiary Ventec Electronics (HK) Co., Ltd. at Cathay United Bank, Taipei 11. Endorsements/guarantees for Ventec Electronics (Suzhou) Co., Ltd. by the subsidiaries Ventec Electronics (Jiangyin) Co., Ltd. and Ventec Electronics (Shenzhen) Co., Ltd. 12. Credit line renewal for the subsidiary Ventec Electronics (HK) Co., Ltd. at Taishin Bank Taipei 13. Credit line renewal for the subsidiary Ventec Electronics Co., Ltd. at Taishin Bank Taipei 14. Credit line renewal for the subsidiary Ventec Electronics (Suzhou) Co., Ltd. and Ventec Electronics Co., Ltd. at Citibank 15. Credit line renewal for the subsidiary Ventec Electronics (HK) Co., Ltd. at Bank SinoPac, Taipei Branch 16. Credit line renewal for the subsidiary Ventec Electronics (Suzhou) Co., Ltd. at Shanghai Bank, Suzhou Xinqu Branch 17. Application for credit line renewal for the subsidiary Ventec Electronics (Suzhou) Co., Ltd. at Bank SinoPac, Nanjing 18. Report on derivative transactions 19. Application for a custodial account at CTBC Bank

Date	Important resolutions adopted in board of directors meetings
	20. Matters pertaining to the time, venue, and agenda of the 2019 General Shareholders' Meeting and proposals by shareholders with holdings of 1% or more
2019/5/13	<ol style="list-style-type: none"> 1. Approval of 2019 Q1 Consolidated Financial Statement 2. Appointment of Chief Audit Officer 3. Appointment of a spokesperson and acting spokesperson 4. 2018 manager and employee compensation distribution proposal 5. Compensation proposal for managers of overseas subsidiaries 6. Amendment of the Procedures Governing Making of Endorsements/Guarantees and the Regulations Governing the Lending of Funds to Other Parties 7. Amendment of the Procedures Governing Endorsements/Guarantees and the Regulations Governing Lending of Funds to Other Parties by the Group's subsidiaries Ventec International Group Limited(SAMOA), Ventec International Group Limited(HK), Ventec Electronics (HK) Company Limited, Ventec Electronics Co., Ltd., Ventec Electronics (Suzhou) Co., Ltd., Ventec Electronics (Jiangyin) Co., Ltd., and Ventec Electronics (Shenzhen) Co., Ltd. 8. Formulation of Standard Operating Procedures for the Handling of Directors' Requirements 9. Approval of endorsement/guarantee for the subsidiary Ventec Electronics (HK) Co., Ltd. by the Company 10. Application for a Forward FX line for the subsidiary Ventec Electronics (Suzhou) Co., Ltd. at Citibank 11. Credit line renewal for the subsidiary Ventec Electronics (HK) Co., Ltd. at Shanghai Commercial Bank 12. Credit line renewal for the subsidiary Ventec Electronics (Suzhou) Co., Ltd. at China Construction Bank 13. Endorsement/guarantee for loan from financial institution 14. Extension of loans to Ventec Electronics (HK) Co., Ltd., Ventec International Group Limited(SAMOA), and Ventec Logistics Limited 15. Credit line renewal for the subsidiary Ventec Europe Ltd at HSBC Bank Plc 16. Planned cash capital increase for the overseas subsidiary Ventec International Group Limited (hereinafter referred to as VIG Samoa) 17. Planned amendment of the Director and Manager Remuneration Guidelines

4.12 Major content of any dissenting opinion by a Director or Supervisor memorialized in a record or statement thereof, on the Board's approval of important resolutions in the most recent year up to the publication date of this annual report: None.

4.13 Resignation and dismissal of the Company's Chairman, President, accounting manager, financial manager, internal audit manager and R&D manager in the past fiscal year and as of the date of publication of the Annual Report: None

5、 Audit Fees

5.1 CPA fees information

Name of accounting firm	Name of CPA		Audit period	Remark
Deloitte & Touche	Chen,Chun-Hung	Chien,Ming-Yen	2018	-

Unit: NT\$ thousands

Item		Audit Fee	Non-audit Fee	Total
Amount				
1	<\$2,000,000	-	-	-
2	\$2,000,000 (inclusive)~\$4,000,000	-	-	-
3	\$4,000,000 (inclusive)~\$6,000,000	-	-	-
4	\$6,000,000 (inclusive)~\$8,000,000	6,000	6,176	12,176
5	\$8,000,000 (inclusive)~\$10,000,000	-	-	-
6	>\$10,000,000 (inclusive)	-	-	-

5.2 If the non-audit fees paid to CPAs, accounting firms and affiliated companies of the CPA are more than one-fourth of the audit fees paid to the CPA, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed:

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Remark
			System Design	Registration	Human Resource	Others (Note)	Total		
Deloitte & Touche	Chen,Chun-Hung Chien,Ming-Yen	6,000	-	2,976	-	3,200	6,176	2018	Other non-audit fees refer to the fees to provide transfer pricing reports. and IPO fee.

5.3 Where the CPA firm was replaced, and the audit fees in the fiscal year, when thereplacement was made, were less than that in the previous fiscal year before replacement, the amount of audit fees paid before/after replacement and reasons thereof shall be disclosed: None.

5.4 Where accounting fees paid for the year were 15% (or higher %) less than that of the previous year, the sum, proportion, and reasons thereof shall be disclosed: None.

6、Information for change of CPA: Not Applicable

7、The Company's Chairman, President, Managers Responsible for Finance and Accounting who have held a position in the CPA Office or its affiliates within the latest year: None

8、Shareholding Transferred or Pledged by Directors, Management, and Major Shareholders Who Hold 10% or More of the Company Shares:

8.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2018		As of the current year through to April 22, 2019	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Top Master Limited	-	-	(30,000) (NOTE 2)	-
	Representative: Lao, Kai- Lu				
Director	ACHEM Technology Corporation	(600,000) (NOTE1)	-	(240,000) (NOTE 2)	-
	Representative: Lin, Chien-Yu				
Director	Alpha Victor Limited	-	-	-	-
	Representative: : Wang, Yu-Tzu				
Director and CEO & General Manager	Chung, Chien-Jen	-	-	-	-
Chief Financial Officer	Tu, Jennifer	-	-	-	-

Title	Name	2018		As of the current year through to April 22, 2019	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Vice GM Of Oversea Company	Mark Ian Goodwin	-	-	-	-
Independent Director	Sheu, Yuan- Kuo	-	-	-	-
Independent Director	Chen, Tsung-Hsi	-	-	-	-
Independent Director	Hou, Yu-Tau	-	-	-	-

NOTE 1: Sale of holdings of said shareholder to recommended securities trader upon emerging stock market registration

NOTE 2: Over-allotment in the context of IPO

8.2 Shareholding transferred: Not applicable.

8.3 Shareholding pledged: Not applicable.

9. Information of Relationship among the Top 10 Shareholders Who Are Related, Spouses or Relatives within the Second Degree of Kinship

April 20, 2019; Unit: Thousand shares; %

Name	Current shareholding		SPOUSE & MINOR CHILDREN'S SHAREHOLDING		SHAREHOLDING IN NAME OF OTHERS		Name, relationship of top ten shareholders are spouses of within 2 degrees of consanguinity to each other		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
ACHEM Technology Corporation	5,002,971	7.08	—	—	—	—	—	—	—
Leading official: Lin, Yu-Shen	—	—	—	—	—	—	—	—	—
Representative: Lin, Chien-Yu	—	—	—	—	—	—	—	—	—
Top Master Limited	4,713,307	6.67	—	—	—	—	—	—	—

Name	Current shareholding		SPOUSE & MINOR CHILDREN'S SHAREHOLDING		SHAREHOLDING IN NAME OF OTHERS		Name, relationship of top ten shareholders are spouses of within 2 degrees of consanguinity to each other		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Representative: Lao, Kai- Lu (Note1)	—	—	—	—	4,713,307	6.67	—	—	—
Alpha Victor Limited	4,090,908	5.79	—	—	—	—	—	—	—
Representative: Wang, Yu-Tzu (Note 2)	—	—	—	—	4,090,908	5.79	—	—	—
Abundant Return Corp.	3,845,589	5.44	—	—	—	—	—	—	—
Chang, Yuan-Ta	2,789,364	3.95	—	—	—	—	—	—	—
Prime Mission Limited	2,529,809	3.58	—	—	—	—	—	—	—
Representative: Chung, Chien-Jen	—	—	—	—	2,529,809	3.58	—	—	—
Yang, Han-Chi	2,310,936	3.27	—	—	—	—	—	—	—
Win Master Limited	2,100,000	2.97	—	—	—	—	—	—	—
Representative: Liu, Ta-Wei (Note4)	—	—	—	—	2,100,000	2.97	—	—	—
Aspire Spirit Ltd.	2,000,000	2.83	—	—	—	—	—	—	—
Chu, Hua-Ting	1,860,742	2.63	—	—	—	—	—	—	—

Note 1: Lao Kai Lu, owns 100% of Top Master Limited .

Note 2: Wang, Yu-Tzu owns 100% of Alpha Victor Limited.

Note 3: Chung, Chien-Jen 100% of Prime Mission Limited.

Note 4: Liu, Ta-Wei 100% of Win Master Limited.

10、Shareholding Proportion of Ventec to Investees.

Dec 31, 2018; Unit: Thousand shares; %

Investees by equity method (Note)	The Company's Holdings		Direct and Indirect Holding of Directors and Managers		Total Holdings	
	Shares	%	Shares	%	Shares	%
VIG Samoa	33,500	100%	-	-	33,500	100%
VIG HK	39,010	100%	-	-	39,010	100%
VT HK	10	100%	-	-	10	100%
VLL BVI	8,010	100%	-	-	8,010	100%
VT TW	25,000	100%	-	-	25,000	100%
VT SZ	-(Note)	100%	-	-	-(Note)	100%
VT JY	-(Note)	100%	-	-	-(Note)	100%
VT UK	807	100%	-	-	807	100%
VT DE	400	100%	-	-	400	100%
VT US	-(Note)	100%	-	-	-(Note)	100%
VT SZWT	-(Note)	100%	-	-	-(Note)	100%

Note: This is a limited company and has no shares.

IV. CAPITAL OVERVIEW

1、Capital and Shares

1.1 Issued shares

(1) Source of capital stock

April 20, 2019; Unit: Thousand shares;

Type of Stock	Authorized Share Capital			Remarks
	Issued outstanding shares	Unissued shares	Total	
Registered common shares	70,654,345	19,345,655	90,000,000	Listed stocks

(2) Source of capital stock

Unit: Thousand shares/ NT\$ Thousands

Month/Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets other than Cash	Other
2012/10	NT\$10	90,000	900,000	45,000	450,000	Capital stock at establishment	—	—
2016/2	USD 0.6667	90,000	900,000	48,430	484,306	Capitalization by cash	—	—
2016/12	USD 0.35	90,000	900,000	51,419	514,191	Employee Stock Options	—	—
2017/3	USD 0.45	90,000	900,000	54,413	544,126	Capitalization by cash	—	—
2017/5	USD 0.6667	90,000	900,000	56,114	561,143	Capitalization by cash	—	—
2017/10	NT\$22	90,000	900,000	58,614	586,143	Employee Stock Options	—	—
2018/10	NT\$65	90,000	900,000	64,614	646,143	Capitalization by cash	—	—
2019/4	NT\$60	90,000	900,000	70,654	706,543	Capitalization by cash	—	—

1.2 Composition of shareholders

April 20, 2019; Unit: shares;%

Types Amounts	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Citizens	Foreign Institutions & Foreign Persons	Total
Number	—	—	15	2,318	112	2,445
Number of shares owned	—	—	7,073,202	33,681,433	29,899,710	70,654,345
holding%	—	—	10.01	47.68	42.31	100.00

Note: The shareholding percentage of Mainland Chinese is 5.20%.

1.3 Distribution profile of share ownership

April 20, 2019

Shareholder Ownership	Number of Shareholders	Number of shares owned	Percentage ownership(%)
1-999	80	9,259	0.01
1,000-5,000	1,886	3,085,991	4.37
5,001 -10,000	160	1,336,456	1.89
10,001-15,000	55	723,382	1.02
15,001-20,000	43	830,279	1.18
20,001-30,000	39	1,042,466	1.48
30,001-40,000	23	804,236	1.14
40,001-50,000	30	1,424,406	2.01
50,001-100,000	47	3,376,167	4.78
100,001-200,000	34	5,237,161	7.41
200,001-400,000	20	5,644,708	7.99
400,001-600,000	4	2,083,064	2.95
600,001-800,000	5	3,389,829	4.8
800,001-1,000,000	5	4,504,453	6.38
1,000,001 and over	14	37,162,488	52.59
Total	2,445	70,654,345	100

1.4 Main shareholders list: list the names of shareholders holding more than 5% of shares or those with the top ten shareholdings, the amount of their shareholders and its percentile

April 20, 2019; Unit: shares

Shareholders	shares	Total shares owned	Ownership (%)
ACHEM Technology Corporation		5,002,971	7.08
Top Master Limited		4,713,307	6.67
Alpha Victor Limited		4,090,908	5.79
Abundant Return Corp,		3,845,589	5.44
Chang, Yuan-Ta		2,789,364	3.95
Prime Mission Limited		2,529,809	3.58
Yang, Han-Chi		2,310,936	3.27
Win Master Limited		2,100,000	2.97
Aspire Spirit Ltd		2,000,000	2.83
Chu, Hua-Ting		1,860,742	2.63

1.5 Net worth, earnings, dividends, and market price per common share

Year		2017	2018	Jan,1 2019 –Mar31 2019
Items				
Market price per share	Highest	Not listed	Not listed	Not listed
	Lowest	Not listed	Not listed	Not listed
	Average	Not listed	Not listed	Not listed
Net Worth Per Share	Before Distribution	19.56	27.22	29.11
	After Distribution	18.56	Note	-
Earnings per Share	Weighted Average Shares (Thousand shares)	55,258	60,044	64,939
	Basic Earnings per Share	5.40	6.75	1.08
Dividends per Share	Cash Dividend	1.00	Note	-

Year			2017	2018	Jan,1 2019 –Mar31 2019
Items	Stock Dividend	From Retained Earnings	-	-	-
		From Capital Surplus	-	-	-
	Accumulated Undistributed Dividend		-	-	-
Return on Investment	Price/Earnings Ratio		Not listed	Not listed	Not listed
	Price/Dividend Ratio		Not listed	Not listed	Not listed
	Cash Dividend Yield		Not listed	Not listed	Not listed

Note: The distribution of earnings for 2018 has not been approved by the shareholders' meeting up to the date of publication of the annual report.

1.6 Company's dividend policy and implementation status

1.Dividend Policy:

As the Company is in the growing stage, the dividend/bonuses of the Company may be distributed in the form of cash dividends/bonuses and/or stock dividends/bonuses. 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/bonuses the Company wish to distribute.

At any time other than during the Relevant Period, subject to the Law and these Articles and except as otherwise provided by the rights attaching to any Shares, the Board may from time to time declare dividends/bonuses (including interim dividends/bonuses), and other distributions to the Members by issuing new, fully paid Shares and/or by cash in proportion to the number of Shares held by them respectively and authorise payment of the same out of the funds of the Company lawfully available therefore. The Directors may, before declaring any dividends, bonuses or distributions, set aside such sums as they think proper as a reserve or reserves which shall at the discretion of the Directors, be applicable for any purpose of the Company and pending such application may, at the like discretion, be employed in the business or investments of the Company.

During the Relevant Period, 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 fifty percent (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/bonuses shall not be less than twenty percent (20%) of the total amount of dividends/bonuses to Members.

2. Proposed dividend to be resolved in the upcoming 2019 Annual General Shareholders' Meeting:

According to the 2018 dividend distribution plan passed by the board of directors in meetings held on March 11, 2019, the Company will propose a distribution of NT\$8,773 thousands (USD291 thousands) for Director remuneration NT\$28,701 thousands (USD952 thousands) for employee remuneration distribute and cash dividends NT\$236,489 thousands in the amount of NT\$ 3.667 per share. The earnings of 2018 will be approved by the shareholders' meeting held on June 18, 2019.

3. If the Dividend Policy Is Expected to Change Substantially: None

1.7 Effects on business performance and EPS resulted from stock distribution proposed by 2018 Annual General Shareholders' Meeting: Not applicable.

1.8 Remunerations for employees, directors and supervisors:

(1) Quantity or scope of compensation for employees, directors, and supervisors as prescribed under the Articles of Incorporation :

During the Relevant Period, subject to the Law, the Applicable Listing Rules and these Articles, where the Company has annual profits at the end of a financial year, upon the approval of a majority of the Directors present at a meeting attended by at least two-thirds or more of the total number of the Directors, the Company may distribute not less than five percent (5%) and not more than ten percent (10%) of the profits for such year to the Employees as the Employees' compensation in the form of shares and/or in cash and may distribute not more than two percent (2%) hereof to the Directors as the Directors' compensations, provided, however, that the total amount of accumulated losses of the Company (including adjusted undistributed profits) shall be reserved from the said profits in advance, and the Company shall distribute the remaining balance thereof to the Employees and Directors in the proportion set out above. A report of such distribution of Employees' and Directors' compensations shall be submitted to the general meeting of the Company. Except otherwise set forth by the

Applicable Listing Rules, any Directors' compensations shall not be paid in the form of shares. The term "annual profits" as used herein shall mean the annual profits for such year before tax without deducting the amount of compensation distributed to the Employees and Directors as prescribed in this Paragraph of this Article.

- (2) Accounting treatment for the basis of estimating the amount of the employees' compensation and director's and supervisors' remuneration for this fiscal period, the basis of calculating the number of shares to be distributed as employees' compensation, and accounting handling for any discrepancy between the actual amount distributed and the estimated figures:

The Company shall calculate the remuneration of employees and Directors in proportion to the net profit before tax for the current year before deducting employee and Director remuneration. If there is a change in the amounts after the annual financial statements are authorized for issue, the differences should be recorded as a change in the accounting estimate in the following year.

- (3) Information on allocation of compensation approved by the Board of Directors:
- (a) The amount of employee compensation and directors' and supervisors' remuneration distributed in cash or shares: The Company's Board of Directors resolved on March 11, 2019 to propose a distribution of NT\$8,773 thousands (USD291 thousands) for Director remuneration and NT\$28,701 thousands (USD952 thousands) for employee remuneration. There is no difference between the estimated amount of compensation and that recognized for the current year.
- (b) The amount of employee compensation distributed in stock and the ratio thereof to total net income after tax and total employee benefits in the current period: The Company did not propose to distribute employee stock remuneration in 2018.
- (4) Actual distribution of employees, directors and supervisors' compensation in the previous year :

The earnings of 2017 was approved by the shareholders' meeting held in 2018, and the sum was the same as was recognized by the board of directors' meeting.

1.9 Buyback of the Company stock: None.

2、Corporate Bonds: None.

3、Preferred Stock issued: None.

4、Issuance of Overseas Depositary Receipts: None.

5、Employee Stock Options：

5.1 Issuance of Employee Stock Options

April 20, 2019; Unit: shares

ESOP Granted	2016 年	2017 年
Approval Date by The Securities & Futures Bureau	None	None
Issue (Grant) Date	2016/10	2017/07
Option Duration	5Year	5Year
Number of Options Granted	3,000,000	2,500,000
Percentage of Shares Exercisable to Outstanding Common Shares	4.24%	3.54%
Period of subscription	From issue date until early exercise approved by the board or prior to public offering in Taiwan	From issue date until public offering held by the Company
Source of Option Shares	New Common Share	New Common Share
Vesting Schedule	Two categories: Category A stock option holders can exercise 50% of their subscription rights after 0.5 years and 100% after 1 year. Category B stock option holders can exercise 25% of their subscription rights after 0.5 years and 100% after 2 years. Where the board approves early exercise or public offering, all stock option certificate holders may exercise their options prior to execution of public offering (the aforementioned exercise restrictions are not applicable)	Stock option holders can exercise 50% of their subscription rights after 0.5 years and 100% after 1 year. Where the board approves early exercise or public offering, all stock option certificate holders may exercise their options prior to execution of public offering (the aforementioned exercise restrictions are not applicable)
Shares Exercised	2,988,500	2,500,000
Value of Shares Exercised	US\$1,045,975	NTD\$55,000,000
Shares Unexercised	11,500(Note)	-
Adjusted Exercise Price Per Share	US\$0.35	-
Percentage of Shares Unexercised to Outstanding Common Shares (%)	0.02%	-
Impact to Shareholders' Equity	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited

Note: Shares Unexercised 11,500 , staff has signed up to abandon execution.。

5.2 Employee Stock Options Granted to Management Team and to Top 10 Employees :

April 20, 2019

	Title	Name	Number of Options Granted	% of Shares Exercisable to Outstanding Common Shares	Exercised				Unexercised			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised (NT\$)	% of Shares Exercised to Outstanding Common Shares	Shares Exercised	Exercise Price Per Share	Value of Shares Exercised (NT\$)	% of Shares Exercised to Outstanding Common Shares
Manager	Chairman	Lao, Kai- Lu	1,909,570	2.70%	1,909,570	USD \$0.35 NTD\$22	USD\$359,300 NTD\$19,426,000	2.70%	-	-	-	-
	Director and CEO & General Manager	Chung, Chien- Jen										
	Chief Financial Officer	Wang, Shiao-Jong										
	Vice GM of Oversea Company	Mark Ian Goodwin										
Employees	VT SZ Director of Materials Division	Sung, Han-Lin	2,062,000	2.92%	2,062,000	USD \$0.35 NTD\$22	USD\$155,750 NTD\$35,574,000	2.92%	-	-	-	-
	VT SZ Director of Marketing Division	Lee, Yu-Ming										
	VT SZ Chief engineer	Yu, Cherg-Kuen										
	VT TW Associate of Administration	Tseng, Yu-Ling										
	VT SZ Deputy Director of Marketing Department	Tsai, Hui-An										
	VT TW Marketing associate	Chiu, Chiao-Wei										
	VT TW Executive Assistant to the Chairman	Sun, Cheng-Der										
	VT TW Senior Manager of Customer Service Department	Lee, Chung-Hsing										
	VT TW Production manager	Liu, Ming-Hao										
	VT DE technical manager	Didier Clovis Maurice										

Note: On June 5, 2018, Ms. Jennifer Tu, Special Assistant to the Chairman, was appointed as interim CFO due to personnel adjustment. On July 19, 2018, Ms. Tu was officially appointed CFO as per board approval.

5.3 The situation of private equity employee stock option certificates in the last three years and up to the date of publication of the annual report: None

6、Employee Restricted Stock Option: None.

7、Issuance of New Shares in Connection with the Merger or Acquisition: None.

8、Financing Plans and Implementation：

By the quarter prior to publication of the annual report, the benefits of uncompleted or completed (within the last three years) previous plans for the offering or private placement of negotiable securities were still not apparent. The contents of these plans are therefore described in detail below:

In line with the IPO, the Company carried out cash capital increase through issuance of 6,040,000 common shares (face value of NT\$ 10 for a total of NT\$ 60,400,000). This offering became effective as per Ordinance No. Tai-Zheng-Shang-Er-Zi-1070025480 issued by Taiwan Stock Exchange Corporation on January 9, 2019. The offering period was extended as per Ordinance No. Tai-Zheng-Shang-Er-Zi-1080003437 issued by Taiwan Stock Exchange Corporation on March 6, 2019. This cash capital increase and share offering was combined with a financing plan whose contents and implementation effects are described below:

(1) Financing Plans:

(a) Required total capital: NT\$ 453,263,000

(b) Capital source: Cash capital increase through issuance of 6,040,000 shares (face value of NT\$ 10). The minimum underwriting price determined through competitive auction was NT\$ 52.68. Shares were awarded to the highest bidders who had to subscribe at the bidding price. The public subscription and underwriting price determined through weighted average of the price and number of winning bids was NT\$ 80.87. However, the average price exceeded the minimum underwriting price by 14%. Shares were therefore offered at a premium price of NT\$ 60.06 per share. The total raised capital amounted to NT\$ 453,263,000.

(c) Implementation:

Unit: 1000 NTD			
Plan item	Projected completion date (Note)	Required capital	Projected capital utilization progress
			2019 Q2 (Note)
Increase of working capital	Q2 2019	453,263	453,263

Note: The offering period was extended as per Ordinance No. Tai-Zheng-Shang-Er-Zi-1080003437 issued by Taiwan Stock Exchange Corporation on March 6, 2019

(d) Projected benefits

An increase of working capital is expected to enhance the current ratio, improve the financial structure, and increase the flexibility of working capital movement. It also decreases operating expenditures caused by bank loans, lowers the reliance on financial institutions, and helps avoid erosion of profits. Annual interest payment savings are projected to amount to NT\$ 22,890,000 based on an average borrowing rate of around 5.05% for bank loans. In conclusion, raising of working capital through cash capital increase helps prevent erosion of profits through interest expenses and strengthen the financial structure of the Company.

(2) Implementation status: NA

V、Operational Highlights

1、Business activities

1.1. Business scope

(1) Core business activities

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

(2) Revenue by products in 2017 and 2018

Unit:NT\$ thousands; %

Category	2017		2018	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue
Copper Clad Laminates	3,215,849	64.81	3,234,118	59.74
Insulated Metal Substrate	601,450	12.12	851,028	15.72
Prepregs	991,840	19.99	1,104,927	20.41
Others	153,091	3.08	223,583	4.13
Total	4,962,230	100.00	5,413,656	100.00

(3) The company's current commodity project

- A. Copper clad laminate for double sided PCB
- B. Copper clad laminate and prepreg for Multi-layer PCB.
- C. Insulated Metal Substrate.

(4) New products planned to be developed

The Company constantly develops low-loss materials in anticipation of the big data and smart city era. The Company is also firmly committed to the development of eco-friendly materials with excellent thermal dissipation characteristics to meet the rising power demands of energy-saving lighting. New materials are developed to meet the functional requirements of IC packaging which is characterized by high density and integration. The Company also develops Copper Clad Laminates (coated aluminum sheet) as a substitute for traditional circuits to meet the market demand for low-cost substrate.

- A. Low loss and high reliability PCB material for Server and Tele-communication application.
- B. Hydrocarbon and ceramic filled material for Radio Frequency application.
- C. PTFE material for Radio Frequency application.
- D. Very Low CTE material for IC packaging application.
- E. Halogen free and very high thermal conductivity (10.0W/mK) IMS for ultra-light LED
- F. Aluminum clad laminate (to replace heavy copper clad laminate)
- G. Ultra-low Dk material (Dk 2.8)

1.2. Industry Overview

(1) Current status and development potential of the industry

A.Global baking industry overview

A global economic growth rate forecast released by the International Monetary Fund (below referred to as IMF) reveals that the global growth rate reached 3.7% in 2017, which exceeds the original forecast rate of 3.4%. In 2018, IMF forecasted a growth rate of 3.9%. In 2016, IMF constantly revised down its growth estimate from 3.8% to 3.2%, which reflects the projected impact of Brexit on the European Economic Community. Starting in 2017, IMF adjusted upward its global economic growth projections, which indicates that IMF has gained a clearer grasp of global economic developments and expects the growth momentum to remain strong. The latest global economic growth rate forecast released in October shows that revised down its growth estimate for 2018 to 3.7%, which reflects the gradually intensifying US-China trade war. Despite the downward revision of the Chinese growth rate from 6.6% to 6.2% and a declining performance of emerging markets, it is expected that the global economy will maintain an annual growth rate above 3% in 2018 and 2019.

Table 1.1. Overview of the *World Economic Outlook Projections*
(Percent change, unless noted otherwise)

	2017	Projections		Difference from July 2018 WEO Update ¹	
		2018	2019	2018	2019
World Output	3.7	3.7	3.7	-0.2	-0.2
Advanced Economies	2.3	2.4	2.1	0.0	-0.1
United States	2.2	2.9	2.5	0.0	-0.2
Euro Area	2.4	2.0	1.9	-0.2	0.0
Germany	2.5	1.9	1.9	-0.3	-0.2
France	2.3	1.6	1.6	-0.2	-0.1
Italy	1.5	1.2	1.0	0.0	0.0
Spain	3.0	2.7	2.2	-0.1	0.0
Japan	1.7	1.1	0.9	0.1	0.0
United Kingdom	1.7	1.4	1.5	0.0	0.0
Canada	3.0	2.1	2.0	0.0	0.0
Other Advanced Economies ²	2.8	2.8	2.5	0.0	-0.2
Emerging Market and Developing Economies	4.7	4.7	4.7	-0.2	-0.4
Commonwealth of Independent States	2.1	2.3	2.4	0.0	0.2
Russia	1.5	1.7	1.8	0.0	0.3
Excluding Russia	3.6	3.9	3.6	0.3	-0.1
Emerging and Developing Asia	6.5	6.5	6.3	0.0	-0.2
China	6.9	6.6	6.2	0.0	-0.2
India ³	6.7	7.3	7.4	0.0	-0.1

Source: IMF (2018/10)

Despite a warning issued by IMF regarding the impact of the US-China trade war on global economic growth over the next few years, IMF has not significantly revised its forecasts for 2018 including its estimates for the US and China. The global economy is expected to maintain its positive growth momentum with a projected growth rate of 3.7% in 2018 and 2019. IMF's optimism about the Chinese and US economy is based on the powerful policies adopted by both governments that stimulate local economic activity and drive growth of the domestic market. For instance, the new Trump government has adopted policies that strongly emphasize a manufacturing revival and local production. Government spending is expanded for infrastructure projects and tax cuts are implemented to attract investors. Increasing government spending and expanding investments are expected to buttress economic growth. Intensifying economic activity in the US is reflected in the climbing Consumer Price Index (CPI), which was 2.7% higher than in the same period of the previous year. Despite a downward adjustment by 0.2% in 2019, the US and Chinese economy are still expected to maintain a growth level of 2.0% and 6.0%, respectively, which conforms to long-term market expectations. It must however be pointed out that the US-China trade war is very likely to result in trade conflicts over an extended period and increase the overall volatility of economic growth.

B. Electronic products

(a) Global consumer electronics industry

According to DIGITIMES Research statistics on large-size LCD panels (9 inches or more) produced by Taiwanese manufacturers, the average output volume per quarter reached around 60 million units over the past six quarters with an average growth rate of roughly 3%. Despite the fact that supply exceeds demand in the panel industry, the global output volume continues to rise due to the successive replacement of old-generation plants and constantly expanding production capacities of Chinese plants in recent years.

Proportional changes of panel output volume can be summarized as follows: Notebook computers (NB) around 35%, TV sets around 30%, LCD Monitors around 20%, and 9-inch tablets around 10%. In addition, output growth in the LCD TV sector is limited due to market saturation and a projected output volume of 6 million units of OLED TVs after 2020. The output volume of LCD Monitors is also expected to drop from 124 million units in 2016 to 108 million units in 2021. Monitor, AIO PC, and NB output also shows a declining tendency.

In addition, DIGITIMES Research statistics on medium- and small-size LCD panels produced by Taiwanese manufacturers reveal that the average output volume per quarter

exceeded 300 million units over the past six quarters with an average growth rate of around 2.5%. Competition in various panel application fields is fierce. As for proportional changes of panel output volume, smartphones account for 80% of the total volume, while tablets, car-mounted displays, digital cameras, and portable navigation devices (PND) make up 5%, 5%, 2%, and around 2%, respectively. In addition, the smartphone industry also shows signs of maturing after a period of vigorous development in the past. Major smartphone manufacturers have consolidated their market position and the smartphone industry is no longer the main driving force for growth.

TrendForce research findings reveal that global notebook computer output reached 165 million units in 2017, which represents a drop of 2% compared to the previous year. Due to a structural gap on the supply side in 2018, the output volume is expected to decrease by another 1% to 164 million units. This can be explained by the fact that a large number of users have put off their plans to purchase a new computer due to free Windows 10 upgrades provided by Microsoft. The delayed launch of the new Macbook model is another key factor leading to a significant drop in NB output volumes.

GfK research data reveals that global smartphone sales grew by 6% in 2016 Q4 compared to the same period of the previous year, reaching 391 million units. The constantly expanding 4G market in China coupled with a heating up Russian market provided a boost to the global demand for smartphones, resulting in significant growth compared to the previous year. Except for Western Europe, all other regions saw significant growth in 2016 Q4. GfK statistics indicate a growth rate of 5% for the smartphone market in 2017. The global sales volume reached a total of 347 million units in 2017 Q2, which represents an increase by 4% over the same period of the previous year (SPLY). Fueled by rising demand, sales increased by 13% in emerging Asian economies as compared to SPLY, followed by Central and Eastern Europe (11%) and Latin America (10%). China maintains a leading position in the global 5G market and is expected to turn into the largest 5G market, surpassing the US, Japan, Korea, and Europe.

(b) Global automotive electronics industry

Automotive electronics account for an increasing percentage of total vehicle costs (from 22% in 2000 to 35% in 2010 and a projected 50% in 2020). A survey conducted by Strategy Analytics reveals that the global output value of automotive electronics reached US\$ 200 billion in 2013 and is expected to rise to US\$ 300 billion by 2020 (CAGR of over 7.5%).

Over the past five years, automotive PCB output value has accounted for a rising percentage of total PCB output value (from 7% in 2011 to 8.6% in 2015). Automotive PCBs also represent the fastest growing segment of the PCB market. CAGR equaled 6.7% between 2011 and 2016. The automotive electronics market is expected to maintain its growth pattern in the future.

In 2014, the global automotive electronics market had a volume of US\$ 205 billion in 2014. In view of a projected CAGR of 8.5% between 2015 and 2020, the market volume is expected to reach US\$ 300 billion. As the biggest market for car sales, China is expected to see a rapidly growing demand for automotive electronics and a constantly expanding market volume. The volume of the automotive electronics market in China rose from RMB 359.1 billion in 2014 to RMB 401.2 billion in 2015. CAGR is projected to reach 11% between 2016 and 2020. By 2020, the global market volume is expected to amount to RMB 680 billion.

Automotive electronics can be divided into six major categories based on their functionality (Infotainment, Safety, Body, Security, Power train, and Chassis). In 2015, power train systems accounted for 34% of the global market volume of US\$ 233.3 billion due to the large number of required components. As for overall growth between 2015 and 2021, power train and safety systems were ranked first and second with CAGR of 7.2% and 6.4%, respectively. This clearly indicates that these two automotive electronics systems have the greatest growth potential.

(c) Aluminum substrate and LED industries

According to DIGITIMES Research forecasts, the global LED lighting market volume was expected to amount to US\$ 34.6 billion (an increase of 4.1% over 2015) in 2016 with a penetration rate of 31.3% based on output value. The LED light bulb and spotlight penetration rate was expected to exceed 28% and 30%, respectively, while the penetration rate for LED tubes reached 17.3%. LED street lamps accounted for 15.7% of total installations. Due to initiation of replacement programs in numerous regions several years ago, changes in new installations in countries and regions that implemented such programs earlier are not significant. On the contrary, newly developed cities and roads represent a more significant growth potential. Countries and regions that were about to initiate LED lighting programs were expected to install a total of 10.04 million LED in 2016, which represents an increase by 13.5% compared to 2015.

(2) Connections among the industry upstream, midstream and downstream

Upstream	Midstream	Downstream
Glass Fabric	Copper clad laminate	<u>Type of</u> <u>Electronic Products</u> Mobile phone Computer Home Car Communication Aerospace Medical treatment Entertainment Traffic Food
Epoxy resin		
PN resin	Rigid PCB, flex PCB, IC substrate PCB	
copper foil		
PI resin	PCB assembly processing and related manufacturing	
Production process and testing equipment		

A. Upstream

Upstream products can be divided into the following categories:

1. Reinforcing materials including insulating paper, glass fiber mat, glass fiber yarn, and glass fabric supplied by Nanya and Taiwan Glass, the two largest glass fabric manufacturers in the world.
2. Conductive materials including oxygen-free copper balls, electrodeposited copper foil, and rolled copper foil mainly supplied by Japanese and US manufacturers due to the location of copper deposits and technological requirements in the fields of electrodeposition, rolling, and surface treatment. Taiwanese suppliers include Nanya and Chang Chun, which are ranked among the five largest copper foil manufacturers worldwide.
3. Binding materials including phenolic resin, epoxy resin, and polytetrafluoroethylene resin are mainly imported. Due to high requirements in the field of heat resistance, wear resistance, and insulation, US, Japanese, and Korean chemical manufacturers have a combined market share of 90%.

B. Midstream

Midstream products such as Copper Clad Laminate are key base materials for the manufacture of printed circuit boards. The manufacturing process is composed of adhesive mixing and compounding by utilizing solvents, curing agents, accelerating agents, and resin followed by the creation of film through maceration of reinforcing materials such as glass fabric. After inspection procedures, the film is cut and overlaid before copper foil is added. Finally, CCL is created through heat pressing, trimming, testing, and cutting. Based on base material properties,

CCL can be divided into the following four categories: paper-based substrate, composite substrate glass/epoxy substrate, and flexible substrate.

PCB can be divided into the following three categories: Rigid PCB, Flexible PCB, and IC Substrate. Rigid PCBs are used for TVs, digital video recorders, telephones, fax machines, computers, and notebook computers. Flexible PCB application include smartphones, digital cameras, notebook computers, LCD panels, and touch panels. IC substrate is utilized for logic chips, chipsets, graphics chips, DRAM and flash memory.

C. Downstream

Various electronics products including IT, communication, and consumer products such as TVs, digital video recorders, computer peripherals, fax machines, notebook computers, tablet computers, smart handheld devices, communication and network equipment, and smart wearable devices which are currently the hottest products on the market represent the main downstream applications of PCB.

The importance of flexible substrate is constantly increasing because it is more and more frequently adopted for hi-tech products. Due to rising environmental awareness, relevant laws and regulations and restrictions on hazardous substances in electronics products have been formulated. In recent years, manufacturers in different countries have therefore been firmly committed to the development of halogen-free and lead-free eco-friendly substrates. In line with the pursuit of lightness and thinness in the field of electronics products, the demand for High Density Interconnect (HDI) is rapidly increasing. HDI is currently mainly utilized for smart handheld devices including smartphones and tablets. Other applications include high layer count and COB substrates for notebook computers, high-end computers, network communications, and peripherals.

(3) Various product development trends

CCL is a base material for PCBs. Its price is closely related to upstream materials such as electrodeposited copper foil, glass fabric, and epoxy resin. Despite a stable recovery of copper prices in recent years, the CCL market is gradually moving back from a buyer's market to a seller's market, which forces CCL manufacturers to raise their prices to reflect rising costs. In line with current trends such as shrinking size, rising power requirements, multifunctionality, and eco-friendliness in the electronics product industry, R&D efforts focus on high-density, multi-layered, rigid-flex, and eco-friendly substrates to generate growth momentum.

A. High-frequency substrates

High frequency is defined as frequencies of 1GHz or above. Products below 10GHz still employ glass fiber reinforced epoxy laminate FR-4 substrates due to cost considerations. However, products that exceed 10GHz, have higher requirements in the field of low-k. Due to its superior electric, hydro, and frequency properties, PTFE is the ideal material for substrates. It is utilized to develop high-frequency, highly reliable, and low-consumption PTFE substrates.

B. Heat resistance and conductivity

Due to the latest trends such as gradual miniaturization and gradually rising performance in the electronics product market, adequate heat dissipation functions are required to handle the thermal energy generated during high-performance operations. Silicon interposers can provide superior CTE (coefficient of thermal expansion) values, offering outstanding heat resistance and insulation properties. Glass-based substrates represent another enhancement option in line with cost considerations. In addition, ceramic substrates are also applied in heat generating products such as LED. They are characterized by superior CTE values and heat resistance capabilities compared to aluminum substrate.

C. Eco-friendly materials

Glass fiber reinforced epoxy laminate FR-4 substrates which were widely used in the past are characterized by low prices and processing convenience. However, their base materials and chemical agents contain lead and halogen. Lead is added to increase heat resistance in original processes. Lead-free welding materials which are capable of withstanding high-heat environments during assembly represent a significant improvement. Halogen provides flame resistance properties. Halogen-free materials are adopted as a substitute for the original flame resisting agents. In addition, phosphorous epoxy resin is used as a replacement for bromide epoxy resin.

(4) Competitive status

Statistics released by Prismark in 2019 reveal that CCL market share rankings are as follows: Kingboard Chemical (14%), Sytech (11%), Nan Ya Plastics (10%), Panasonic (8%), Elite Material (7%), ITEQ Corporation (6%), Isola (4%), Doosan (4%), and Taiwan Union Technology (4%). Taiwanese, Korean, and Chinese manufacturers focus on the mid- and low-end CCL market (the low-price market is the main source of growth for Chinese manufacturers), while the high-end market is dominated by European, US, and Japanese enterprises. This includes CCL used for high-end automotive electronics, high-speed CCL in the field of communications, CCL used for IC packaging, and FCCL used for high-end FPC.

Statistics released by IEK in 2016 indicate that the global PCB output value was projected to reach around US\$ 58.2 billion. Taiwanese manufacturers held the highest market share of 30.4%. Japanese manufacturers maintained a market share of 23.4% due to a shifting focus from the low-price market which is characterized by fierce competition to high-price niche markets. The market share of Korean manufacturers dropped to 17.1% due to a shrinking market share of Korean smartphone and communication equipment providers who are their main clients. Chinese manufacturers, on the other hand, rely on communication base station and security installations and the domestic demand for industrial control equipment and car modules and have constantly increased their output values by expanding beyond the low-price market. Their market share therefore rose to 15.7%.

1.3. Technology and R&D Overview

(1) Technological arrangement in business operations and R&D

Since its inception, the Company's R&D efforts have always focused on the pursuit of high quality, high reliability, high frequency, and eco-friendliness. In the following years, the company developed lead-free and halogen-free eco-friendly metal substrates characterized by high thermal conductivity (7.0W/mK) for high-power LED applications and ultra-low Dk (Dk 3.0) halogen-free materials for next-generation smartphones. The goal is to develop higher quality products that meet the demands of downstream PCB manufacturers.

(2) Technology and R&D employee Information in the Recent Four Years and as of the Date of the Publication of the Annual Report

Unit: persons

Education background	2016	2017	2018	2019/4/30
Ph.D.	0	0	0	0
Master	0	1	1	1
Bachelor	43	38	38	38
Below high school	26	20	30	26
Total	69	59	69	65

(3) Research and development in the Recent Five Years

Unit:NT\$ thousands; %

Item	2014	2015	2016	2017	2018
Research and development expenses	68,844	77,320	74,058	112,965	146,544
Net Revenue	4,550,437	4,516,532	4,545,650	4,962,230	5,413,656
Research and development expenses/ Net Revenue Ratio(%)	1.51%	1.71%	1.63%	2.28%	2.71%

(4) Successfully developed technologies or products in the Recent Five Years:

Year	Major research and development results
2011	<ol style="list-style-type: none"> 1. Lead free assembly complied, high reliability, high Tg, Halogen-Free Material 2. Lead free assembly complied, high reliability, high Tg, Halogen-Free, Low flow/No flow prepreg for Rigid-Flex PCB. 3. Obtained 3 Chinese patents
2012	<ol style="list-style-type: none"> 1. Lead free assembly complied, high reliability, Low loss material for Server and Tele-communication application. 2. Very High Tg and low CTE PI material for aerospace and military application. (Both UL 94-V0 and HB available) 3. Very High Tg and low CTE PI prepreg for filling high aspect ration holes. 4. Halogen free and very high thermal conductivity (3.0W/mK) IMS for very-light LED 5. White material for Chip-on-board LED packaging 6. Obtained 1 US patent
2013	<ol style="list-style-type: none"> 1. White material for Chip-on-board LED packaging, with very high reflect ratio. 2. 3Bendable IMS for 3D LED lighter. 3. Halogen free and very high thermal conductivity (4.2W/mK) IMS for very-light LED 4. Very High Tg and low CTE PI low flow and no flow prepreg for aerospace and military application. 5. Low Dk and low cost halogen free material for server and advanced smart phone. . 6. Obtained 1 Chinese patents
2014	<ol style="list-style-type: none"> 1. Very Low loss and halogen free material for server and Tele-communication application. 2. Very Low loss material for server and Tele-communication application. 3. Halogen free and very high thermal conductivity (7.0W/mK) IMS for Ultra-light LED 4. Signal integrity test equipment cover the frequency up to 20 GHz. 5. Obtained 1 Chinese patents

Year	Major research and development results
2015	<ol style="list-style-type: none"> 1. Ultra Low loss material for server and Tele-communication application. 2. Halogen Free, very low Dk material for advanced smart phone. 3. Bonding film for Chip-on-board LED packaging 4. Obtained 1 US patent.
2016	<ol style="list-style-type: none"> 1. Ultra Low loss material for server and Tele-communication application. 2. Halogen Free, very low Dk material for advanced smart phone 3. Developing Aluminum clad laminate to replace heavy copper clad laminate. 4. Developing Halogen free, Black laminate 5. Obtained 7 Chinese patents
2017	<ol style="list-style-type: none"> 1. Developing RF material. 2. IMS Material for green energy application. 3. Ultra-thin dielectric IMS with very low thermal resistance for Beam Matrix head light. 4. Obtained 4 Chinese patents
2018	<ol style="list-style-type: none"> 1. Low CTE and halogen-free materials with high tensile strength 2. Highly reliable and ultra-low loss materials for server and telecommunication applications 3. Highly reliable and even lower loss materials for server and telecommunication applications 4. High thermal conductivity CCl and high-flow prepreg for multilayered printed boards with high thermal dissipation properties

1.4. Long and short term operational development plans

(1) short term operational development plan

A. Design, research and development

- (A) Improvement of product and customer structure to enhance profitability and reduce competitive pressures
- (B) Active development of new markets and customers to spread risks
- (C) Establishment of long-term partnerships with customers and suppliers

B. Manufacturing and production

- (A) Implementation of quality policies characterized by constant improvements
- (B) Continued enhancement of the efficiency and productivity of employee teamwork

C. Finances

Capital needs are met through capital increase or bank loans in line with

business expansion requirements under the condition that profitability remains unaffected.

(2) Long-term operational development plan

A. Marketing operations

(A) Forming of strategic alliances with key clients to stabilize revenue sources and increase competitiveness

(B) Establishment of diversified marketing channels for new products to spread risks and increase profits

B. Manufacturing and production

Cooperation with international manufacturers to improve technology standards

C. Finances

(A) Optimal utilization of financing tools available on capital markets for the acquisition of cheaper funding and financial resources for business operations

(B) Utilization of financial management tools in pursuit of capital utilization efficiency and added value while upholding the principle of sound financial policies

2、 Overview of the Market, Production and Sales Analysis

2.1. Market Analysis

(1) Main products (services) marketing (provision) areas

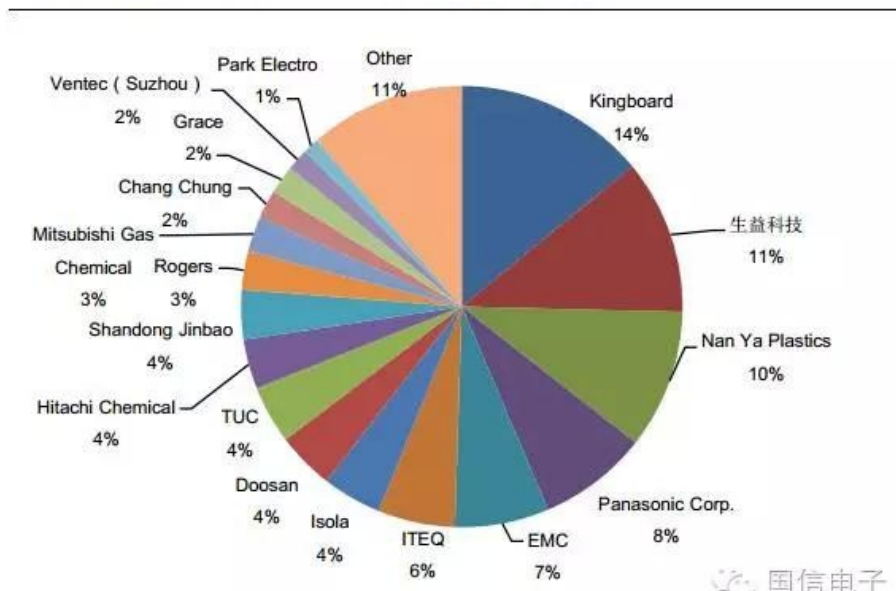
Within the most recent two years, the Company's main marketing areas were China, America, and Europe. The sales ratios for these regions in 2017 and 2018 are shown in the table below:

Unit: NT\$ thousands;%

Area	2017		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Asia	3,881,550	78.22	4,243,137	78.38
Europe	732,588	14.76	782,044	14.45
America	348,092	7.02	388,475	7.17
Total	4,962,230	100.00	5,413,656	100.00

(2) Market Share

Statistics released by Prismark Partner LLC reveal that the output value of the Company accounted for 2% of the global output value of CCL manufacturers



Source: Prismark Partner LLC (2016)

(3) Future market demand and supply status and growth characteristics

A global economic growth rate forecast released by the International Monetary Fund (below referred to as IMF) in 2018 reveals that the global growth rate reached 3.7% in 2017. In 2018, the projected growth rate was 3.9%. This clearly shows that IMF is optimistic about future economic growth.

Relevant data released by IEK indicates that the global output value of the PCB industry has exhibited a declining trend for two consecutive years. In 2016, the global output value amounted to around US\$ 58.2 billion, which represents a drop by 2% compared to 2015. In 2016, the output values of all major production countries including Taiwan, Japan, and Korea declined. The rate of decline exceeded 3% in Japan and Korea. Even though the output value of Chinese PCB manufacturers is still growing, the global output value is contracting.

The Market Research Report forecasts that China will grow at a rate of 1.5% due to the rapid development of downstream automotive electronics and 4G/5G between 2016 and 2020. Global CCL prices also picked up due to a recovery of copper prices. An analysis of automobile cost structures clearly indicates that the usage ratio of automotive electronics accounts for 15% of traditional small vehicles, 28% of high-class sedans, 47% of hybrids, and 65% of e-vehicles. Against the backdrop of an extensive promotion of new e-vehicle related policies, the proportion of automotive electronics in automobile structures will gradually increase. The main growth momentum for the industry will be provided by automotive electronics. In the field of communications, the number of 4G users in China increased from 97 million in 2014 to 396 million in 2015. Terminal applications of communication technology rely on the performance of substrates in PCBs.

(4) Competitive niche

A. Outstanding technological innovation capabilities

Since its inception in 2000, the Company has positioned itself as a professional manufacturer of FR-4 grade CCL with high unit prices and high complexity. It places ultimate emphasis on autonomous R&D technologies and has established a R&D Department as a dedicated unit in charge of process technology improvements and development of innovative new products. The Company has successfully applied for 18 Chinese patents and 2 US patents. Products that conform to market trends and satisfy customer needs are launched by relying on technology enhancements, a firm grasp of market demand, and diverse product mixes. The goal is to create added value and widen the gap with competitors.

B. Stable quality and conformity to international standards

In addition to a firm commitment to the development of new products, the Company also insists on top quality. The QA Department, which is directly subordinate to the GM, is responsible for product quality inspections, testing, control, and assurance. Effective quality control helps decrease attrition rates and enhance competitiveness. The specifications of CCL produced by the Company conform to numerous international norms and standards. The Company also continues its efforts in the acquisition of mid-tier certifications. With a view to long-term development, the Company is also actively searching for opportunities to develop diversified products in cooperation with other companies and aims to venture into the manufacture of other electronic materials.

C. Complete sales channels and considerate customer services

In view of the fact that downstream PCB manufacturers successively set up plants in China, expansion into overseas markets is imperative. As a result of deployment over many years, the Company has complete sales platforms in place in America, the UK, and Germany and has thereby gained the ability to meet the delivery time requirements of its customers, save shipping costs, and provide considerate customer services and localized supply networks. In addition to a real-time grasp of market information as a reference for procurement and manufacturing decisions, the Company gets an opportunity to build close partnerships with its clients and thereby increase its market share and create a rising sales volume.

D. Professional management team

The Company was founded over a decade ago and its management team has accumulated extensive experience in this industry and possesses wide expertise and rich practical experience in different professional fields. By relying on a clear organizational structure and sharp observation of market trends, the management level effectively integrates resources of all departments and ensures step-by-step execution of R&D, manufacturing, and sales operations according to plan. Due to a tacit understanding and shared business philosophy, the management team represents the core corporate values of the Company. Its accumulated professional service and technological capabilities have turned the Company into an indispensable partner of up- and downstream businesses and created a competitive niche that makes the Company stand out from its competitors.

(5) Advantageous and disadvantageous factors and responsive measures for our developmentprospects

A. Advantageous factors

(A) Stable growth of downstream market demand

Taiwanese PCB manufacturers are deeply committed to the supply chains of major system providers. CCL and PCB manufacturers have a symbiotic relationship with links to up- and downstream industries and significant growth and development potential.

(B) Opportunities in emerging markets for eco-friendly base materials

In line with the rising global environmental awareness, eco-requirements have turned into a global trend and basic standard. Due to the added impact of RoHS environmental directives of the EU, manufacturers of consumer electronics gradually adopted halogen-free materials, which in turn has led to the replacement of traditional FR-4 substrates with lead- and halogen-free, eco-friendly CCL and substrates. The Company has been fully committed to the production of CCL over many years. It possesses mature technologies and outstanding R&D capabilities and has already developed and initiated mass production of high-end products such as halogen-free, eco-friendly substrates. Against the backdrop of global efforts in the field of environmental protection and energy conservation, lead-free processes and halogen-free, eco-friendly CCL and aluminum substrates represent a new trend with significant growth potential. The Company fully expects to benefit from this trend.

(C) Advantages of international division of labor and localized supply networks

The Company is expected to gain a significant competitive edge in the field of CCL business expansion by taking advantage of low labor and land costs in China and through the establishment of localized supply networks, effective control of delivery times, and real-time provision of after-sale services and technical support.

(D) mass production and supply capabilities

As a result of the rising number of PCB applications and the gradually expanding scale of mass production carried out by Taiwanese PCB manufacturers, the mass production and supply capabilities of upstream suppliers of key PCB components will turn into key criteria for their selection as cooperation partners by PCB manufacturers. The specifications and quality of the products manufactured by the Company conform to numerous international norms and standards. Attributes such as dimensional stability, thickness tolerance, peel strength, heat resistance, and permittivity exceed the required standards. Products have been successively certified and adopted by large international manufacturers. This clearly indicates that the Company possesses stable production technologies and mass production capabilities, which is conducive to the forming or maintenance of partnerships with downstream manufacturers.

B. Disadvantageous factors

(A) Material price fluctuations affect profitability

Raw materials account for 70% of CCL manufacturing costs. Prices of copper foil and glass fabric which represent the main raw materials sometimes fluctuate due to changes in supply, which in turn affects procurement costs. Since it is difficult for PCB manufacturers to pass on costs to downstream clients, price increases by CCL manufacturers to reflect rising material costs are bound to meet resistance by PCB manufacturers in the short run, especially if demand for end products and applications falls short of expectations. Rising material costs therefore squeeze the profits of the Company.

Countermeasures:

The Company closely monitors raw material market conditions, maintains close partnerships with upstream manufacturers, and procure materials from different sources to avoid reliance on a single supplier and

thereby spread risks. On the other hand, the Company is also firmly committed to communication and coordination with each supplier and organizes supplier coordination meetings if deemed necessary. The central procurement system which is based on long-term cooperation is determined in accordance with the total demand of both groups. In addition, product prices are raised and raw material costs are passed on to downstream clients at opportune times in line with market conditions to maintain a certain level of profitability.

(B) Rising competitive pressure

CCL businesses are optimistic about the demand generated by rapid growth in the PCB sector and therefore successively expand their plants and production capacities. Domestic production capacities for substrates are rapidly increasing and competitive pressure is rising. The rise of emerging economies on the international stage, setting up of plants by global PCB manufacturers in China, and creation of production capacities by Taiwanese competitors in Eastern China coupled with low-price competition strategies have further contributed to a trend of shrinking profits, which causes bottlenecks for the CCL industry.

Countermeasures:

In addition to the continued development of high-end (e.g., High Tg, Low DK, Halogen-Free) substrates and other niche products with customized specifications and rapid entry into high-end markets by relying on actual mass production experiences, the Company also aims to increase performance and reduce costs through substrate process and production capacity adjustments. On the other hand, marketing networks are set up and new customers are developed to increase profits and turn the Company into a leading manufacturer. At the same time, MLB production lines have been added to provide customers with more comprehensive services.

(C) Strict environmental standards

In the wake of the rising environmental awareness, the Chinese government and international organizations have gradually raised relevant thresholds in line with newly enacted environmental laws. The CCL production process requires the addition of various chemical agents and special materials. It therefore generates various categories of waste gas, waste liquid, and solid waste which contain different types of organic pollutants and large amounts of heavy metal pollution. Constant investment of large amounts of capital, expansion of pollution control facilities, and personnel training are required to stay in sync with the latest trends and

comply with relevant laws and regulations. Strategies for effective improvement of environments must be adopted to ensure a safe and worry-free working environment for employees and create pollution-free surroundings.

Countermeasures:

Pollution control facilities are purchased and updated, waste reduction plans are implemented, and new processes are developed to ensure conformity to environmental regulations and requirements. Purchased pollution control facilities are inspected by dedicated personnel on a daily basis and relevant units are responsible for their operation and maintenance. Commissioned waste removal and treatment businesses recognized by EPA dispose of general and hazardous industrial waste. Equal emphasis is placed on the pursuit of competitiveness and minimization of negative impacts of raw materials and products on the environment. The goal is to achieve comprehensive competitiveness and sustainability.

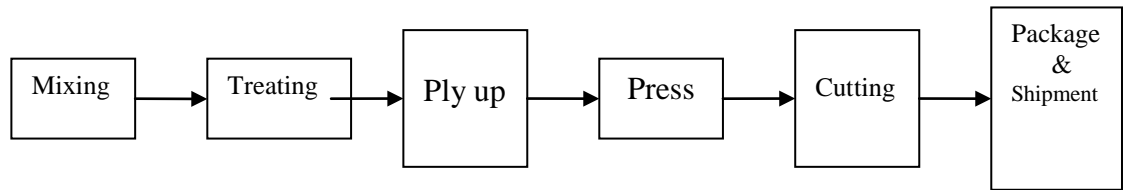
2.2. Major applications and production process for primary products

(1) Key applications of the primary products

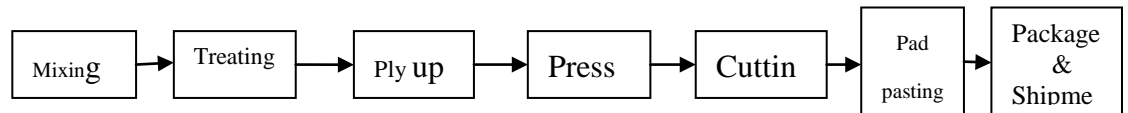
Main Products	Products (services) applications
Copper Clad Laminates	Utilized for Multi-Layer PCB in smartphones, communication devices, and computers; lead-free, highly heat resistant, halogen-free, eco-friendly materials for high-frequency communication; polyimide boards and materials with ultra-high heat resistance/low CTE properties for the military and aerospace industry; automotive electronics and lighting
Insulated Metal Substrate	LED street lamps, automotive lighting, high-thermal conductivity actuators for high-power LEDs
Prepregs	Utilized for Multi-Layer PCB in smartphones, communication devices, and computers; rigid-flex PCB for the military and aerospace industry

(2) Applications and production process of major products

A. Copper clad laminates



B. Aluminum substrate



2.3. Sources of major raw materials

Major raw materials of the Company include, but not limited to, copper foils, glass fiber fabrics, and epoxy resins.

Raw materials	Suppliers	Supply situation
Glass fiber fabrics	TAI CHIA GALSS FIBER CO.,LTD.、 CHONGQING TENWAYS MATERIAL CORP.	Excellent condition
Copper foil	HEFEI TONGGUAN GUOXUAN COPPER PRODUCTS CO.,LTD、 CHINA HANWAY CO.,LTD、 CHANG CHUN CHEMICAL (JIANGSU) CO., LTD.	Excellent condition
Epoxy resins	CHANG CHUN CHEMICAL (JIANGSU) CO., LTD.、 LIFA (HK) CO., LTD.	Excellent condition

2.4. Most recent two years' major products and gross profit information

(1) Recent two years gross profit:

Unit: NT\$ thousands;%

Year	2017	2018
Net revenue	4,962,230	5,413,656
Gross profit	1,250,627	1,345,951
Gross profit rate	25.20%	24.86%
Gross rate of change	39.77%	(1.35%)

(2) Explanation of gross profit rate changes in excess of 20%:

Gross profit rate changes in 2017 and 2018 amounted to 39.7% and 1.35%, respectively. The significant change in 2017 compared to 2016 was mainly caused by product mix adjustments and a shift to niche products.

2.5 Major supplies and sales customer information

(1) Customers who account for 10% (inclusive) or above of purchase in recent two years:

Unit: NT\$ thousands

	2017				2018			
Rank	Name	Amount	of net purchase %	Relationship with Ventec	Name	Amount	of net purchase %	Relationship with Ventec
1	CHANG CHUN CHEMICAL (JIANGSU) CO., LTD.	447,735	15.42	None	CHANG CHUN CHEMICAL (JIANGSU) CO., LTD.	599,449	17.70	None
2	TAI CHIA GALSS FIBER CO.,LTD.	414,178	14.26	None	TAI CHIA GALSS FIBER CO.,LTD.	444,103	13.12	None
	Other	2,042,580	70.32	None	Other	2,342,323	69.18	None
	Total	2,904,493	100.00		Total	3,385,875	100.00	

Explanation of changes:

The Company maintains long-term partnerships with at least two suppliers for main raw materials utilized for products that generate stable revenues from key clients. No significant changes of major suppliers therefore occurred within the most recent two years and the application year.

(2) Customers who account for 10% (inclusive) or above of revenues in recent two years

Unit: NT\$ thousands

Rank	2017				2018			
	Name	Sales revenue	Percentage of total revenue (%)	Subsidiary or affiliates of the Company	Name	Sales revenue	Percentage of total revenue (%)	Subsidiary or affiliates of the Company
1	A Group	1,460,342	29.43	None	A Group	1,677,524	30.99	None
	Others	3,501,888	70.57	None	Others	3,736,132	69.01	None
	Net sales	4,962,230	100.00		Net sales	5,413,656	100.00	

Company did not have customers who accounted for more than 10% of the sales in the last two years.

2.6. Volume and value of production in recent two years:

Unit: NT\$ thousands

Year Production Products	2017			2018		
	Capacity	Output quantity	Output value	Capacity	Output quantity	Output value
Copper Clad Laminates	9,420 sheets	5,804 sheets	2,711,774	9,420 sheets	6,434 sheets	2,991,850
Insulated Metal Substrate	425 sheets	280 sheets	406,000	785 sheets	378 sheets	551,017
Prepregs	13,350 meters	11,706 meters	516,626	13,350 meters	12,395 meters	547,041
Others	—	—	53,229	—	—	68,179
Total	—	—	3,687,629	—	—	4,158,087

2.7. Sales volume and revenue in recent two years:

Unit: NT\$ thousands

Year Sales Volume and Value Product type	2017				2018			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Copper Clad Laminates	4,932 sheets	2,403,432	1,048 sheets	812,417	5,113 sheets	2,385,903	902 sheets	848,515
Insulated Metal Substrate	135 sheets	291,253	101 sheets	310,197	184 sheets	498,262	148 sheets	352,766
Prepregs	8,323 meters	667,884	2,040 meters	323,956	9,044 meters	821,263	1,752 meters	283,364
Others	—	60,842	—	92,249	—	87,533	—	136,050
Total	—	3,423,411	—	1,538,819	—	3,792,961	—	1,620,695

3. The most recent two years number of employees

Unit: Persons

Year		2017	2018	30 April 2019
Number of employees	Manager	54	48	48
	Employees	612	671	634
	Total	666	719	682
Average age		38.76	38.61	38.41
Average years of service		4.37	4.93	5.10
Breakdown of educational level (%)	Ph.D.	-	-	-
	Master	0.75%	0.42%	0.44%
	Bachelor	38.14%	36.86%	38.71%
	High school	45.65%	46.45%	43.55%
	Below high school	15.46%	16.27%	17.30%

4. Environmental Protection Measures and Expenses

4.1. In accordance with legal regulations, applications for permits for the installation of pollution control facilities or pollutant discharge permits shall be submitted, pollution control fees shall be paid, and dedicated environmental protection units with relevant personnel shall be established. Relevant details are as follows:

The Chinese subsidiaries of this Company (VT SZ, VT JY, and VT SZWT) have acquired wastewater discharge permits and water pollutant discharge permits. The Taiwanese subsidiary (VT TW) has obtained toxic chemical registry and stationary source operation and setup permits and has established dedicated environmental protection units with relevant personnel. Soil and groundwater pollution remediation fees, stationary source fees, and air pollution control fees are paid in a timely manner.

4.2. Investments in pollution control facilities and their purposes and potential benefits

Dec 31, 2018; Unit: NT\$ thousands

Equipment	Number	Acquisition date	Cost	Book Value	Purpose
Vacuum thermocompressor (incl. organic heat carrier furnace)	1	1998.06.01	20,604	652	Treatment of process wastegas to ensure that emissions meet relevant standards
30-foot vertical dipping machine (incl. Regenerative Thermal Oxidizer)	1	2002.02.01	83,914	2,657	Treatment of process wastegas to ensure that emissions meet relevant standards
Regenerative ceramic furnace	1	2002.09.01	4,758	152	Wastegas generated in mixing and gluing areas is collected in a centralized manner and discharged upon treatment of VOCs through RTO (regenerative thermal oxidation) in conformity to relevant laws and regulations. Benefits: Extension of maintenance cycles, reduction of maintenance times, and enhanced energy conservation effects of RTO furnace

Equipment	Number	Acquisition date	Cost	Book Value	Purpose
Burner	2	2008.01.01	13,207	1,057	Stable source of heated water with constant temperatures and heat insulation
Hot water boiler (Hot water circulation system)	1	2008.01.01	5,727	458	Heated kerosene provides a stable source of heat energy for on-site lamination
Organic heat carrier furnace	1	2008.01.01	2,379	190	Treatment of process wastegas to ensure that emissions meet relevant standards
Burner	1	2009.01.01	5,623	562	Treatment of process wastegas to ensure that emissions meet relevant standards
Burner	1	2009.09.14	78	2	Wastegas generated in mixing and gluing areas is collected in a centralized manner and discharged upon treatment of VOCs through RTO (regenerative thermal oxidation) in conformity to relevant laws and regulations. Benefits: Extension of maintenance cycles, reduction of maintenance times, and enhanced energy conservation effects of RTO furnace
RTO Environmental Processor (Burner)	1	2016.02.01	10,292	8,547	Heated kerosene provides a stable source of heat energy for on-site lamination
Boiler	1	2017.04.01	1,590	1,340	Treatment of process wastegas to ensure that emissions meet relevant standards
Heat transfer system – heated kerosene (boiler)	1	2018.01.25	21,459	18,654	Treatment of process wastegas to ensure that emissions meet relevant standards

4.3. Process the Company takes to reduce pollution, and to deal with the pollution related dispute in latest two years till the publishing of the annual report: None

4.4. Loss or penalty due to pollution in latest two years till the publishing of the annual report: None

4.5. Effects on the profit, competitiveness, and capital expenditure plan of the Company from the current environment pollution and expected substantial capital expenditure for environmental protection over next two years: None

5. Employee welfare

5.1 The Company's employee welfare measures, continuing education, training, retirement system and implementation thereof, along with agreements between employees and the employer, and the status of various employees' rights and interests

(1) Employee welfare procedures

Employee welfare measures adopted by this Company and its subsidiaries include wedding and funeral allowances, staff trips, bonuses, stock options, labor and health insurance, group insurance, and annual health checks as well as diverse opportunities for advanced training and workshops to broaden their horizons and increase their work efficiency.

(2) Employee training programs

The Company and its subsidiaries place high emphasis on talent cultivation and view talent as a key asset. The goal of the Company's training programs is to give employees a full understanding of their duties and required professional expertise and enable them to constantly absorb new knowledge, improve their skills, enhance their work performance and quality, and thereby increase production capacities. These programs also aim to strengthen the ability to prevent occupational accidents and constantly enhance corporate competitiveness.

(3) Pension and retirement plan

The Company's subsidiary VT TW, which is located in Taiwan (R.O.C.), has adopted a clearly defined contribution system in accordance with the new pension system as set forth in the Labor Pension Act. 6% of the monthly salary are appropriated for the labor pension reserve fund and deposited in an individual labor pension account. Employees may claim pension payments after they meet retirement criteria in accordance with relevant laws.

The subsidiaries VT SZ, VT JY, and VT SZWT, which are located in China, pay social insurance premiums (encompassing healthcare, childbirth, pensions, work injuries, and unemployment) and pension fund contributions pursuant to the regulations set forth in the Social Insurance Law of the People's Republic of China.

Subsidiaries outside the territory of the R.O.C. And Mainland China handle relevant matters in compliance with local labor laws.

(4) The agreement between labor and management

The labor-management policies of the Company and its subsidiaries aim to uphold the principle of honest communication and create win-win outcomes for the Company and its employees through the following actions:

- A. Compliance with the Labor Standards Act and other relevant laws to offer maximum protection for employees
- B. A large variety of open communication channels to allow full expression of opinions and provision of feedback
- C. In case of major conditions and key measures the Company and its subsidiaries fully educate and notify their employees in advance to give them a clear understanding and obtain their full support and cooperation.

5.2 List the losses suffered by labor disputes in the most recent year and up to the date of publication of the annual report, and disclose the current and future estimated amount and corresponding measures. If it cannot be reasonably estimated, the facts that cannot be reasonably estimated should be stated.:

The Company enjoys harmonious employee and employer relations, and has not to date ever experienced any serious labor disputes.

6.Important contracts and agreements

Natureof the Agreement	Parties	Date of onsetofthe Contract	Maincontents	Terms and Conditions Restrictions
Maximum Mortgage Agreement	CHINA CONSTRUCTION BANK SUZHOU NEW AND HI-TECH INDUSTRIAL DEVELOPMENT ZONE SUB-BRANCH	2016.09.08-2019.09.07	Maximum mortgage limit RMB 114,933,700 Issuance of RMB/foreign currency purchases, acceptance of commercial drafts, opening of letters of credit, issuance of letters of guarantee and other credit business of trade finance	—
Credit Line Notice for financial transactions	BANK SINOPAC (CHINA) LTD	2019.04.25-2020.01.31	USD500,000	
Credit Line Agreement	BANK OF CHINA SUZHOU BRANCH	2019.01.30-2020.01.29	Trade financing limit RMB 30,000,000 Counterparty risk limit RMB 500,000	—
Comprehensive Credit Line Agreement	SHANGHAI SUZHOU BRANCH	2019.03.18-2020.02.26	Comprehensive limit RMB35,000,000	
General Agreement on Export Invoice Financing	INDUSTRIAL AND COMMERCIAL BANK OF CHINA SUZHOU BRANCH	2018.07.18-2019.07.17	Export Invoice Financing RMB 40,000,000	—
Loan Approval Notice	YUANTA COMMERCIAL BANK CO., LTD.	2018.10.25-2019.10.24	Short-termUSD2,000,000	—
Foreign Exchange Loan Agreement	THE SHANGHAI COMMERCIAL AND SAVINGS BANK., LTD. OBU BRANCH	2018.09.04-2019.09.03	Short-term USD 2,000,000	—

Nature of the Agreement	Parties	Date of onset of the Contract	Main contents	Terms and Conditions Restrictions
Loan Approval Notice	Taishin International Bank	2019.02.28-2020.02.28	Short-term USD 2,000,000 Accounts Receivable Financing Agreement USD 7,000,000	—
Loan Approval Notice	E. SUN COMMERCIAL BANK LTD.	2018.10.16-2019.10.16	Short-term USD 2,000,000 Accounts Receivable Financing Agreement USD 8,000,000	
Credit Line Notice	BANK SINOPAC, TAIPEI, TAIWAN	2019.04.22-2020.04.30	Short-term USD 1,500,000 Financial transaction amount USD 1,000,000	
Maximum Mortgage Agreement	TAIWAN COOPERATIVE BANK SUZHOU BRANCH	2018.01.25-2023.01.25	Maximum Mortgage Agreement RMB 20,000,000	—
Loan Agreement	E. SUN COMMERCIAL BANK LTD.	2012.09.07-2032.09.07	Long-term secured loan NTD 171,000,000	—
Loan Agreement	E. SUN COMMERCIAL BANK LTD.	2012.09.07-2022.09.07	Long-term loan NTD 36,000,000	—
Credit Line Agreement	Taishin International Bank	2019.02.28-2020.02.28	Credit Line NTD 50,000,000 Short-term NTD 70,000,000	—
Credit Line Notice	CITIBANK TAIWAN LIMITED	2018.03.31-2019.03.30	Short-term USD 1,000,000	—
Credit Line Agreement	JihSun Bank	2018.08.15-2020.08.14	Medium term credit lending NTD 60,000,000	—
Accounts Receivable Financing Agreement	HSBC Invoice Finance (UK) Ltd	2006.06.12-2018.05.31	Accounts Receivable Financing GBP 2,200,000	—

VI. FINANCIAL INFORMATION

1. Condensed financial information for the most recent 5 years

Condensed balance sheet and statements of comprehensive income – IFRS

1.1 Condensed consolidated balance sheet

Unit: NT\$ thousands

Year		Financial Summary for The Last Five Years (Note1)					
		2014	2015	2016	2017	2018	31 Mar 2019 (Note3)
Current assets		2,864,053	2,735,667	2,935,680	2,871,867	2,959,513	2,821,437
Property, plant and equipment		1,352,400	1,231,823	1,285,384	1,156,935	1,040,106	1,036,927
Intangible assets		10,085	4,867	77,270	72,094	72,410	72,195
Other assets		246,139	368,463	194,383	209,757	188,713	269,733
Total assets		4,472,677	4,340,820	4,492,717	4,310,653	4,260,742	4,200,292
Current liabilities	Before distribution	3,756,445	3,835,427	3,561,415	2,821,830	2,218,501	1,969,665
	After distribution	3,756,445	3,835,427	3,576,399	2,880,444	Note 2	—
Non-current liabilities		261,935	251,761	324,409	342,352	283,633	339,804
Total liabilities	Before distribution	4,018,380	4,087,188	3,885,824	3,164,182	2,502,134	2,309,469

Year		Financial Summary for The Last Five Years (Note1)					
		2014	2015	2016	2017	2018	31 Mar 2019 (Note3)
Item	After distribution	4,018,380	4,087,188	3,900,808	3,222,796	Note 2	—
Equity attributable to owners of the Company		408,388	254,531	606,273	1,146,471	1,758,608	1,890,823
Common stock		450,000	450,000	523,713	586,143	646,143	646,143
Capital surplus		2,899	2,899	52,994	128,875	450,263	450,263
Retained earnings	Before distribution	(208,016)	(270,948)	139,545	420,714	772,149	841,967
	After distribution	(208,016)	(270,948)	124,561	362,100	Note 2	—
Other equity		163,505	72,580	(109,979)	10,739	(109,947)	(47,550)
Treasury stocks		—	—	—	—	—	—
Non-controlling interests		45,909	(899)	620	—	—	—
Total equity	Before distribution	454,297	253,632	606,893	1,146,471	1,758,608	1,890,823
	After distribution	454,297	253,632	591,909	1,087,857	Note 2	—

Note 1 : 2015~ 2018 CPA audited Consolidated Financial Reports and 2014 financial amounts were in accordance with 2015 consolidated financial reports to prepare.

Note 2 : The 2018 undistributed earnings resolution has not yet been approved by the share holders' meeting up to the date of publication of the annual report.

Note 3: 2019 First Quarter CPA reviewed Consolidated Financial Report.

1.2. Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item	Financial Summary for The Last Five Years (Note1)					
	2014	2015	2016	2017	2018	For the current year as through to 31 Mar 2019
Operating revenues	4,550,437	4,516,532	4,545,650	4,962,230	5,413,656	1,263,023
Gross profit	679,127	725,785	819,532	1,250,627	1,345,951	324,326
Net other income (expenses)	—	—	360,417	—	—	—
Operating income (losses)	92,893	71,640	473,868	513,730	487,440	140,090
Non-operating income (expenses)	(111,591)	(94,393)	52,505	(166,465)	12,689	(48,801)
Income before tax	(18,698)	(22,753)	526,373	347,265	500,129	91,289
Income from continuing operations	(39,134)	(50,846)	417,965	298,320	405,264	69,818
Loss from discontinued	—	—	—	—	—	—
Net income	(39,134)	(50,846)	417,965	298,320	405,264	69,818
Other comprehensive income, net	(15,445)	(93,427)	(182,301)	118,233	(115,901)	62,397
Total comprehensive income	(54,579)	(144,273)	235,664	416,553	289,363	132,215
Net profit (loss) attributable to owners of the Company	(39,264)	(49,257)	418,547	298,489	405,264	69,818

Item	Financial Summary for The Last Five Years (Note1)					
	2014	2015	2016	2017	2018	For the current year as through to 31 Mar 2019
Net profit (loss) attributable to on-controlling interests	130	(1,589)	(582)	(169)	—	—
Total comprehensive income (loss) attributable to owners of the Company	(56,681)	(140,575)	236,271	416,871	289,363	132,215
Total comprehensive income (loss) attributable to Non-controlling interests	2,102	(3,698)	(607)	(318)	—	—
Earnings per share (NT\$/share)	(0.87)	(1.09)	8.69	5.40	6.75	1.08

Note 1: 2015~ 2018 CPA audited Consolidated Financial Reports and 2014 financial amounts were in accordance with 2015 consolidated financial reports to prepare.

Note 2: 2019 First Quarter CPA reviewed Consolidated Financial Report.

1.3. Names and opinions of independent auditors in recent five years

Year	CPA	Name of CPA	Auditing opinion
2014	(Note)	(Note)	(Note)
2015	Deloitte & Touche	Chiu,Cheng-Chun、Chien,Ming-Yen	Unqualified opinion
2016	Deloitte & Touche	Chiu,Cheng-Chun、Chien,Ming-Yen	Unqualified opinion
2017	Deloitte & Touche	Chen,Chun-Hung、Chien,Ming-Yen	Unqualified opinion
2018	Deloitte & Touche	Chen,Chun-Hung、Chien,Ming-Yen	Unqualified opinion

Note: 2014 Consolidated Financial Reports didn't audited by CPA。

2、Financial Analysis of the Past Five Years

2.1. Financial Analysis of the Past Five Years (consolidated)

Year		Financial Analysis for the Past Five Years					
Item		2014	2015	2016	2017	2018	Financial Analysis for the current year as through to 31 Mar 2019
Financial structure (%)	Ratio of liabilities to assets (%)	89.84	94.16	86.49	73.40	58.73	54.98
	Ratio of long-term capital to property, plant and equipment (%)	52.96	41.03	72.45	128.69	196.35	215.12
Liquidity analysis (%)	Current ratio (%)	76.24	71.33	82.43	101.77	133.40	143.24
	Quick ratio (%)	50.69	49.15	58.48	74.85	97.78	102.30
	Interest coverage ratio (times)	0.77	0.74	7.33	4.79	6.62	9.40
Operating ability	Receivables turnover (times)	3.23	3.20	2.97	3.17	3.37	3.33
	Average collection period (days)	113	115	123	116	109	110
	Inventory turnover (times)	5.17	4.86	4.97	4.79	5.21	4.93
	Payables turnover (times)	3.24	3.66	3.78	4.45	5.08	4.79
	Average sales days (days)	71	75	73	76	70	74
	Property, plant and equipment turnover (times)	3.45	3.50	3.61	4.06	4.93	4.61
	Total assets turnover (times)	1.05	1.02	1.03	1.13	1.26	1.19
Profitability analysis	Return on total assets (%)	0.68	0.49	11.02	8.55	11.22	7.44

Item	Year	Financial Analysis for the Past Five Years					
		2014	2015	2016	2017	2018	Financial Analysis for the current year as through to 31 Mar 2019
	Return on shareholders' equity (%)	(8.11)	(14.36)	97.14	34.03	27.90	18.39
	Ratio of pre-tax income to paid-in capital (%)	(4.16)	(5.06)	100.51	59.25	77.40	56.85
	Ratio of net income to sales (%)	(0.86)	(1.13)	9.19	6.01	7.49	5.53
	Earnings per share (NT\$/share) (Note 3)	(0.87)	(1.09)	8.69	5.40	6.75	1.08
Cash flow	Cash flow ratio (%)	11.44	1.01	Note 3	11.35	27.95	13.33
	Cash flow adequacy ratio (%)	77.71	70.83	57.46	82.03	139.89	176.71
	Cash reinvestment ratio (%)	17.22	1.65	Note 3	10.34	15.70	6.89
Leverage	Operating leverage	2.56	3.24	0.61	1.34	1.29	2.03
	Financial leverage	9.14	(4.59)	1.21	1.22	1.22	1.08
<p>Explanation of changing financial ratios within the previous two years (if increase/decrease/change amounts to 20%) :</p> <ol style="list-style-type: none"> 1. The decrease of the Ratio of Liabilities to Assets compared to the previous year was mainly caused by the use of capital raised through cash capital increase in 2018 Q4 to increase working capital and repay loans. 2. The increase of the Ratio of Long-term Capital to Property, Plants, and Equipment compared to the previous year was mainly caused by the cash capital increase and rising profitability. 3. The increase of the Current Ratio and Quick Ratio compared to the previous year was mainly caused by the rising profitability. 4. The increase of the Interest Coverage Ratio compared to the previous year was mainly caused by the rising profitability and decreasing loan interest expenses. 5. Property, Plant and Equipment Turnover increased mainly due to rising revenues. 6. Return on Total Assets, Ratio of Pre-tax Income to Paid-in Capital, Ratio of Net Income to Sales, and Earnings per Share increased due to rising profitability. 7. Cash Flow Ratio, Cash Flow Adequacy Ratio, and Cash Reinvestment Ratio increased mainly due to rising profitability. 							

Note1: 2015~ 2018 CPA audited Consolidated Financial Reports and 2014 financial amounts were in accordance with 2015 consolidated financial reports to prepare.

Note 2: 2019 First Quarter CPA reviewed Consolidated Financial Report.

Note 3: It is basic earnings per share.

Note 4: Amount of net cash generated from operating activities was negative .

Note 5: Description of formulas used in financial analysis:

A. Financial structure

(1) Liabilities to assets ratio = Total liabilities / Total assets

(2) Long-term capital to property, plant and equipment ratio = (Total shareholders' equity + Long-term liabilities) / Net value of property, plant and equipment

B. Liquidity analysis

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities

(3) Interest coverage ratio = Net income before income tax and interest expenses / Interest expenses

C. Operating ability

(1) Receivables turnover (including accounts and notes receivable) = Net sales / Average receivables (including accounts and notes receivable)

(2) Average collection days = 365 / Receivables turnover

(3) Inventory turnover = Costs of goods sold / Average inventory

(4) Average sales days = 365 / Inventory turnover

(5) Payables turnover (including accounts and notes payable) = Costs of goods sold / Average payables (including accounts and notes payable)

(6) Property, plant and equipment turnover ratio = Net sales / Net value of property, plant and equipment

(7) Total assets turnover ratio = Net sales / Total assets

D. Profitability analysis

- (1) Return on assets = $\frac{[\text{Net income} + \text{Interest expenses} \times (1 - \text{Tax rate})]}{\text{Average total assets}}$
- (2) Return on shareholders' equity = $\frac{\text{Net income}}{\text{Average shareholders' equity}}$
- (3) Net income to sales ratio = $\frac{\text{Net income}}{\text{Net sales}}$
- (4) Earnings per share = $\frac{(\text{Net income attributable to owner of the Company} - \text{Preferred stock dividend})}{\text{Weighted average number of outstanding shares}}$

E. Cash flow

- (1) Cash flow ratio = $\frac{\text{Cash flows from operating activities}}{\text{Current liabilities}}$
- (2) Cash flow adequacy ratio = $\frac{\text{Net cash flow from operating activities for the past 5 years}}{(\text{Capital expenditures} + \text{Increase in inventory} + \text{Cash dividends}) \text{ for the past 5 years}}$
- (3) Cash reinvestment ratio = $\frac{(\text{Net cash flow from operating activities} - \text{Cash dividends})}{(\text{Gross value of property, plant and equipment} + \text{Long-term Investment} + \text{Other noncurrent assets} + \text{Working capital})}$

F. Leverage

- (1) Operating leverage = $\frac{(\text{Net sales} - \text{Variable operating costs and expenses})}{\text{Operating income}}$
- (2) Financial leverage = $\frac{\text{Operating income}}{(\text{Operating income} - \text{Interest expenses})}$

- 3、Audit Committee's Report for the Most Recent Year: See Appendix 1.
- 4、Consolidated Financial Report for the most recent year as audited by the CPAs See Appendix 2.
- 5、Entity Financial Statement of the Latest Year Inspected and Authenticated by CPAs : None.
- 6、Impact of the Latest Financial Difficulties Encountered by the Company and its Associated Enterprises on the Company's Financial Standing as of the Date of Printing of the Annual Report : None.

VII. REVIEW AND ANALYSIS OF THE FINANCIAL CONDITION, PERFORMANCE AND RISK MANAGEMENT

1. Financial Standing

Unit: NT\$ thousands

Item	Year	2017 (Note)	2018 (Note)	Difference	
				amount	%
Current asset		2,871,867	2,959,513	87,646	3.05
Property, plant and equipment		1,156,935	1,040,106	(116,829)	(10.10)
Intangible assets		72,094	72,410	316	0.44
Other assets		209,757	188,713	(21,044)	(10.03)
Total assets		4,310,653	4,260,742	(49,911)	(1.16)
Current liabilities		2,821,830	2,218,501	(603,329)	(21.38)
Non-current liabilities		342,352	283,633	(58,719)	(17.15)
Total liabilities		3,164,182	2,502,134	(662,048)	(20.92)
Common stock		586,143	646,143	60,000	10.24
Capital surplus		128,875	450,263	321,388	249.38
Retained earnings		420,714	772,149	351,435	83.53
Other equities		10,739	(109,947)	(120,686)	(1,123.81)
Total equities		1,146,471	1,758,608	612,137	53.39
<p>Explanations for changes in the most recent two years in assets, liabilities, and equity affecting 20% thereof or more, or greater than NT\$10,000 thousand dollars:</p> <p>(1) Decrease in current liabilities: Mainly due to the repay of short-term loans .</p> <p>(2) Decrease in liabilities Mainly due to the repay of long-term loans .</p> <p>(3) Increase in capital surplus: Mainly arises from 2018 cash capital increase generated stock issue premium.</p> <p>(4) Increase in retained earnings :Total net income increased.</p> <p>(5) Decrease in other equity:</p> <p>Mainly arises from foreign exchange influences, which in turn affect a fluctuation in the exchange difference between the financial statements of foreign operating institutions</p> <p>(6) Increase in total equities arises from 2018 cash capital increase generated stock issue premium and Total net income increased.</p>					

Information sources: Consolidated financial statements for 2017 and 2018 as audited by CPAs.

2. Financial performance

2.1 Financial performance analytical comparison

Unit: NT\$ thousands

Item \ Year	2017 (Note)	2018 (Note)	Amount	(%)
Operating revenues	4,962,230	5,413,656	451,426	9.10
Cost of goods sold	3,711,603	4,067,705	356,102	9.59
Gross profit	1,250,627	1,345,951	95,324	7.62
Operating expenses	736,897	858,511	121,614	16.50
Operating profit (losses)	513,730	487,440	(26,290)	(5.12)
Non-operating gain (expenses)	(166,465)	12,689	179,154	107.62
Profit(loss) before Tax	347,265	500,129	152,864	44.02
Income tax expense	48,945	94,865	45,920	93.82
Net income (losses)	298,320	405,264	106,944	35.85
Other comprehensive income – net	118,233	(115,901)	(234,134)	(198.03)
Total comprehensive income	416,553	289,363	(127,190)	(30.53)
Net income attributable to the owner of the Company	298,489	405,264	106,775	35.77
Net income attributable to non-controlling interests	(169)	-	169	100.00
Total comprehensive income attributable to the owner of the company	416,871	289,363	(127,508)	(30.59)
Total comprehensive income attributable to non-controlling interests	(318)	-	318	100.00
<p>For increased or decrease drate changes affecting 20% there fo r more, o r greater than NT\$10,000 thousand dollars analys is there of is provided as follows:</p> <p>(1) Non-operating income and expenses: Mainly arising from foreign exchange rate changes resulting in favorable net foreign currency exchange value increase。</p> <p>(2) Increase in profit(loss) before tax、 income tax expense、 net income (losses) and net income attributable to the owner of the Company :Total net income increased.</p> <p>(3) Decrease in total comprehensive income and total comprehensive income attributable to the owner of the Company: Mainly arises from foreign exchange influences</p>				

Information sources: Consolidated financial statements for 2017 and 2018 as audited by CPAs.

2.2 Potential impacts of projected sales volume and foundation on future financial operations of the Company and relevant responsive plans:

Based on the overall economic outlook, it is expected that the CCL market will still exhibit moderate growth. Application of aluminum substrate in the automotive and lighting markets will continue to expand. The Company and its subsidiaries therefore expect steady growth of its sales volume in the future, which in turn will boost their consolidated revenue. In addition, the Company will continue its efforts in the field of existing products and product quality enhancement to intensify cooperation with customers and strengthen the competitive edge in the field of procurement. The goal lies in the manufacture of pioneering products with cost advantages, which is conducive to increased revenues and profits in the future. Adequate financial planning will be adopted to enable the Company to meet the needs of future business growth on the foundation of a sound financial structure.

3、Cash Flow

3.1 Liquidity analysis in recent two years

Unit: NT\$ thousands

Item \ Year	2017	2018	Increased (Decrease) Ratio (%)
Cash flows from operating activities	320,303	619,982	93.56
Cash flows from investing activities	(214,517)	81,727	138.10
Cash flows from financing activities	(37,701)	(657,649)	(1644.38)
Analysis of changes:			
(1) Operating activities: Mainly due to increase in the profit(loss) before tax and increase in account payable			
(2) Investment activities: Mainly due to decrease in restricted bank deposits and Refundable deposit			
(3) Financing activities Mainly due to decrease in short-term loans.			

3.2 Remedy for Cash Deficit and Liquidity Analysis: None

3.3 Cash Flow Analysis for the Coming Year

Cash and cash equivalents beginning balance	Estimated Net Cash Flow from Operating Activities	Estimated Net Cash Flow from Investing Activities	Estimated Net Cash Flow from Financing Activities	Estimated Cash and cash equivalents – ending balance	Estimated Remedy plans for negative balance of cash and cash equivalents	
					Investment plan	Financing plan
324,963	500,000	(450,000)	374,963	–	–	–
<p>Analysis of changes in estimated cash flows in 2019:</p> <p>(1) Business activities: Base on the estimation the mainly attributed to growth are in sales Performance、 increase in receivable and Inventories</p> <p>(2) Investment activities and Financing activities : Base on the estimation, mainly due to Payments for property, plant and equipmen and repayment of short-term borrowings。</p>						

- 4、Major capital expenditures in recent years and impacts on financial and operational situations:
The capital expenditures of the Company in 2018 did not have any major impact on financial business.

5. Main Reasons for Profits or Losses of the Latest Re-investment Policy, Improvement Plan and Investment Plan for the Coming Year

5.1. Investment policies

“Procedures in Controlling Investment Cycle of the Internal Control System”, “Procedures for Handling Related Party Transaction”, “Procedures for Monitoring the Operation of Subsidiaries”, and “Procedures for Acquisition and Disposition of Assets” are major standards for the Company to manage and monitor the performance of subsidiaries.

5.2. Reasons for profit/loss in recent years and plans for improvement

Unit: NT\$ thousands

Investee	Shareholding Percentage (%)	Investment gains and losses recognized for the most recent year	Reasons for profit/loss	Improvement plans
VIG Samoa	100%	454,709	The Company shall recognize investment gains and losses.	Not applicable.
VIG HK	100%	346,473	The Company shall recognize investment gains and losses.	Not applicable.
VLL BVI	100%	32,329	The Company shall recognize investment gains and losses.	Not applicable.
VT HK	100%	27,699	Operations are in good condition	Not applicable.
VT TW	100%	33,622	Operations are in good condition	Not applicable.
VT US	100%	5,424	Operations are in good condition	Not applicable.
VT UK	100%	7,661	Operations are in good condition	Not applicable.
VT DE	100%	18,705	Operations are in good condition	Not applicable.
VT SZ	100%	376,473	Operations are in good condition	Not applicable.
VT JY	100%	2,549	Operations are in good condition	Not applicable.
VT SZWT	100%	17,910	Operations are in good condition	Not applicable.

5.3. Investment Plan over the coming one year: None.

6. Analysis and Assessment of Risks

6.1 Impact of interest rates and exchange rate fluctuations, as well as inflation on the Company's profit and loss, as well as future responsive measures:

(1) Interest rate movements and Impact on the Company's profit and loss

The interest revenue of the Company and its subsidiaries is mainly generated by interest on current bank deposits. Interest expenses are generated by financial institution loans taken out by the Company and its subsidiaries to meet their working capital needs. Interest revenue and expenses for 2017 and 2018 are shown in the table below:

Unit: NT\$ thousands

Item	2017		2018	
	Amount	Of net sales Percentage (%)	Amount	Of net sales Percentage (%)
interest revenue	1,810	0.04	4,419	0.08
interest expense	91,579	1.85	88,959	1.64

In addition to operating profits, the Company relies on bank financing to meet its working capital needs. Despite a decreasing loan amount in 2017, increasing interest expenses were generated by an appreciation of the US dollar and Renminbi. Due to continued loan repayment in 2018, interest expenses slightly decreased. In the future, the business scope and profitability of the Company and its subsidiaries will increase and the reliance on loans from financial institutions is expected to gradually decrease due to sufficient own funds.

Responsive measures:

In case of significant interest fluctuations and a continued demand for bank loans in the future, the Company will adopt other financing tools available on capital markets to meet its capital needs or select fixed interest or floating interest loans in line with observed interest rate developments to hedge interest rate risks. The Company also maintains close contact with banks to ensure acquisition of the most preferential loan rates. The Company and its subsidiaries also tightly control their foreign exchange transactions in line with foreign exchange fluctuations.

(2) Impact of exchange rate fluctuations on the Company's profits and losses and future responsive measures

Currency types of payments received by the Company include Renminbi, US Dollar, New Taiwan Dollar, British Pound, and Euro with the US Dollar as the main currency. The Company and its subsidiaries therefore utilize the US Dollar and the

Renminbi as the functional currencies for their daily operations. In addition to adoption of natural write-off as a foreign exchange hedging principle with the goal of decreasing the demand for exchange, the Company also conducts forward exchange transactions in a timely manner to minimize the impact of exchange rate fluctuations. Foreign exchange gains/losses of the Company and its subsidiaries for 2017 and 2018 are shown in the table below:

Unit: NT\$ thousands

	2017	2018
Net foreign exchange gain(loss)	(106,176)	104,737
Foreign exchange gains/losses To net revenue	(2.14)	1.93

Foreign exchange gains/losses of the Company and its subsidiaries in 2017 and 2018 amounted to -2.14% and 1.93% of their net revenue, respectively. Fluctuations of exchange gains/losses and relevant ratios were mainly due to the high proportion of received payments in US Dollars and procurements in Renminbi. These gains/losses are therefore closely related to USD/RMB developments. Due to appreciation of the Renminbi against the US Dollar in 2017, the Company incurred foreign exchanges losses of NT\$ 106,176,000. In 2018, foreign exchange gains of NT\$ 104,737,000 were recorded due to the depreciation of the Renminbi against the US Dollar.

Responsive measures:

In order to minimize the potential impact of exchange rate risks and fluctuations on gains and losses, trend analysis and risk assessment is carried out through collection of market information. The Company is also in close contact with banks to maintain a firm grasp of exchange rate developments. Timely adjustments are made in accordance with actual conditions. The following measures are adopted to minimize the impact of exchange rate fluctuations on the Company's revenues and profits:

- A. When customers remit their payments to the Company's bank account(s), the Company adjusts its foreign exchange positions in an adequate manner in accordance with capital needs, and exchange rate developments.
- B. Utilization of real-time Forex information provided by banks the Company has business dealings with as a key reference for quotations and raw material procurement by sales and procurement personnel.
- C. Forward exchange transactions are conducted as deemed necessary based on foreign exchange positions and exchange rate fluctuations pursuant to the

Procedures Governing Acquisition or Disposal of Assets to implement hedging for foreign exchange net positions upon natural hedging with the ultimate goal of minimizing exchange rate risks generated by the Company's business operations.

(3) Impact of inflation on the Company's profits or losses and future responsive measures

Against the backdrop of a rapidly changing global economic environment, inflation pressures or tightening have not had any major impacts on gains/losses of the Company as of the publication date of this report.

Responsive measures:

In the future, the Company will maintain close interactions and excellent relationships with its suppliers, while closely monitoring market price fluctuations. Procurement strategies and costs structures are adjusted in a timely manner to minimize the impact of inflation on the Company's gains/losses.

6.2 Policies on high risk, highly leveraged investments, loans to others, endorsements, guarantees, and derivatives trading, the main reasons for profits or losses generated thereby, and future responsive measures to be undertaken.:

(1) Policies on high risk, highly leveraged investments: in principle, the Company's operations have been stable and conservative, and in the past year, to the date of publication of this annual report, the Company and its subsidiaries did not engage in any high-risk and highly leveraged investment transactions.

(2) For the purpose of lending funds to others: The Company has established the "Guidelines for Lending of Funds to Other Parties" and follow it.

(3) Endorsement/Guarantees: The Company has established the "Endorsement and Guarantee Management Procedures" and follow it.

(4) Derivative transaction policies, main reasons of profits or losses, and future responsive measures

The Company's derivative transactions represent forward market hedging for currency exchanges (USD to RMB). The Company aims to avoid risks associated with foreign exchange assets and liabilities caused by exchange rate fluctuations pursuant to the Procedures Governing Acquisition and Disposal of Assets and relevant regulations set forth in Investment Cycles – Derivative Control Operations based on the fact that the US Dollar and Renminbi are its main functional currencies.

6.3 Future R&D projects and anticipated R&D expenditures to be invested

Our company adheres to the concept of greening and environmental protection. The future research and development plan will continue to focus on the concept of environmental protection and energy conservation. The future R&D plan and estimated R&D expenses are as follows:

Future R&D plans	Projected R&D expenses
High reliability and ultra-low loss materials for servo and communication applications.	RMB4,000千元
High reliability and ultra low loss ceramic substrate for high frequency communication, base station and satellite applications.	RMB 4,000千元
High reliability and ultra low loss PTFE substrate for high frequency communication, base station and satellite applications.	RMB 4,000千元
Low CTE and high heat resistance substrate for IC packaging applications.	RMB 2,000千元
High thermal conductivity (10.0W/mK) lead-free and halogen-free environmentally friendly metal substrate for super high power LED applications.	RMB 3,000千元
Double-sided aluminum plate that can replace thick copper plate.	RMB 2,000千元
Ultra low Dk (Dk2.8) material	RMB 2,000千元
Development of high reliability, high Tg and high thermal conductivity copper clad laminates and prepregs.	RMB 2,000千元
High thermal conductivity metal substrate with ultra low modulus and high reliability.	RMB 3,000千元
Carrier-like board materials for next-generation mobile phones.	RMB 3,000千元
Ultra-high MOT (highest operating temperature) metal substrate.	RMB 3,000千元

6.4 Changes to local and overseas policies and laws that impact the Company's financial operations and responsive measures

The Company has its domicile on the Cayman Islands (no actual business activities). Its main operating areas include China, Taiwan, Europe, and America. All its services and operations abide by laws, regulations, and relevant policies in effect at its domicile and main operating areas. The Company also closely monitors relevant legal changes and

developments and adopts adequate measures in response to changes of the market environment in a prompt manner. As of the publication date of this report, its financial operations have not been significantly affected by major local/overseas policy or legal changes.

6.5 Impact of Changes in Technology and Industry on Corporate Finance and Business, and Responsive Measures

In the most recent year and as of the date of this annual report, there have been no changes in technology or the industry affecting the company's financial or business operations that have a significant impact thereon.

6.6 Changes to corporate image that impact the company's risk management and responsive Measures.:

As of the date of this annual report, there has been no change to the Company's corporate image that has resulted in any corporate image crisis, and therefore this provision does not apply.

6.7 The expected benefits and possible risks to engaging in mergers and acquisitions (M&A) and responsive measures:

The Company does not have any plan to engage in mergers and acquisitions as of the printing date of this annual report. Therefore, this provision is not applicable.

6.8 The Expected Benefits and Possible Risks to Expand Facilities and responsive Measures:

The Company does not have any plan to expand Facilities as of the printing date of this annual report. Therefore, this provision is not applicable.

6.9 Risks resulting from consolidation of purchasing or sales operations and responsive Measures:

There was no consolidation of purchasing or sales for the Company or subsidiaries in the most recent year up to the date of printing of this annual report.

6.10 Impact and risks resulting from major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than 10 percent of the Company's shares, and related responsive measures:

The Directors and major shareholders holding more than 10% of the shares of the Company have had no significant equity transfer or replacement affecting Company operations in the most recent year up to the publication date of this annual report.

6.11 Impact, risk, and response measures related to any change in governance rights in the Company:

The Company has not experienced any changes in operating rights affecting Company operations in the most recent year and as of the printing date of this annual report.

6.12 Litigation and non-litigation events: If the Company or Directors, Supervisors, President, Actual Person in Charge, and major shareholders with shareholding Percentage exceeding ten percent (10%) and affiliated companies who have any already decided or currently underway lawsuit, non-litigious or administrative lawsuit dispute, where the result may impact shareholder rights or materially affect the value of securities, then there shall be disclosure of the dispute, the amount thereof, the date of any lawsuit filing, the main parties thereto, and status thereof, as of the date of the publication of the Annual Report:

(1) Already decided or currently underway lawsuit, non-litigious or administrative lawsuit dispute, where the result may impact shareholder rights or materially affect the value of securities, and disclosure of the dispute, the amount thereof, the date of any lawsuit filing, the main parties thereto, and status thereof, as of the date of the publication of the Annual Report and within the most recent two years:

lawsuit, non-litigious or administrative lawsuit dispute	Plaintiff and Defendant	Causes and process of litigation	Impact on the company's financial business
Request of payment for goods by Zhenjiang Tengzhi	Plaintiff: Zhenjiang Tengzhi Copper Foil Co., Ltd. (hereinafter referred to as "Zhenjiang Tengzhi") Defendant: VTSZ、VTJY (hereinafter referred to as "Ventec")	On July 10, 2017, Zhenjiang Tengzhi requested payment of RMB 5,562,000 for goods and RMB 1,669,000 as a breach penalty from Ventec. This dispute arose out of the 2012 Copper Foil Purchase Agreement. Ventec had made a partial payment pursuant to the provisions set forth in the agreement. However, Ventec had doubts regarding the undisclosed transfer of payment claims to a third party after Zhenjiang Tengzhi encountered financial	The plaintiff filed for bankruptcy many years ago and the Company has placed no further orders for copper foil materials. The difference between the total payable amount of RMB 3,204,000 which is already recorded in the ledger and the payable amount as per court judgment

lawsuit, non-litigious or administrative lawsuit dispute	Plaintiff and Defendant	Causes and process of litigation	Impact on the company's financial business
		<p>problems. The Company therefore decided to suspend the payment of outstanding amounts to prevent future disputes. Upon expiry of the statute of limitations, Zhenjiang Tengzhi requested payment in full of the balance due.</p> <p>On April 23, 2018, the Company received a court judgment with the following contents:</p> <p>(1) Ventec shall be liable for payment of a total of RMB 4,435,000 and overdue interest calculated starting from April 12, 2013 within 10 days after the judgment becomes effective ;</p> <p>(2) Liabilities of RMB 973,000 and interest payments of RMB 39,000 payable by the plaintiff to Ventec shall be offset against the aforementioned liabilities ;</p> <p>(3) Ventec shall bear part of the litigation costs for this case (a total of RMB 39,000)</p> <p>According to the enforcement notice received upon the first-instance judgment, VT SZ was required to pay a total of RMB4,343,754.5 and enforcement petition fees of RMB 45,838. No deductions</p>	<p>is only RMB 1,655,000. In addition,the Company has paid a guarantee bond of RMB 6,800,000 to the first instance court, which significantly exceeds the payable amounts as per first and second instance judgments. It can therefore be concluded that this lawsuit does not have any major negative impacts on the financial operations of the Company.</p> <p>The total payable amount of RMB 5,465,000 (including overdue interest) and the payments, overdue interest, and</p>

lawsuit, non-litigious or administrative lawsuit dispute	Plaintiff and Defendant	Causes and process of litigation	Impact on the company's financial business
		<p>have been made as of now, but the likelihood of enforcement of deductions in the future is high. The plaintiff further requested payment of RMB462,475.51 and RMB 6,837 as enforcement petition fees from VT JY (deductions were enforced on October 9, 2018)</p> <p>Ventec Electronics filed an official petition for termination of enforcement and retrial with the People's Court in Zhenjiang Economic Development Zone and the High People's Court in Jiangsu Province on September 18, 2018 and September 19, 2019, respectively.</p> <p>The final judgment of the People's Court and High People's Court in April 2019 was as follows:</p> <p>(1) The courts ruled that the statute of limitations for the litigation case filed by Zhenjiang Tengzhi in 2017 had not yet expired and dismissed Ventec's petition.</p> <p>(2) Ventec shall be liable for payment of RMB 4,435,000 and overdue interest calculated starting from April 12, 2013 within 10 days after the</p>	<p>litigation expenses of RMB 4,702,000 as per court judgment are already in the books and are not expected to have any major negative impacts on shareholder interests and the value of securities</p>

lawsuit, non-litigious or administrative lawsuit dispute	Plaintiff and Defendant	Causes and process of litigation	Impact on the company's financial business
		<p>judgment becomes effective</p> <p>(3) Liabilities of RMB 973,000 and interest payments of RMB 39,000 payable by the plaintiff to Ventec shall be offset against the aforementioned liabilities</p> <p>(4) Ventec shall bear part of the litigation costs for this case (a total of RMB 39,000)</p>	

The plaintiff has filed for bankruptcy and the Company has placed no further orders for copper foil materials. The total payable amount of RMB 5,465,000 (including overdue interest) and the payments, overdue interest, and litigation expenses of RMB 4,702,000 as per court judgment are already recorded in the ledger and are not expected to have any major negative impacts on shareholder interests and the value of securities.

- (2) Already decided or currently underway lawsuit, non-litigious or administrative lawsuit dispute involving directors, supervisors, GMs, responsible persons, major shareholders with holdings of 10% or more, or subsidiaries of the Company, where the result may impact shareholder rights or materially affect the value of securities, as of the date of the publication of the Annual Report and within the most recent two years:

Except for Achem Technology Corporation, which is a director and was involved in relevant lawsuits and non-litigious cases (see detailed description below), directors, GMs, shareholders with holdings of 10% or more, and responsible persons of the Company are not involved in currently underway lawsuits, non-litigious or administrative lawsuit disputes as of the date of the publication of the Annual Report and have issued relevant statements, personal credit reports, and certificates of no tax arrears:

	Main parties	Past court judgments	Result
1.	Plaintiff (Appellant) : Ye, Si-Ying, Zhuang, Rong-Zhao, and Wang,	Taiwan Shilin District Court, 2016, No. 001031	Complaint dismissed

	Main parties	Past court judgments	Result
	<p>Bai-Quan</p> <p>Defendant (Appellee): Achem Technology Corporation</p> <p>Details: The plaintiffs accuse the defendant of provision of contentious board meeting minutes that have been altered and do not represent the original meeting record</p>	<p>Taiwan High Court, 2017, No. 001006</p> <p>Supreme Court, 2018, No. 000897</p>	<p>Appeal dismissed</p> <p>Appeal dismissed</p>
2.	<p>Plaintiff: Achem Technology Corporation</p> <p>Defendants: Li Guang-Hong, Yu He-De, Ye Si-Zhen, Yang Shu-Hua, Huang Bo-Sheng, Mao Tian-Si, Wu Fang-He, Zhang Jun-Xian</p> <p>Due to violations of regulations governing the obligation of directors and supervisors to exercise the due care of a good administrator in the faithful performance of their duties and regulations governing acquisition and disposal of assets, the plaintiff requests compensation for losses incurred through infringement. The defendants should be jointly and severally liable for the compensation amount of NT\$ 42,503,288 and interest calculated based on an annual rate of 5% from December 4, 2010 to the date of settlement.</p>	<p>Taipei District Court, 2010, No. 000439</p>	<p>1. Defendants Li Guang-Hong, Yu He-De, Huang Bo-Sheng, Mao Tian-Si, and Wu Fang-He jointly and severally liable for the compensation amount of NT\$ 12,500,000 and interest calculated based on an annual rate of 5% from December 4, 2010 to the date of settlement.</p> <p>2. The defendant Huang Bo-Sheng is liable for payment of NT\$ 10,001,288 and interest calculated based on an annual rate of 5% from</p>

	Main parties	Past court judgments	Result
			December 4, 2010 to the date of settlement. 3. Other claims of the plaintiff dismissed
		Taiwan High Court, 2013, No.00053	Appeal by defendant Li Guang-Hong, Huang Bo-Sheng, Yu He-De, Mao Tian-Si, and Wu Fang-He dismissed
		Taiwan High Court, 2013, No.00053	Appeal by defendant Wu Fang-He dismissed due to failure to commission a lawyer and failure to make corrections within the prescribed time limit
		Supreme Court, 2016, No. 000296	Appeal by defendant Yu He-De dismissed
		Supreme Court, 2016, No. 001262	Petition for retrial by defendant Yu He-De dismissed
3.	Plaintiff (Appellee) : Achem Technology Corporation	Taipei District Court, 2011, No. 000037	Defendant is liable for

	Main parties	Past court judgments	Result
	Defendant(Appellant): Ye Si-Ying Plaintiff files a criminal complaint with incidental civil action to request compensation for infringement		payment of NT\$ 6.3 million and interest calculated based on an annual rate of 5% from October 19, 2010 to the date of settlement.
		Taipei District Court, 2011, No. 000037	Appeal dismissed
		Taiwan High Court, 2015, No.000019	Appeal dismissed
4.	Plaintiff: Chow In Group Defendant: Achem Technology Corporation The plaintiff requests payment of NT\$ 4,597,200 and interest calculated based on an annual rate of 5% from the date of receipt of the complaint copy to the date of settlement	Taipei District Court, 2014, No. 3983	Complaint and petition for provisional execution by plaintiff dismissed (no appeal record)
5.	Plaintiff: NuRich Packaging Defendant: Achem Technology Corporation The plaintiff requests mediation for the case involving payment for goods	Taiwan Shilin District Court, 2018, No. 210	The two parties are unable to reach a compromise during the mediation process and the defendant requests initiation of criminal proceedings by Taiwan Shilin District Court

Based on the above, it is evident that, despite the fact that Achem Technology Corporation is involved in the aforementioned lawsuit, court investigations and final verdicts to determine relevant responsibilities are still pending. Said Corporation has commissioned a lawyer to actively handle all matters pertaining to the aforementioned case. It has further been determined that the aforementioned lawsuit has no major negative impact on shareholder rights or the value of securities.

6.13 Other material risks and responsive measures:

The Company has its domicile on the Cayman Islands (no actual business activities). Its main operating areas are the UK, China, and Taiwan. Changes in the economic outlook and political environment of the country of domicile and the operating areas as well as foreign exchange fluctuations have a significant impact on the Company's operating conditions. In addition, there are many differences between the laws of the Cayman Islands, where the Company has its domicile, and the laws in Taiwan (e.g., the Company Act...). The Company has amended its Articles of Incorporation pursuant to the Checklist for the Protection of Shareholder Rights Where Shares are Issued by Foreign Issuers prescribed by TWSE. However, there are significant differences in regulations governing operations in Taiwan and the country of domicile. Investors must have a clear understanding of relevant regulations and inquire about investment risks with experts.

7. Other important items: None.

VIII. Special Notes

1、Affiliated Companies:

1.1 Consolidated Business Report of Affiliated Companies

(1) Organizational chart for affiliated companies:

See II. COMPANYPROFILE(Structure of the company)

(2) Relationship between the Company and its affiliated companies, their shareholding ratio, shares and actual investment amounts:

Dec 31, 2018; Unit: thousands

Name of affiliated company	Date of establishment	Address	Paid-in capital	Major businesses or products
VIG SAMOA	2006/2/24	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	1,028,965 (USD33,500)	General investment
VIG HK	2008/12/12	Unit B 22/F., Chung Pont Commerical Building, 300 Hennseey Road, Wanchai, Hong Kong	1,197,939 (USD39,001)	General investment
VLL	2006/11/6	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	246,053 (USD8,011)	General investment
VT HK	2006/1/10	Unit B 22/F., Chung Pont Commerical Building, 300 Hennseey Road, Wanchai, Hong Kong	73,757 (USD2,401)	General investment
VT TW	2011/2/21	10F., Gongye 5th Rd., Pingzhen Dist., Taoyuan City 324, Taiwan (R.O.C.)	508,846 (USD16,567)	Manufacture and sell of CCL, IMS and prepreg
VT UK	2006/11/24	Unit 1, Trojan Business Centre, Tachbrook Park Estate, Leamington Spa, Warwickshire, CV34 6RH, United Kingdom	40,695 (USD1,325)	Sell of CCL, IMS and prepreg
VT DE	2010/11/6	Morschheimerstr, 15 D-67292 Kirchheimbolanden, Germany	212,039 (USD6,903)	Sell of CCL, IMS and prepreg

Name of affiliated company	Date of establishment	Address	Paid-in capital	Major businesses or products
VT USA	2007/6/1	311 South Highland Ave. Unit B, Fullerton, CA 92832, USA	228,055 (USD7,425)	Sell of CCL, IMS and prepreg
VT SZ	2000/2/23	No. 308, Taishan Road, New District, Suzhou City, Jiangsu Province, China 215129	1,455,163 (USD40,000)	Research and development, manufacture and sell of CCL, IMS and prepreg
VT JY	2005/5/18	73-1 Qingtong Road, Qingyang Town, Jiangyin, Jiangsu, P.R.C. 214403	225,993 (USD6,000)	Manufacture and sell of CCL, IMS and prepreg
VT SZWT	2009/8/11	Chengguan INC., Qisan Rd, Shenzhen Export Processing Zone, Pingshan New District, Shenzhen, Guangdong, P.R.C. 518118	91,197 (USD3,051)	Manufacture and sell of CCL, IMS and prepreg

(3) Information on same shareholders of the Company and an affiliate in which the Company has controlling or subordinate relationship with: None.

(4) Industries covered by the business operated by the affiliates: The affiliates mainly engages in the production and sale of copper clad laminate (CCL), aluminium-backed laminate (IMS) and prepreg.

(5) Information on directors, supervisors, and presidents of affiliates:

Dec 31, 2018; Unit: NTthousands

Name of affiliate	Title	Name or representative	Shares held	
			Original Investment Amount / Shares	Share holding
VIG SAMOA	Director	Ventec International Group CO.,Ltd.- Representative: Lao, Kai- Lu	\$1,028,965/33,500,000	100%
VIG HK	Director Director	Wang, Yu-Tzu Lao, Kai- Lu	\$1,197,939/39,010,000	100%
VLL	Director Director	VIG SAMOA-Representative: Lao, Kai- Lu VIG SAMOA- Representative: Chung, Chien- Jen	\$246,053/8,010,000	100%

Name of affiliate	Title	Name or representative	Shares held	
			Original Investment Amount / Shares	Share holding
VT HK	Director Director	Lao, Kai- Lu Chung, Chien- Jen	\$73,757/10,000	100%
VT TW	Director Director Director supervisors	VIG SAMOA - Representative: Lao, Kai- Lu VIG SAMOA - Representative: Chung, Chien- Jen VIG SAMOA –Representative: Lee, Yu-Ming VIG SAMOA – Representative: Tu, Jennifer	\$508,846/25,000,000	100%
VT UK	Director Director Director	Lao, Kai- Lu Chung, Chien- Jen Mark Goodwin	\$40,695/807,334	100%
VT DE	Director	Mark Goodwin	\$212,039/400,000	100%
VT USA	Director	Lao, Kai- Lu	\$228,055/Note	100%
VT SZ	Director supervisors	VIG HK- Representative: Lao, Kai- Lu Wang,Zhuo	\$1,455,163// Note	100%
VT JY	Director supervisors	VIG HK-Representative: Lao, Kai- Lu Li,Dan	\$225,993/ Note	100%
VT SZWT	Director supervisors	VIG HK-Representative: Lao, Kai- Lu Li,Dan	\$91,197/ Note	100%

Note: No shares are provided for it is a limited company and only capital contribution and proportion of contribution are shown.

(6) Operational highlights of affiliates

Dec,31,2018Unit: NT\$ thousands

Name of Affiliate	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating Profit (Loss)	Profit (Loss) for the period	EPS (\$)
VIG SAMOA	1,028,965	3,192,261	1,381,161	1,811,100	-	-	454,709	(Note)
VIG HK	1,197,939	2,754,370	121,964	2,632,406	-	-	346,473	(Note)

Name of Affiliate	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating Profit (Loss)	Profit (Loss) for the period	EPS (\$)
VLL	246,053	264,466	253,955	10,511	-	-	32,329	(Note)
VT HK	73,757	2,731,525	2,484,646	246,879	2,926,222	50,549	27,699	(Note)
VT TW	508,846	615,883	337,143	278,740	468,862	34,238	33,622	(Note)
VT UK	40,695	128,840	75,556	53,284	338,515	12,134	7,661	(Note)
VT DE	212,039	178,263	98,826	79,437	443,539	22,108	18,705	(Note)
VT USA	228,055	299,311	238,610	60,701	388,479	5,289	5,424	(Note)
VT SZ	1,455,163	4,059,408	1,518,971	2,540,437	4,373,236	378,078	376,473	(Note)
VT JY	225,993	295,886	91,490	204,396	567,915	(5,585)	2,549	(Note)
VT SZWT	91,197	95,065	40,137	54,928	318,991	22,826	17,910	(Note)

Note : Earnings per share could not be calculated for it is not a company limited by shares.

1.2 Consolidated financial statements of affiliates: See Appendix 2.

1.3 Affiliation report: None.

2. Organization of the Latest Private Placement Securities as of the Date of Printing of the Annual Report : None.

3. Holding or disposal of the Company's shares by its subsidiaries of the latest year and up to the date of printing of the Annual Report : None.

4. Other matters requiring supplementary information : None.

5. Any Event Which Has a Material Impact on Shareholders' Equity or Securities Prices Was Stipulated in Subparagraph 2, Paragraph 2, Article 36 of Securities Exchange Act in the Most Recent Fiscal Year and up to the Date of the Publication of the Annual Report: None.

6. The Company's Articles of Incorporation and any variation from the provisions governing the protection of shareholders' rights in Taiwan:

As a result of the fact that the laws of the Cayman Islands and the laws of the Republic of China were inconsistent, on November 30, 2018, the Taiwan Stock Exchange amended its "Foreign Listers' Checklist for Protecting the Interests of the Shareholders of the Registered Country" (hereafter, the "Checklist for Protection of Shareholders' Equity"), which could not be

directly applicable to the Company as is, so the chart below lists the differences in the Company's existing Articles of Incorporation (hereafter, the Articles of Incorporation), which as a result of the provisions of Cayman Islands law are at variance with the Taiwan provisions for protection of shareholders' equity, and the provisions of the Articles of Incorporation of the Company.

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
<p>“Special resolution” refers to resolutions which shall be passed by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.</p> <p>In the event the total number of shares represented by the shareholders present at a shareholders' meeting of a company whose shares have been issued in public is less than the percentage of the total shareholdings required in the preceding Paragraph, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company.</p>	<p>The meaning of “Special Resolutions”: Refers to when there is a shareholders meeting at which two-thirds of the Company's outstanding shares are represented, and half of the shareholders in attendance agree thereon.</p> <p>In the event the total number of shares represented by the shareholders present at a shareholders' meeting is less than the percentage of the total shareholdings required in the preceding Paragraph, the resolution may be adopted by two-thirds of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a simple majority of the outstanding shares of the company.</p>	<p>In accordance with TWSE issuance Shang Tzu No.0991701319 of April 13, 2010 by the Taiwan StockExchange, and in accordance with Articles 39 and 2(1) of the Articles of Incorporation, Special Resolutions refer to when a simple majority of the outstanding shares of the Company are represented at a shareholders meeting, with shareholders personally present, and for institutional shareholders they are represented by their duly authorized Legal Representative, or by proxy with two-thirds of the shareholder votes in favor of adoption, when in conformity with the laws of the Cayman Islands and the provisions of the Taiwan Company Act for quorums for Publicly traded companies.</p>
<ol style="list-style-type: none"> 1. A company shall not cancel its shares, unless a resolution on capital reduction has been adopted by its shareholders' meeting; and capital reduction shall be effected based on the percentage of shareholding of the shareholders pro rata. 2. A company reducing its capital may return share prices (or the capital stock) to shareholders by 	<p>Article 14 to Article 18 of Cayman Islands' Companies Law stipulate rigorous procedure and substantial requirements on a company's capital reduction. These related requirements are mandatory requirements which cannot be modified through Articles of Incorporation.</p>	<p>Article 14 to Article 18 of Cayman Islands' Companies Law stipulate rigorous procedure and substantial requirements on a company's capital reduction. These related requirements are mandatory requirements which cannot be modified through Articles of Incorporation. They are different from requirements on company capital reduction prescribed on shareholder's equity protection matters checklist. To avoid confusion, Article 14 of the Company's</p>

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
<p>properties other than cash; the returned property and the amount of such substitutive capital contribution shall require a prior approval of the shareholders' meeting and obtain consents from the shareholders who receive such property.</p> <p>3. The board of directors shall first have the value of such property and the amount of such substitutive capital contribution set forth in the preceding Paragraph audited and certified by a certified public accountant of R.O.C. before the shareholders' meeting.</p>		<p>Articles of Incorporation is hereby modified after opinions from Cayman Islands lawyer is obtained. This ensures that processing of the Company's capital reduction complies with laws of Cayman Islands as well as procedures and terms stipulated in listing/OTC requirements. As for requirements on company capital reduction on shareholder's equity protection matters checklist, they are now prescribed in Article 24(1) of the Company's Articles of Incorporation. This article replaces original one with share buy-back method based on shareholder's holding percentages.</p>
<p>1. In the event that a shareholder's meeting is convened outside the Republic of China, an application of approval shall be submitted to the Taiwan Stock Exchange Corporation 2 days after resolution of the Board of Directors Meeting is reached or a convening permission from competent authority is obtained by shareholder(s).</p> <p>2. In the event that the Company convenes a shareholder's meeting outside the Republic of China, a professional shareholder service agent in the Republic of China shall be commissioned to process shareholder voting matters.</p>	<p>There are no related requirements stipulated in the laws of Cayman Islands.</p>	<p>This is because the first half of Article 31 of the Company's Articles of Incorporation prescribes that "During the Relevant Period, all general meetings shall be held in the R.O.C." and there are no exceptions for this. Consequently, there is no necessity to have separate stipulation which requires that application of permission or reporting of procedures in the event of a shareholders' meeting convened outside the Republic of China. Additionally, shareholders' meetings convened during relevant period of the Company's listing period shall all be convened in the Republic of China. However, the Company shall still commission professional shareholder service agent in the Republic of China to process shareholder voting related matters.</p>

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
<p>Any or a plural number of shareholder(s) of a company who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the board of directors to call a special meeting of shareholders. If the board of directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request under the preceding Paragraph, the proposing shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of shareholders on his/their own.</p>	<p>There are no related requirements stipulated in the laws of Cayman Islands.</p>	<p>Given the fact that the Company is established in accordance with the laws of Cayman Islands, and there is no Cayman Islands competent authority responsible for reviewing if shareholders may convene shareholders' meeting. As such, Article 32 of the Company's Articles of Incorporation prescribes that shareholder(s) who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the board of directors to call a special meeting of shareholders. In the event that board of directors fails to give a notice for convening a special meeting of shareholders within 15 days after receiving request hereto, the proposing shareholder(s) may convene a special meeting of shareholders on his/their own without having to obtain approval from competent authority.</p>
<p>A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person</p>	<p>Under Cayman Island lawyer's comments, shareholders who exercise voting rights in writing or through electronic measures shall not be considered as attending meeting in person. Instead, it shall be interpreted that chairman of shareholders meeting has been designated as a proxy for shareholders hereto.</p>	<p>The 2nd half of Article 57 of the Company's Articles of Incorporation prescribes that "A Member who exercises his voting power at a general meeting by way of a written ballot or by electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his Shares at the general meeting only in the manner directed by his written instrument or electronic document. The chairman of the general meeting as proxy shall not have the power to exercise the voting rights of such Members with respect to any matters not referred to or indicated in the written or electronic document,</p>

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
		<p>impromptu proposal and/or any amendment to resolution(s) proposed at the said general meeting. For the purpose of clarification, such Members voting in such manner shall be deemed to have waived their voting rights with respect to any extemporary matters or amendment to resolution(s) proposed at the general meeting.” Consequently, there are no material differences between this Article and regulations of the Republic of China in terms of actual practices. Nevertheless, it shall be interpreted that chairman of shareholders meeting serves as a proxy for shareholder(s) who exercise voting in writing or via electronic measures. This will comply with Cayman Island laws and regulations which require that resolution of shareholders’ meeting shall be voted by participating shareholder(s) in person or by a commissioned proxy.</p>
<p>A company choosing to issue no par value shares shall not convert its shares into par value shares.</p>	<p>Article 8(1) of Cayman Island Companies Law stipulates that an exemption company shall not simultaneously divide its capital into par value shares and non-par value shares.</p>	<p>Article 8 of the Company’s Organization Memorandum prescribes that “The share capital of the Company is NT\$900,000,000 divided into 90,000,000 ordinary shares of a nominal or par value of NT\$10 each.” This Article has stipulated specifically the adoption of par-value shares. Additionally, under reference of Cayman Island lawyer’s comments as well as Article 8(1) of Cayman Island Companies Law, Cayman Island offers exemptions to companies which adopt non-par value shares but are unable to transfer to par value shares when it comes to practical execution, and vice versa. Consequently, although the Company’s Organization Memorandum or Articles of</p>

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
		Incorporation does not prescribe specifically requirements on the far left column, the Company, being an exemption company which has already issued par value shares, is unable to have separate issuance of or transfer into non-par value shares, or to transfer non-par value shares to par value shares. Furthermore, the Company will convene shareholders regular meeting on June 18 th , 2019 and modify the Company's Articles of Incorporation or Organization Memorandum in order to comply with requirements prescribed on the far left column.
When conducting its business, every company shall comply with the laws and regulations as well as business ethics and may take actions which will promote public interests in order to fulfill its social responsibilities.	There are no related requirements stipulated in the laws of Cayman Islands.	The Company will hold 2019 shareholder's regular meeting on June 18 th , 2019 to modify Articles of Incorporation or organization documents to comply with requirements prescribed in the far left column.
Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal in writing or by way of electronic transmission for discussion at a regular shareholders' meeting. Unless any of the following circumstances is satisfied, the board of directors of the company shall include the proposal submitted by a shareholder in the list of proposals to be discussed at a regular meeting of shareholders: the subject (the issue) of the said proposal cannot be settled or resolved by a resolution to be adopted at a meeting of shareholders; the number of shares of the	There are no related requirements stipulated in the laws of Cayman Islands.	Article 40(1) and Article 40(4) of the Company's Articles of Incorporation stipulate that "During the Relevant Period, one or more Member(s) holding one percent (1%) or more of the total issued and outstanding Shares of the Company may submit to the Company not more than one proposal in writing for resolution at an annual general meeting; provided that only one matter shall be allowed in a single proposal, the number of words therein contained shall not be more than three hundred (300), and the matter of such proposal may be resolved by a general meeting, or otherwise such proposal shall not be included in the agenda.", "The Board may exclude a proposal submitted by Member(s) if: (a) the proposal

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
<p>company in the possession of the shareholder making the said proposal is less than one percent (1%) of the total number of outstanding shares; the said proposal is submitted on a day beyond the deadline fixed and announced by the company for accepting shareholders' proposals; and the said proposal containing more than 300 words or more than one matters in a single proposal. A shareholder proposal proposed for urging a company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors.</p>		<p>involves matters which cannot be settled or resolved at a general meeting under the Law, the Applicable Listing Rules and these Articles; (b) the number of Shares held by the proposing Member(s) is less than one percent (1%) of the total issued and outstanding Shares in the Register upon commencement of the period in which the Register is closed for transfers before the relevant annual general meeting of the Company; (c) the proposal contains more than one matter; (d) the proposal contains more than three hundred (300) words; or (e) the proposal is submitted after the expiration of the specified period announced by the Company for submitting proposals." This has integrated part of requirements prescribed on the far left column. The Company will respond by convening the 2019 shareholders regular meeting on June 18th, 2019 in order to modify Articles of Incorporation or Organization Memorandum.</p>
<p>Any or a plural number of shareholder(s) of a company who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the board of directors to call a special meeting of shareholders. If the board of directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request under the preceding Paragraph, the proposing</p>	<p>There are no related requirements stipulated in the laws of Cayman Islands.</p>	<p>The Company will hold 2019 shareholder's regular meeting on June 18th, 2019 to modify Articles of Incorporation or organization documents to comply with requirements prescribed in the far left column.</p>

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of shareholders on his/their own.		
<p>The following matters shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporaneous motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.</p> <p>(3) Reduction of capital; (4) Application for the approval of ceasing its status as a public company; ... (12) Distribute its legal reserve and the capital reserve derived from the issuance of new shares at a premium or the income from endowments received by the company by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash.</p>	There are no related requirements stipulated in the laws of Cayman Islands.	The Company will hold 2019 shareholder's regular meeting on June 18 th , 2019 to modify Articles of Incorporation or organization documents to comply with requirements prescribed in the far left column.
<p>1. A company may explicitly provide for in its Articles of Incorporation that the surplus earning distribution or loss off-setting proposal may be proposed at the close of each quarter or each half fiscal year.</p> <p>2. The proposal of surplus</p>	There are no related requirements stipulated in the laws of Cayman Islands.	The Company shall assess whether or not to further prescribe that the Company may distribute profit or make up for losses after termination of every quarter or every half-accounting year. In the event of doing so, the Company hereby commits to integrate requirements prescribed on the far left column into its

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
<p>earning distribution or loss off-setting for the first three quarters or half fiscal year, together with the business report and financial statements, shall be forwarded to supervisors for their auditing, and afterwards be submitted to the board of directors for approval.</p> <p>3. A company distributing surplus earning in accordance with the provision of the preceding paragraph shall estimate and reserve the taxes and dues to be paid, the losses to be covered and the legal reserve to be set aside. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply.</p> <p>4. A company distributing surplus earning in the form of new shares to be issued by the company in accordance with the provision of Paragraph Two, the company may, by a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the company, have the surplus profit distributable as dividends and bonuses in whole or in part distributed in the form of new shares to be issued by the company for such purpose. If the total number of shares represented by the shareholders present at a meeting of shareholders is less than the threshold specified in the preceding</p>		<p>Articles of Incorporation or Organization Memorandum.</p>

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
<p>Paragraph, the resolution may be adopted by a large majority (2/3 or more) vote of the shareholders present at that meeting of shareholders attended by the shareholders representing a majority of the total number of the outstanding shares of the company; ; if such surplus earning is distributed in the form of cash, it shall be approved by a meeting of the board of directors.</p> <p>5. Surplus earning distribution or loss off-setting proposal by a company in accordance with the provisions of the preceding four paragraphs shall be made based on the financial statements audited or reviewed by a certified public accountant.</p>		
<p>1. The board of directors shall keep at the business office of its shareholder service agent copies of the Articles of Incorporation, the minutes of every meeting of the shareholders, the financial statements, the shareholders roster and the counterfoil of corporate bonds issued by the company, any shareholder may request at any time, by submitting evidentiary document(s) to show his/her interests involved and indicating the scope of interested matters, an access to inspect, transcribe and to make copies of the Articles of Incorporation and accounting books and</p>	<p>Article 39 of Companies Law of Cayman Islands stipulates that “A copy of the memorandum of association having annexed thereto the articles of association, if any, shall be forwarded to every member, at his request, on payment of such reasonable sum, not exceeding one dollar for each copy as may be fixed by any rule of the company, and in the absence of any such rule, such copy shall be given gratuitously.”</p> <p>Article 44 of Companies Law of Cayman Islands stipulates that “The register of members, commencing from the date of the registration of the company, shall be kept at the registered office of the company or, in the case of an exempted company, at any</p>	<p>Article 107 of the Company’s Articles of Incorporation prescribes that “The Board shall keep copies of the Memorandum, these Articles, the minutes of every general meeting, the Financial Statements, the Register and the counterfoil of corporate bonds issued by the Company at its Shareholder Service Agent’s office in the R.O.C. Any Member may request at any time, by submitting evidentiary document(s) to show his interests involved and indicating the scope of requested matters, access to inspect and to make copies of the above documents.” With respect to the “inspection and to make copies” prescribed herein, they shall include making duplicates under reference of “access to inspect and to make copies” prescribed in English version.</p>

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
<p>records referred to in the preceding paragraph; the company shall make such agent to provide with the access.</p> <p>2. The board of directors or other authorized conveners of shareholders' meetings may require a company or its shareholder service agent to provide with the roster of shareholders</p>	<p>other place within or outside the Islands. Except in the case of an exempted company and when closed as hereinafter provided the register of members shall, during business hours, subject to such reasonable restrictions as the company in general meeting may impose, so that no less than two hours in each day be appointed for inspection, be open to the inspection of any member gratis and to the inspection of any other person on payment of ten dollars or such less sum as the company may specify for each</p> <p>Penalty on company not making return Certificate of shares or stock Inspection of register inspection; and every such member or other person may receive a copy of such register or any part thereof, or of such list or summary of members, on payment of one dollar for every page required to be copied. If such inspection or copy is refused, the company shall incur for each refusal a penalty of five hundred dollars; and every director and manager of the company who knowingly authorises or permits such refusal shall incur the like penalty; and in addition to the above penalty, a Judge sitting in chambers may, by order, compel an immediate inspection of the register. A company, including an exempted company, shall make available at the registered office, in electronic form or any other medium, such register, including any branch register</p>	<p>However, to avoid dispute, the Company has committed to modify words prescribed in Articles of Incorporation prior to June 30th, 2019.</p> <p>Meanwhile, the Company will hold 2019 shareholder's regular meeting on June 18th, 2019 to modify Articles of Incorporation or organization documents to comply with requirements prescribed in point 2 of the far left column.</p>

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
	<p>in the case of an exempted company, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law; and if the company fails to comply with the order or notice without reasonable excuse, the company shall incur a penalty of five hundred dollars and a further penalty of one hundred dollars for every day during which such non-compliance continues.”</p> <p>Article 59 of Companies Law of Cayman Islands stipulates that “Every company shall cause to be kept proper books of account”.</p> <p>Article 73(1) of Companies Law of Cayman Islands stipulates that “Every company shall cause minutes of all resolutions and proceedings of its members, whether at general meetings or otherwise, and of its directors or managers (where there are directors or managers), whether at meetings or otherwise, to be duly kept in writing.”</p>	
<p>A person who is under any of the following circumstances shall not act as a managerial personnel of a company. If he has been appointed as such, he shall certainly be discharged:</p> <p>1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not</p>	<p>A person who is under any of the following circumstances shall not act as a managerial personnel of a company. If he has been appointed as such, he shall certainly be discharged:</p> <p>6. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not</p>	<p>A person who is under any of the following circumstances shall not act as a managerial personnel of a company. If he has been appointed as such, he shall certainly be discharged:</p> <p>11. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since</p>

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
<p>completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</p> <p>2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</p> <p>3. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</p> <p>4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;</p> <p>5. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.</p>	<p>completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</p> <p>7. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</p> <p>8. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</p> <p>9. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;</p> <p>10. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.</p>	<p>completion of serving the sentence, expiration of the probation, or pardon;</p> <p>12. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</p> <p>13. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</p> <p>14. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;</p> <p>15. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.</p>
Where the spouse, a blood relative within the second degree of kinship of a director, or any company	There are no related requirements stipulated in the laws of Cayman Islands.	The Company will hold 2019 shareholder's regular meeting on June 18 th , 2019 to modify Articles of Incorporation or organization

Variation	The laws of the Cayman Islands	Articles of Incorporation provisions and cause of any
which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.		documents to comply with requirements prescribed in the far left column.
Where all directors of a company are re-elected, prior to the expiration of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors shall be deemed discharged in advance.	There are no related requirements stipulated in the laws of Cayman Islands.	The Company will hold 2019 shareholder's regular meeting on June 18 th , 2019 to modify Articles of Incorporation or organization documents to comply with requirements prescribed in the far left column.
<ol style="list-style-type: none"> 1. Shareholder(s) who has/have been continuously holding 1% or more of the total number of the outstanding shares of the company over six months may request in writing the supervisors of the company to institute, for the company, an action against a director of the company, and the Taipei District Court of Taiwan shall be the court of in the first instance 2. Subject to the condition that the board of directors does not or is unable to convene a meeting of shareholders, the supervisors may, for the benefit of the company, call a meeting of shareholders when it is deemed necessary. 	There are no related requirements stipulated in the laws of Cayman Islands.	The Company will hold 2019 shareholder's regular meeting on June 18 th , 2019 to modify Articles of Incorporation or organization documents to comply with requirements prescribed in the far left column.

【 Appendix 1】

Ventec International Group Co., Ltd. Audit Committee Review Report

The Board of Directors herewith submits the 2018 Business Report, Consolidated Financial Statements, and Profit Distribution Proposal, including the consolidated financial statements that have been audited by the Deloitte & Touche accounting firm, who have issued an audit report. The aforementioned business report, consolidated financial statement, and profit distribution proposal have been audited by this Audit Committee, and the Committee does not find any discrepancies. Thus, this report is made in conformity with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act; kindly review accordingly.

Sincerely,

Ventec International Group Co., Ltd. 2019 Shareholders' Meeting

Ventec International Group Co., Ltd.

Conver of the Audit Committee Chen, Tsung-Hsi

11th March 2019

【 Appendix 2】

**Ventec International Group Co., Ltd. and
Subsidiaries**

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

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 precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are 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)

ASSETS	2018		2017	
	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	<u>2,562</u>	<u>-</u>	<u>3,163</u>	<u>-</u>
Total current assets	<u>2,959,513</u>	<u>69</u>	<u>2,871,867</u>	<u>67</u>
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	<u>9,987</u>	<u>-</u>	<u>5,191</u>	<u>-</u>
Total non-current assets	<u>1,301,229</u>	<u>31</u>	<u>1,438,786</u>	<u>33</u>
TOTAL	<u>\$ 4,260,742</u>	<u>100</u>	<u>\$ 4,310,653</u>	<u>100</u>
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	<u>8,688</u>	<u>-</u>	<u>6,658</u>	<u>-</u>
Total current liabilities	<u>2,218,501</u>	<u>52</u>	<u>2,821,830</u>	<u>65</u>
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	<u>3,221</u>	<u>-</u>	<u>3,748</u>	<u>-</u>
Total non-current liabilities	<u>283,633</u>	<u>7</u>	<u>342,352</u>	<u>8</u>
Total liabilities	<u>2,502,134</u>	<u>59</u>	<u>3,164,182</u>	<u>73</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 10, 16, 17 and 22)				
Ordinary shares	<u>646,143</u>	<u>15</u>	<u>586,143</u>	<u>14</u>
Capital surplus	<u>450,263</u>	<u>11</u>	<u>128,875</u>	<u>3</u>
Retained earnings				
Legal reserve	29,849	1	-	-
Special reserve	200,000	4	-	-
Unappropriated earnings	<u>542,300</u>	<u>13</u>	<u>420,714</u>	<u>10</u>
Total retained earnings	<u>772,149</u>	<u>18</u>	<u>420,714</u>	<u>10</u>
Exchange differences on translating the financial statements of foreign operations	<u>(109,947)</u>	<u>(3)</u>	<u>10,739</u>	<u>-</u>
Total equity	<u>1,758,608</u>	<u>41</u>	<u>1,146,471</u>	<u>27</u>
TOTAL	<u>\$ 4,260,742</u>	<u>100</u>	<u>\$ 4,310,653</u>	<u>100</u>

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)	<u>4,067,705</u>	<u>75</u>	<u>3,711,603</u>	<u>75</u>
GROSS PROFIT	<u>1,345,951</u>	<u>25</u>	<u>1,250,627</u>	<u>25</u>
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	<u>146,544</u>	<u>3</u>	<u>112,965</u>	<u>2</u>
Total operating expenses	<u>858,511</u>	<u>16</u>	<u>736,897</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>487,440</u>	<u>9</u>	<u>513,730</u>	<u>10</u>
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	<u>(88,959)</u>	<u>(2)</u>	<u>(91,579)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>12,689</u>	<u>-</u>	<u>(166,465)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	500,129	9	347,265	7
INCOME TAX EXPENSE (Notes 4 and 20)	<u>94,865</u>	<u>2</u>	<u>48,945</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>405,264</u>	<u>7</u>	<u>298,320</u>	<u>6</u>
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	<u>37,900</u>	<u>1</u>	<u>(59,419)</u>	<u>(1)</u>
	<u>42,685</u>	<u>1</u>	<u>(61,755)</u>	<u>(1)</u>

(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)	-
	<u>\$ 405,264</u>	<u>7</u>	<u>\$ 298,320</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 289,363	5	\$ 416,871	8
Non-controlling interests	-	-	(318)	-
	<u>\$ 289,363</u>	<u>5</u>	<u>\$ 416,553</u>	<u>8</u>
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)							Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interests	Total Equity
	Ordinary Shares		Advance Receipts for Share Capital	Capital Surplus	Retained Earnings						
	Share (In Thousands)	Share Capital			Legal Reserve	Special Reserve	Unappropriated Earnings				
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,336)</u>	<u>120,718</u>	<u>118,382</u>	<u>(149)</u>	<u>118,233</u>
Total comprehensive income (loss) for the year ended December 31, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,153</u>	<u>120,718</u>	<u>416,871</u>	<u>(318)</u>	<u>416,553</u>
Issuance of ordinary shares for cash	4,695	46,952	(9,522)	28,146	-	-	-	-	65,576	-	65,576
Share-based payment transaction	<u>2,500</u>	<u>25,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>55,000</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,785</u>	<u>(120,686)</u>	<u>(115,901)</u>	<u>-</u>	<u>(115,901)</u>
Total comprehensive income (loss) for the year ended December 31, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,049</u>	<u>(120,686)</u>	<u>289,363</u>	<u>-</u>	<u>289,363</u>
Issuance of ordinary shares for cash	<u>6,000</u>	<u>60,000</u>	<u>-</u>	<u>321,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>381,388</u>	<u>-</u>	<u>381,388</u>
BALANCE AT DECEMBER 31, 2018	<u>64,614</u>	<u>\$ 646,143</u>	<u>\$ -</u>	<u>\$ 450,263</u>	<u>\$ 29,849</u>	<u>\$ 200,000</u>	<u>\$ 542,300</u>	<u>\$ (109,947)</u>	<u>\$ 1,758,608</u>	<u>\$ -</u>	<u>\$ 1,758,608</u>

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	<u>619,982</u>	<u>320,303</u>
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	<u>81,727</u>	<u>(214,517)</u>
		(Continued)

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	<u>-</u>	<u>55,000</u>
Net cash used in financing activities	<u>(657,649)</u>	<u>(37,701)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(9,385)</u>	<u>(6,900)</u>
NET INCREASE IN CASH	34,675	61,185
CASH AT THE BEGINNING OF THE YEAR	<u>290,288</u>	<u>229,103</u>
CASH AT THE END OF THE YEAR	<u>\$ 324,963</u>	<u>\$ 290,288</u>

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

(Concluded)

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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.

Financial Asset	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
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	Reclassifi- cation	IFRS 9 Carrying Amount as of January 1, 2018	Remark
<u>Amortized cost</u>	\$ -			
Add: Reclassification from loans and receivables (IAS 39)	-	\$ 2,158,818		*
	<u>\$ -</u>	<u>\$ 2,158,818</u>	<u>\$ 2,158,818</u>	

* 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	<u>-</u>	<u>151,994</u>	<u>151,994</u>
Total effect on assets	<u>\$ 79,385</u>	<u>\$ 72,609</u>	<u>\$ 151,994</u>
Lease liabilities - current	\$ -	\$ 27,815	\$ 27,815
Lease liabilities - non-current	<u>-</u>	<u>44,794</u>	<u>44,794</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 72,609</u>	<u>\$ 72,609</u>

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.

1. Revenue recognition

2018

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	2017
Cash on hand and petty cash	\$ 269	\$ 242
Checking accounts and demand deposits	<u>324,694</u>	<u>290,046</u>
	<u>\$ 324,963</u>	<u>\$ 290,288</u>

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	<u>\$ 1,285</u>

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)
<u>December 31, 2017</u>			
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	2017
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 40,846</u>	<u>\$ 60,018</u>

(Continued)

	December 31	
	2018	2017
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,633,329	\$ 1,482,183
Less: Allowance for impairment loss	<u>(17,871)</u>	<u>(22,538)</u>
	<u>\$ 1,615,458</u>	<u>\$ 1,459,645</u>
<u>Other receivables</u>		
Receivables for disposal of land use rights	\$ 10,770	\$ 11,028
Tax refund receivable	2,441	847
Others	<u>8,715</u>	<u>7,474</u>
	<u>\$ 21,926</u>	<u>\$ 19,349</u>
		(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)	<u>(7,647)</u>	<u>(2,312)</u>	<u>(382)</u>	<u>(7,530)</u>	<u>(17,871)</u>
Amortized cost	<u>\$ 1,568,089</u>	<u>\$ 35,940</u>	<u>\$ 2,537</u>	<u>\$ 8,892</u>	<u>\$ 1,615,458</u>

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	<u>-</u>
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	<u>(231)</u>
Balance at December 31, 2018	<u>\$ 17,871</u>

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	<u>13,184</u>
	<u>\$ 1,482,183</u>

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	<u>1,851</u>
	<u>\$ 32,044</u>

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	<u>596</u>	<u>(498)</u>	<u>98</u>
Balance at December 31, 2017	<u>\$ 5,993</u>	<u>\$ 16,545</u>	<u>\$ 22,538</u>

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	<u>248,314</u>	<u>274,464</u>
	<u>\$ 740,431</u>	<u>\$ 707,145</u>

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") VIG SAMOA	Ventec International Group Company Limited (SAMOA) ("VIG SAMOA") (Notes b and c)	General investment	100.00	100.00
	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

- 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.
- 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.
- 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
<u>Cost</u>									
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	<u>118,840</u>	<u>535,650</u>	<u>1,769,966</u>	<u>27,790</u>	<u>380</u>	<u>28,186</u>	<u>112,012</u>	<u>28,539</u>	<u>2,621,363</u>
<u>Accumulated depreciation</u>									
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	-	<u>126,621</u>	<u>1,216,623</u>	<u>17,466</u>	<u>290</u>	<u>15,796</u>	<u>87,632</u>	-	<u>1,464,428</u>
Carrying amounts at December 31, 2017	<u>\$ 118,840</u>	<u>\$ 409,029</u>	<u>\$ 553,343</u>	<u>\$ 10,324</u>	<u>\$ 90</u>	<u>\$ 12,390</u>	<u>\$ 24,380</u>	<u>\$ 28,539</u>	<u>\$ 1,156,935</u>
<u>Cost</u>									
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	<u>118,840</u>	<u>527,151</u>	<u>1,765,367</u>	<u>26,985</u>	<u>243</u>	<u>21,258</u>	<u>107,888</u>	<u>4,760</u>	<u>2,572,492</u>
<u>Accumulated depreciation</u>									
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	-	<u>147,911</u>	<u>1,279,860</u>	<u>16,840</u>	<u>50</u>	<u>9,556</u>	<u>78,169</u>	-	<u>1,532,386</u>
Carrying amounts at December 31, 2018	<u>\$ 118,840</u>	<u>\$ 379,240</u>	<u>\$ 485,507</u>	<u>\$ 10,145</u>	<u>\$ 193</u>	<u>\$ 11,702</u>	<u>\$ 29,719</u>	<u>\$ 4,760</u>	<u>\$ 1,040,106</u>

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
<u>Cost</u>		
Balance at January 1	\$ 67,532	\$ 73,181
Effect of foreign currency exchange differences	<u>2,167</u>	<u>(5,649)</u>
Balance at December 31	<u>\$ 69,699</u>	<u>\$ 67,532</u>

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	<u>77,305</u>	<u>81,281</u>
	<u>\$ 79,385</u>	<u>\$ 83,411</u>

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
<u>Secured borrowings</u>		
Bank loans	\$ 340,878	\$ 576,980
Transferred receivables	171,229	298,312
<u>Unsecured borrowings</u>		
Bank loans	171,067	502,240
Transferred receivables	227,155	440,613
Others	<u>494</u>	<u>-</u>
	<u>\$ 910,823</u>	<u>\$ 1,818,145</u>

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
<u>E.SUN Commercial Bank, Ltd.</u>		
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
<u>Chailease Finance Co., Ltd.</u>		
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
<u>Robina Finance & Leasing Corp.</u>		
Credit borrowings: From 2016/01/08 to 2018/01/08 and is repaid in 24 periods.	-	930
<u>HSBC bank plc</u>		
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
<u>Nissan Motor Acceptance Corporatic</u>		
Secured borrowings: From 2017/06/01 to 2021/05/01 and is repaid in 47 periods.	637	841
<u>Mission Valley Ford Trucks</u>		
Secured borrowings: From 2016/05/08 to 2019/04/08 and is repaid in 35 periods.	<u>22</u>	<u>148</u>
	138,798	190,336
Less: Current portions	<u>(12,126)</u>	<u>(32,270)</u>
Long-term borrowings	<u>\$ 126,672</u>	<u>\$ 158,066</u>

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	<u>105,781</u>	<u>87,818</u>
	<u>\$ 302,231</u>	<u>\$ 245,671</u>

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	<u>\$ 35,254</u>	<u>\$ 34,803</u>

Movements in net defined benefit liabilities were as follows:

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

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	<u>\$ 5,236</u>	<u>\$ 4,656</u>

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 <u>transferred to share capital</u>		
Issuance of ordinary shares	\$ 425,497	\$ 104,109
<u>May be used to offset a deficit only</u>		
Issuance of ordinary shares under employee share options	<u>24,766</u>	<u>24,766</u>
	<u>\$ 450,263</u>	<u>\$ 128,875</u>

- 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		Dividends Per Share	
	For the Year Ended December 31		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	\$ 1	\$ 0.0088
		(US\$ 494 thousand)		

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	<u>37,900</u>	<u>(59,381)</u>
Balance at December 31	<u>\$ (109,947)</u>	<u>\$ 10,739</u>

18. REVENUE

- a. Revenue from contracts with customers

Contract information refer to Notes 4 and 31.

- b. Contract balances

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

**December 31,
2018**

Contract liabilities (included in other current liabilities)	<u>\$ 3,423</u>
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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	<u>10,288</u>	<u>20,044</u>
	<u>\$ 14,707</u>	<u>\$ 21,854</u>

- 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	<u>(17,102)</u>	<u>10,450</u>
	<u>\$ 86,941</u>	<u>\$ (96,740)</u>

c. Depreciation and amortization

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

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	<u>5,236</u>	<u>4,656</u>
	<u>9,384</u>	<u>7,665</u>
Share-based payments		
Equity-settled	<u>-</u>	<u>17,735</u>
Other employee benefits	<u>699,822</u>	<u>611,699</u>
Total employee benefits expense	<u>\$ 709,206</u>	<u>\$ 637,099</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 339,916	\$ 325,231
Operating expenses	<u>369,290</u>	<u>311,868</u>
	<u>\$ 709,206</u>	<u>\$ 637,099</u>

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)
	<u>112,919</u>	<u>36,920</u>
Deferred tax		
In respect of the current year	(18,811)	12,025
Adjustments for prior years	757	-
	<u>(18,054)</u>	<u>12,025</u>
Income tax expense recognized in profit or loss	<u>\$ 94,865</u>	<u>\$ 48,945</u>

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
<u>Deferred tax assets</u>					
Temporary differences	\$ 6,896	\$ (2,306)	\$ (67)	\$ -	\$ 4,523
Allowance for					
inventory valuation	<u>11,462</u>	<u>(192)</u>	<u>(229)</u>	<u>-</u>	<u>11,041</u>
Others	18,358	(2,498)	(296)	-	15,564
	<u>46,312</u>	<u>1,483</u>	<u>1,515</u>	<u>-</u>	<u>49,310</u>
Tax losses					
	<u>\$ 64,670</u>	<u>\$ (1,015)</u>	<u>\$ 1,219</u>	<u>\$ -</u>	<u>\$ 64,874</u>
<u>Deferred tax liabilities</u>					
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	<u>7,702</u>	<u>(742)</u>	<u>49</u>	<u>-</u>	<u>7,009</u>
	<u>\$ 145,735</u>	<u>\$ (19,069)</u>	<u>\$ 3,084</u>	<u>\$ (11,264)</u>	<u>\$ 118,486</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation	\$ 7,767	\$ (719)	\$ (152)	\$ 6,896
Others	<u>6,434</u>	<u>5,149</u>	<u>(121)</u>	<u>11,462</u>
	14,201	4,430	(273)	18,358
Loss carryforwards	<u>40,004</u>	<u>9,369</u>	<u>(3,061)</u>	<u>46,312</u>
	<u>\$ 54,205</u>	<u>\$ 13,799</u>	<u>\$ (3,334)</u>	<u>\$ 64,670</u>
<u>Deferred tax liabilities</u>				
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	<u>4,125</u>	<u>3,614</u>	<u>(37)</u>	<u>7,702</u>
	<u>\$ 126,744</u>	<u>\$ 25,824</u>	<u>\$ (6,833)</u>	<u>\$ 145,735</u>

- 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	\$ <u>6.75</u>	\$ <u>5.40</u>
Diluted earnings per share	\$ <u>6.70</u>	\$ <u>5.30</u>

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	\$ <u>405,264</u>	\$ <u>298,489</u>

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	<u>468</u>	<u>1,074</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>60,512</u>	<u>56,332</u>

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	<u>(2,500)</u>	22
Balance at December 31	<u><u>-</u></u>	

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

	<u>December 31</u>	
	2018	2017
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,199,704	\$ -
Loans and receivables (2)	-	2,158,818
<u>Financial liabilities</u>		
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
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 1,049,084	\$ 6,779	\$ 6,243
Variable interest rate assets	810,179	44,386	81,899
Fixed interest rate assets	<u>112,770</u>	<u>387</u>	<u>-</u>
	<u>\$ 1,972,033</u>	<u>\$ 51,552</u>	<u>\$ 88,142</u>

December 31, 2017

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

b) Financing facilities

	December 31	
	2018	2017
Bank loan facilities		
Amount unused	<u>\$ 1,576,272</u>	<u>\$ 1,282,837</u>

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
<u>2018</u>							
VT DE	Adesion Factoring GmbH.	\$ 322,535	\$ 321,627	\$ (209)	\$ 5,371	3.25	\$ 43,894
VT UK	HSBC Bank plc	<u>94,054</u>	<u>91,109</u>	<u>(383)</u>	<u>20,005</u>	1.75	86,015
		<u>\$ 416,589</u>	<u>\$ 412,736</u>	<u>\$ (592)</u>	<u>\$ 25,376</u>		
<u>2017</u>							
VT DE	Adesion Factoring GmbH.	\$ 265,643	\$ 261,265	\$ (2,925)	\$ 4,672	3.25	39,983
VT UK	HSBC Bank plc	<u>76,376</u>	<u>80,930</u>	<u>594</u>	<u>17,443</u>	1.88	82,229
		<u>\$ 342,019</u>	<u>\$ 342,195</u>	<u>\$ (2,331)</u>	<u>\$ 22,115</u>		

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. FFP Global Inc. ("FFP")	The same chairman The same chairman

b. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2018	2017
The same chairman	<u>\$ 14</u>	<u>\$ 29</u>

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	\$ <u>-</u>	\$ <u>2,284</u>

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	\$ <u>-</u>	\$ <u>12</u>

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	<u>2,224</u>	<u>1,949</u>
	<u>\$ 38,836</u>	<u>\$ 44,380</u>

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	<u>30,483</u>	<u>32,011</u>
	<u>\$ 844,981</u>	<u>\$ 1,823,421</u>

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
<u>Financial assets</u>			
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)	<u>113,467</u>
			<u>\$ 4,953,397</u>

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)	<u>70,107</u>
			<u>\$ 3,045,840</u>

December 31, 2017

	Foreign Currencies (in thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 84,445	6.5063 (USD:RMB)	\$ 2,513,080
USD	99,773	7.8126 (USD:HKD)	<u>2,969,245</u>
			<u>\$ 5,482,325</u>

Financial liabilities

Monetary items			
USD	29,466	6.5063 (USD:RMB)	\$ 876,904
USD	92,358	7.8126 (USD:HKD)	<u>2,748,565</u>
			<u>\$ 3,625,469</u>

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	<u>4,418,596</u>	<u>-</u>	<u>(4,418,596)</u>	<u>-</u>
Consolidated revenue	<u>\$ 8,661,733</u>	<u>\$ 1,170,519</u>	<u>\$ (4,418,596)</u>	<u>\$ 5,413,656</u>
Segment income	<u>\$ 447,909</u>	<u>\$ 39,531</u>	<u>\$ -</u>	\$ 487,440
Other income				14,707
Other gains and losses				86,941
Interest expense				<u>(88,959)</u>
Profit before tax				<u>\$ 500,129</u>

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	<u>4,076,370</u>	<u>5,231</u>	<u>(4,081,601)</u>	<u>-</u>
Consolidated revenue	<u>\$ 7,957,920</u>	<u>\$ 1,085,911</u>	<u>\$ (4,081,601)</u>	<u>\$ 4,962,230</u>
Segment income	<u>\$ 480,602</u>	<u>\$ 33,128</u>	<u>\$ -</u>	\$ 513,730
Other income				21,854
Other gains and losses				(96,740)
Interest expense				<u>(91,579)</u>
Profit before tax				<u>\$ 347,265</u>

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	<u>358,962</u>	<u>367,079</u>	<u>296,525</u>	<u>311,103</u>
	<u>\$ 5,413,656</u>	<u>\$ 4,962,230</u>	<u>\$ 1,130,109</u>	<u>\$ 1,315,501</u>

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	<u>560,781</u>	<u>540,559</u>
	<u>\$ 1,154,371</u>	<u>\$ 1,060,194</u>

TABLE 1

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.

TABLE 2

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.

TABLE 3

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.

TABLE 4

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)

TABLE 5

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.

TABLE 6

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
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		As of December 31, 2018			Net Income (Loss) of Investee (Note 2)	Share of Profit (Loss) (Notes 2 and 3)	Note
				December 31, 2018 (Note 1)	December 31, 2017 (Note 1)	Number of Shares	%	Carrying Amount (Notes 1 and 3)			
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.

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.

TABLE 8

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)

Ventec International Group Co., Ltd.

Chairman :Top Master Limited

Representative: Lao, Kai- Lu