Vanguard International Semiconductor Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2018 and 2017 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Vanguard International Semiconductor Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Vanguard International Semiconductor Corporation and its subsidiaries (the Group) as of September 30, 2018 and 2017 and the related consolidated statements of comprehensive income for the three-month ended September 30, 2018 and 2017 and for the nine-month ended September 30, 2018 and 2017, as well as the consolidated statements of changes in equity and cash flows for the nine-month ended September 30, 2018 and 2017, and related notes, including a summary of significant accounting policies "(collectively referred to as the consolidated financial statements)". Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of (or "do not present fairly, in all material respects,") the financial position of the Group as at September 30, 2018 and 2017, and of its consolidated financial performance for the three-month ended September 30, 2018 and 2017 and for the nine-month ended September 30, 2018 and 2017 and its consolidated cash flows for the nine-month ended September 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting".

The engagement partners on the reviews resulting in this independent auditors' review report are Tung-Hui Yeh and Ming-Yuan Chung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

October 29, 2018

<u>*Notice to Readers*</u>

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

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2018 Reviewed		December 31, 2017 Audited		September 30, 2017 Reviewed	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 3, 4, 6 and 32)	$ 13,077,126	37	$ 15,760,771	46	$ 15,079,376	46
Financial assets at fair value through profit or loss - current (Notes 3, 4, 7 and 32)	16,065	-	229,998	1	324,314	1
Held-to-maturity financial assets - current (Notes 3, 4, 5, 12 and 32)	-	-	774,864	2	684,213	2
Financial assets at amortized cost - current (Notes 3, 4, 5, 9, 10 and 32)	1,559,758	4	-	-	-	-
Notes and accounts receivable, net (Notes 3, 4, 5, 15, 26 and 32)	5,075,793	15	3,645,633	11	3,422,540	10
Receivables from related parties (Notes 3, 4, 5, 26, 32 and 33)	544,990	2	427,631	1	634,645	2
Other receivables (Notes 3, 4 and 32)	249,802	1	178,965	1	189,317	1
Other receivables from related parties (Notes 3, 4, 32 and 33)	5,892	-	8,248	-	-	-
Inventories (Note 16)	3,276,944	9	2,790,970	8	2,518,872	8
Prepaid expenses	148,802	-	173,422	-	187,371	-
Other current assets (Note 21)	2,936	-	3,037	-	2,504	-
Total current assets	23,958,108	68	23,993,539	70	23,043,152	70
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4, 8 and 32)	271,685	1	-	-	-	-
Available-for-sale financial assets - non-current (Notes 3, 4, 11 and 32)	-	-	508,516	1	513,192	2
Held-to-maturity financial assets - non-current (Notes 3, 4, 5, 12 and 32)	-	-	2,624,969	8	2,331,783	7
Financial assets at amortized cost - non-current (Notes 3, 4, 5, 9, 10 and 32)	3,675,288	10	-	-	-	-
Financial assets carried at cost - non-current (Notes 3, 4, 14 and 32)	-	-	85,327	-	85,327	-
Investments accounted for using equity method (Note 18)	253,158	1	283,340	1	314,142	1
Property, plant and equipment (Notes 19 and 33)	6,195,515	18	6,249,123	18	6,070,919	19
Intangible assets (Note 20)	14,107	-	19,271	-	17,695	-
Deferred income tax assets	73,807	-	40,312	-	32,322	-
Refundable deposits	241,509	1	190,096	1	45,971	-
Other non-current assets (Notes 3, 4, 21, 32 and 34)	303,927	1	303,831	1	303,799	1
Total non-current assets	11,028,996	32	10,304,785	30	9,715,150	30
TOTAL ASSETS	$ 34,987,104	100	$ 34,298,324	100	$ 32,758,302	100

	September 30, 2018 Reviewed		December 31, 2017 Audited		September 30, 2017 Reviewed	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 32)	$ 5,973	-	$ -	-	$ 4,859	-
Notes and accounts payable (Note 32)	1,361,174	4	1,310,158	4	1,205,446	4
Payables to related parties (Notes 32 and 33)	14,915	-	-	-	-	-
Accrued employees' compensation and remuneration to directors (Notes 27 and 32)	784,380	2	685,660	2	488,393	2
Payables to contractors and equipment suppliers (Note 32)	221,598	1	239,185	1	281,594	1
Other payables (Notes 22 and 32)	2,624,044	7	2,118,089	6	2,097,427	6
Other payables to related parties (Notes 32 and 33)	7,241	-	77,948	-	79,287	-
Current income tax liabilities (Note 4)	1,013,629	3	725,013	2	478,793	1
Other current liabilities (Notes 3, 23, 26 and 33)	536,785	2	342,060	1	391,694	1
Total current liabilities	6,569,739	19	5,498,113	16	5,027,493	15
NON-CURRENT LIABILITIES						
Deferred income tax liabilities	105,516	-	103,899	1	103,192	1
Net defined benefit liabilities - non-current (Note 4)	782,230	2	777,101	2	711,240	2
Other non-current liabilities (Note 33)	56,235	-	43,209	-	43,837	-
Total non-current liabilities	943,981	2	924,209	3	858,269	3
Total liabilities	7,513,720	21	6,422,322	19	5,885,762	18
EQUITY (Notes 3, 4 and 25)						
Capital stock						
Common stock	16,389,823	47	16,389,823	48	16,389,823	50
Capital surplus	856,613	3	856,629	2	856,795	3
Retained earnings						
Legal reserve	4,511,070	13	4,060,564	12	4,060,564	12
Special reserve	377,030	1	37,956	-	37,956	-
Unappropriated earnings	5,559,634	16	6,908,060	20	5,757,417	18
Total retained earnings	10,447,734	30	11,006,580	32	9,855,937	30
Other equity	(220,786)	(1)	(377,030)	(1)	(230,015)	(1)
Total equity	27,473,384	79	27,876,002	81	26,872,540	82
TOTAL LIABILITIES AND EQUITY	$ 34,987,104	100	$ 34,298,324	100	$ 32,758,302	100

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 4, 13, 26 and 33)	$ 7,749,176	100	$ 6,400,057	100	$ 21,223,334	100	$ 18,534,601	100
COST OF REVENUE (Notes 16, 27 and 33)	4,957,530	64	4,362,869	68	13,983,194	66	12,724,602	69
GROSS PROFIT	2,791,646	36	2,037,188	32	7,240,140	34	5,809,999	31
OPERATING EXPENSES (Notes 27 and 33)								
Marketing	100,068	1	77,837	1	244,676	1	207,302	1
General and administrative	315,541	4	230,119	4	832,201	4	684,459	4
Research and development	393,914	5	387,767	6	1,082,330	5	1,182,680	6
Total operating expenses	809,523	10	695,723	11	2,159,207	10	2,074,441	11
OPERATING INCOME	1,982,123	26	1,341,465	21	5,080,933	24	3,735,558	20
NONOPERATING INCOME AND EXPENSES (Note 4)								
Interest income (Note 27)	82,234	1	52,944	1	224,973	1	161,882	1
Dividend income (Notes 8 and 27)	200	-	244	-	27,978	-	25,211	-
Other income (Note 33)	28,165	-	16,363	-	65,293	-	52,283	-
Gain (loss) on disposal of property, plant and equipment (Note 33)	(37)	-	10	-	607	-	10	-
Net foreign exchange (loss) gain (Note 27)	(4,751)	-	4,687	-	162,438	1	(256,584)	(1)
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Note 27)	(3,616)	-	2,504	-	(242,558)	(1)	131,186	1
Share of loss of associates and joint ventures	(11,355)	-	(11,890)	-	(35,856)	-	(32,544)	-
Total nonoperating income and expenses	90,840	1	64,862	1	202,875	1	81,444	1
INCOME BEFORE INCOME TAX	2,072,963	27	1,406,327	22	5,283,808	25	3,817,002	21
INCOME TAX EXPENSE (Notes 4 and 28)	(404,138)	(5)	(248,102)	(4)	(1,045,707)	(5)	(528,920)	(3)
NET INCOME	1,668,825	22	1,158,225	18	4,238,101	20	3,288,082	18
OTHER COMPREHENSIVE INCOME (Notes 4 and 25)								
Item that will not be reclassified subsequently to profit or loss								
Unrealized loss on investment in equity instruments designated as at fair value through other comprehensive income	(34,320)	(1)	-	-	(14,499)	-	-	-

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign operations	$ (7,478)	-	$ (3,919)	-	$ 261,585	1	$ (203,583)	(1)
Unrealized gain on available-for-sale financial assets	-	-	9,988	-	-	-	11,528	-
Cash flow hedges	-	-	(49)	-	-	-	-	-
Share of other comprehensive loss of associates and joint ventures	(4)	-	(1)	-	(2)	-	(4)	-
Total other comprehensive income (loss)	(41,802)	(1)	6,019	-	247,084	1	(192,059)	(1)
TOTAL COMPREHENSIVE INCOME	$ 1,627,023	21	$ 1,164,244	18	$ 4,485,185	21	$ 3,096,023	17
NET INCOME ATTRIBUTABLE TO								
Owner of the Corporation	$ 1,668,825	22	$ 1,158,225	18	$ 4,238,101	20	$ 3,288,082	18
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 1,668,825	22	$ 1,158,225	18	$ 4,238,101	20	$ 3,288,082	18
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO								
Owner of the Corporation	$ 1,627,023	21	$ 1,164,244	18	$ 4,485,185	21	$ 3,096,023	17
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 1,627,023	21	$ 1,164,244	18	$ 4,485,185	21	$ 3,096,023	17
EARNINGS PER SHARE (Note 29)								
Basic	$ 1.02		$ 0.71		$ 2.59		$ 2.01	
Diluted	$ 1.01		$ 0.70		$ 2.57		$ 1.99	

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

			Retained Earnings			Other Equity			
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Equity
BALANCE, JANUARY 1, 2017	$ 16,389,823	$ 862,594	$ 3,506,771	$ 115,811	$ 7,862,220	$ (38,066)	$ -	$ 110	$ 28,699,263
Appropriations of prior year's earnings									
Legal reserve	-	-	553,793	-	(553,793)	-	-	-	-
Cash dividends - 30%	-	-	-	-	(4,916,947)	-	-	-	(4,916,947)
Reversal of special reserve	-	-	-	(77,855)	77,855	-	-	-	-
Changes in capital surplus from investment in associates and joint ventures accounted for using equity method	-	(5,961)	-	-	-	-	-	-	(5,961)
Other changes in capital surplus	-	162	-	-	-	-	-	-	162
Net income for the nine months ended September 30, 2017	-	-	-	-	3,288,082	-	-	-	3,288,082
Other comprehensive income for the nine months ended September 30, 2017	-	-	-	-	-	(203,587)	-	11,528	(192,059)
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	-	3,288,082	(203,587)	-	11,528	3,096,023
BALANCE, SEPTEMBER 30, 2017	$ 16,389,823	$ 856,795	$ 4,060,564	$ 37,956	$ 5,757,417	$ (241,653)	$ -	$ 11,638	$ 26,872,540
BALANCE, JANUARY 1, 2018	$ 16,389,823	$ 856,629	$ 4,060,564	$ 37,956	$ 6,908,060	$ (384,631)	$ -	$ 7,601	$ 27,876,002
Effect of retrospective application (Note 3)	-	-	-	-	120,000	-	(83,239)	(7,601)	29,160
RESTATED BALANCE, JANUARY 1, 2018	16,389,823	856,629	4,060,564	37,956	7,028,060	(384,631)	(83,239)	-	27,905,162
Appropriations of prior year's earnings									
Legal reserve	-	-	450,506	-	(450,506)	-	-	-	-
Special reserve	-	-	-	339,074	(339,074)	-	-	-	-
Cash dividends - 30%	-	-	-	-	(4,916,947)	-	-	-	(4,916,947)
Changes in capital surplus from investment in associates and joint ventures accounted for using equity method	-	(131)	-	-	-	-	-	-	(131)
Other changes in capital surplus	-	115	-	-	-	-	-	-	115
Net income for the nine months ended September 30, 2018	-	-	-	-	4,238,101	-	-	-	4,238,101
Other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	261,583	(14,499)	-	247,084
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	4,238,101	261,583	(14,499)	-	4,485,185
BALANCE, SEPTEMBER 30, 2018	$ 16,389,823	$ 856,613	$ 4,511,070	$ 377,030	$ 5,559,634	$ (123,048)	$ (97,738)	$ -	$ 27,473,384

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 5,283,808	$ 3,817,002
Adjustments for:		
Depreciation	1,342,138	1,493,394
Amortization	9,115	13,213
Provision of allowance for doubtful accounts	-	1,300
Net loss on financial assets and liabilities at fair value through profit or loss	269	50,733
Interest income	(224,973)	(161,882)
Dividend income	(27,978)	(25,211)
Share of loss of associates and joint ventures	35,856	32,544
Gain on disposal of property, plant and equipment	(607)	(10)
Net losses on foreign currency exchange	504	7,586
Changes in operating assets and liabilities:		
Financial assets held for trading	-	(100,530)
Financial assets mandatorily classified as at fair value through profit or loss	213,664	-
Notes and accounts receivable	(1,446,176)	(75,493)
Receivables from related parties	(117,359)	(21,431)
Other receivables	(54,997)	(32,374)
Other receivables from related parties	2,356	824
Inventories	(485,974)	(319,097)
Prepaid expenses	24,660	3,947
Other current assets	101	284
Financial liabilities held for trading	5,973	(38,170)
Notes and accounts payable	51,016	75,065
Payables to related parties	14,915	-
Other payables	181,523	(54,055)
Other payables to related parties	(70,707)	(6,383)
Other current liabilities	194,725	40,474
Net defined benefit liabilities	5,129	2,887
Accrued employees' compensation and remuneration to directors	98,720	(357,510)
Cash generated from operations	5,035,701	4,347,107
Interest received	218,408	167,343
Income tax paid	(788,637)	(659,075)
Net cash provided by operating activities	4,465,472	3,855,375

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of financial assets at fair value through other comprehensive income	$ (104,549)	$ -
Acquisitions of financial assets at amortized cost	(1,615,945)	-
Proceeds from redemption of financial assets at amortized cost	646,206	-
Acquisitions of financial assets designated as fair value through profit or loss	-	(2,619,766)
Proceeds from disposal of financial assets designated as fair value through profit or loss	-	3,773,335
Acquisitions of available-for-sale financial assets	-	(332,794)
Proceeds from disposal of available-for-sale financial assets	-	395,382
Acquisitions of held-to-maturity financial assets	-	(1,658,441)
Proceeds from redemption of held-to-maturity financial assets	-	410,991
Acquisitions of investment accounted for using equity method	-	(150,575)
Acquisitions of property, plant and equipment	(1,309,834)	(1,259,522)
Proceeds from disposal of property, plant and equipment	645	10
Increase in refundable deposits	(45,098)	(41,335)
Acquisitions of intangible assets	(6,315)	(1,284)
(Increase) decrease in other non-current assets	(96)	91,015
Dividends received	27,978	25,211
Net cash used in investing activities	(2,407,008)	(1,367,773)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in other non-current liabilities	13,026	30,806
Cash dividends	(4,916,947)	(4,916,947)
Unclaimed dividends	115	162
Net cash used in financing activities	(4,903,806)	(4,885,979)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	161,697	(87,150)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,683,645)	(2,485,527)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	15,760,771	17,564,903
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 13,077,126	$ 15,079,376

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION

Vanguard International Semiconductor Corporation (the "Corporation") was incorporated in Hsinchu Science-based Industrial Park in December 1994 and commenced business in January 1995. The Corporation engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

The Corporation's shares have been traded over the counter on the Republic of China (ROC) GreTai Securities Market since March 25, 1998.

The functional currency of the Corporation is New Taiwan dollars. The consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Corporation's board of directors and issued on October 29, 2018.

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 Financial Supervisory Commission (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 accounting policies of the Corporation and entities controlled by the Corporation (collectively, the "Group"):

   1) IFRS 9 "Financial Instruments" and related amendment

      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 from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at 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 as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$15,760,771	$15,760,771	
Derivatives	Held for trading	Mandatorily at fair value through profit or loss (FVTPL)	9,729	9,729	
Credit linked structured investment notes	Designated as at FVTPL	Mandatorily at FVTPL	220,269	220,269	(a)
Equity securities	Available for sale	Fair value through other comprehensive income (FVTOCI)	49,153	49,153	(b)
	Financial assets carried at cost	Fair value through other comprehensive income (FVTOCI)	85,327	116,467	(b)
Debt securities	Available for sale	Amortized cost	459,363	457,383	(c)
	Held to maturity	Amortized cost	3,399,833	3,399,833	(c)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	4,260,477	4,260,477	
Other non-current assets	Loans and receivables	Amortized cost	303,831	303,831	

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Effect on Retained Earnings as of January 1, 2018	Effect on Other Equity as of January 1, 2018	Remark
FVTPL	$ 229,998	$ -	$ -	$ 229,998	$ -	$ -	
FVTOCI							
Equity instruments	-	-	-	-	-	-	
Add: Reclassification from available for sale (IAS 39)	-	49,153	-	49,153	120,000	(120,000)	(b)
Add: Reclassification from financial assets carried at cost (IAS 39)	-	85,327	31,140	116,467	-	31,140	(b)
	-	134,480	31,140	165,620	120,000	(88,860)	
Amortized cost	-	-	-	-	-	-	
Add: Reclassification from available for sale (IAS 39)	-	459,363	(1,980)	457,383	-	(1,980)	(c)
Add: Reclassification from held to maturity (IAS 39)	-	3,399,833	-	3,399,833	-	-	(c)
	-	3,859,196	(1,980)	3,857,216	-	(1,980)	
	$ 229,998	$ 3,993,676	$ 29,160	$ 4,252,834	$ 120,000	$ (90,840)	

a) Credit linked structured investment notes were designated as at FVTPL under IAS 39 because they were hybrid instruments. They have been entirely classified as mandatorily measured at FVTPL under IFRS 9 since the host contracts are the financial assets of IFRS 9.

b) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $5,621 thousand was reclassified to other equity - unrealized gain on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $31,140 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

The Group previously recognized accumulated impairment loss on available-for-sale equity investments in the retained earnings. Since these investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $120,000 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $120,000 thousand in retained earnings on January 1, 2018.

c) Debt investments previously classified as available-for-sale financial assets and held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9 on January 1, 2018, because the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. The related other equity-unrealized gain on available-for-sale financial assets of $1,980 thousand were reversed.

<u>Hedge accounting</u>

Due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets and financial liabilities for hedging from January 1, 2018.

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

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

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 (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined items).

Under IFRS 15, the net amount of revenue recognized and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivable was recognized or advanced deposit was deducted when revenue was recognized for the contract under IAS 18.

The Group elects only to retrospectively apply IFRS 15 to contracts that were not completes as of January 1, 2018 and recognized the cumulative effect of the change in retained earnings on January 1, 2018.

For all contract modifications that occurred on or before December 31, 2017, the Group did not apply the requirements in IFRS 15 individually to each of the modifications, and identified the performance obligations, determined and allocated transaction price in the manner that reflected the aggregate effect of all modifications that occurred before December 31, 2017. This reduced the complexity and cost of retrospective application, and resulted in financial information that closely aligns with the financial information that would be available under IFRS 15 without the expedient.

Effect on assets, liabilities and equity:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Refund liabilities (Presented under other current liabilities)	$ -	$ 229,809	$ 229,809
Provisions (Presented under other current liabilities)	229,809	(229,809)	-
Total effect on liabilities	$ 229,809	$ -	$ 229,809

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Prior to the amendment, in assessing a deferred tax asset, the Group assumed that it will recover the asset at its carrying amount when estimating probable future taxable profit. When the amendments become effective in 2018, the amendments shall be applied retrospectively.

4) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 2)
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 Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

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

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. 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 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. Prior to IFRS 16, cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group expects to apply the following practical expedients:

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

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

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

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

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

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

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 amendments apply for the acquisition date of the enterprise merge and assets acquisition 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 financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair values 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, where are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

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

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

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

c. Basis of consolidation

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 17, Table 5 and Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements were consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2017.

1) 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 the acquisition or issue 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.

Financial assets

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

a) Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include derivative financial assets.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables and other financial assets at amortized cost, are measured at amortized cost, which equals to gross carrying amount determined by 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 a financial asset, except for:

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

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

Cash equivalents include time deposits and bonds acquired under resale agreements, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

<u>2017</u>

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

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are either held for trading or designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 32.

ii. Held-to-maturity financial assets

Bond investments that the Group has positive intent and ability to hold to maturity are classified as held-to-maturity financial assets.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iv. Loans and receivables

Loans and receivables (including cash and cash equivalent, accounts receivable, 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.

Cash equivalent includes time deposits and repurchase bonds, which are highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

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 Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL 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 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 the financial asset.

2017

Financial assets, other than those at fair value through profit or loss, 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 that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include: Significant financial difficulty of the debtor; or it becoming probable that the debtor will enter bankruptcy or financial reorganization.; or a default or delinquency in interest or principal payments; or extension of the maturity date; or significant financial difficulty of the final issuer or debtor; or disappearance of an active market for that financial asset because of the issuer's financial difficulties or other reasons.

For financial assets carried at amortized cost, such as accounts receivable, such assets 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 accounts receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured 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 financial assets at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

i. Significant financial difficulty of the issuer or counterparty; or

ii. Breach of contract, such as a default or delinquency in interest or principal payments; or

iii. It is becoming probable that the borrower will enter bankruptcy or financial re-organization; or

iv. The disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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. 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 an equity 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 are transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

Equity instruments issued by a group entity are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities are either held for trading or designated as at fair value through profit or loss.

Financial liabilities held for trading 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 incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 32.

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.

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 and currency-swap 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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments 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. From 2018, derivatives embedded in hybrid contracts that 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.

2) Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as both fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Before 2018, hedge accounting was discontinued prospectively when the Group revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. From 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

Before 2018, hedge accounting was discontinued prospectively when the Group revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. From 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

3) Revenue recognition

<u>2018</u>

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

Revenue from the sales of goods is mainly recognized when a customer obtains control of the promised assets, that is, at which time the goods are delivered to the designated location and the performance obligations are satisfied.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and past experience and other relevant factors.

a) Sale of goods

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

i. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

iii. The amount of revenue can be measured reliably;

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

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

The Group does not recognize sales revenue on materials delivered to subcontractors because the risks and rewards do not be transferred.

b) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

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

4) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

5) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income and the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except the following situation, refer to the critical accounting judgments and key sources of estimation uncertainty of the consolidated financial statements for the year ended December 31, 2017.

a. Business model assessment for financial assets - 2018

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost when assets are derecognized prior to their maturity, in order to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets is proper.

b. Held-to-maturity financial assets - 2017

Management has reviewed the Group's held-to-maturity financial assets in light of its capital maintenance and liquidity requirements and has confirmed the Group's positive intention and ability to hold those assets to maturity.

c. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 10 and 15. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

d. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Deposits in bank	$ 12,999,126	$ 15,554,271	$ 14,643,358
Cash equivalents			
Bonds acquired under repurchase agreements	78,000	206,500	436,018
	$ 13,077,126	$ 15,760,771	$ 15,079,376

The market rate intervals of cash and cash equivalents at the end of the reporting period were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Bank deposits	0%-3.00%	0%-2.30%	0%-0.28%
Bonds acquired under repurchase agreements	0.53%-0.55%	0.37%-0.40%	0.38%-1.45%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets designated as at FVTPL			
Hybrid financial assets			
Credit linked notes (a)	$ -	$ 220,269	$ 220,228
Financial assets held for trading			
Derivative instruments (not designated for hedging)			
Forward exchange contracts (b)	-	1,851	4,085
Currency-swap contracts (c)	-	7,878	-
Non-derivative financial assets			
Mutual funds	-	-	100,001
	-	9,729	104,086
Financial assets mandatorily classified as at FVTPL			
Derivative instruments (not designated for hedging)			
Forward exchange contracts (b)	12,215	-	-
Currency-swap contracts (c)	3,850	-	-
	16,065	-	-
Financial assets at FVTPL - current	$ 16,065	$ 229,998	$ 324,314
Financial liabilities held for trading			
Derivative instruments (not designated for hedging)			
Forward exchange contracts (b)	$ 5,973	$ -	$ 3,716
Currency-swap contracts (c)	-	-	1,143
Financial liabilities at FVTPL - current	$ 5,973	$ -	$ 4,859

a. The Group entered into structured investment contracts with banks in 2017. The structured investment contracts included embedded derivative instruments which were not closely related to the host contracts. The contracts were designated as at FVTPL under IAS 39.

b. At the end of the reporting period, outstanding forward exchange contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2018			
Sell forward exchange contracts	US$ to NT$	2018.10.04-2018.11.19	US$ 83,000
Buy forward exchange contracts	EUR to US$	2018.10.03-2018.10.11	EUR 3,000
Sell forward exchange contracts	US$ to JPY	2018.10.11-2018.10.24	US$ 1,300
December 31, 2017			
Sell forward exchange contracts	US$ to NT$	2018.01.11-2018.01.16	US$ 6,000
September 30, 2017			
Sell forward exchange contracts	US$ to NT$	2017.10.06-2017.11.17	US$ 57,000
Buy forward exchange contracts	EUR to US$	2017.10.12	EUR 500
Sell forward exchange contracts	US$ to JPY	2017.10.12	US$ 1,000

c. At the end of the reporting period, outstanding currency-swap contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2018			
Sell forward exchange contracts	US$ to NT$	2018.10.11-2018.10.24	US$ 19,000
December 31, 2017			
Sell forward exchange contracts	US$ to NT$	2018.01.05-2018.01.19	US$ 28,700
September 30, 2017			
Sell forward exchange contracts	US$ to NT$	2017.10.05-2017.10.06	US$ 10,000

The Group entered into foreign exchange forward contracts and currency-swap contracts during the nine months ended September 30, 2018 and 2017 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Investments in Equity Instruments at FVTOCI - Non-current	September 30, 2018
Domestic investments	
Listed shares	$ 63,573
Unlisted shares	109,004
Foreign investments	
Unlisted shares	99,108
	$ 271,685

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale financial assets and financial assets carried at cost under IAS 39. Refer to Notes 3, 11 and 14 for information relating to their reclassification and comparative information for 2017.

Dividends from equity investments held at the reporting date were $200 thousand and $27,978 thousand for the three months and nine months ended September 30, 2018.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	September 30, 2018
Current	
Domestic investments	
Financial bonds (a)	$ 100,431
Foreign investments	
Corporate bonds (b)	1,459,327
	$ 1,559,758
Non-current	
Domestic investments	
Financial bonds (a)	$ 355,045
Foreign investments	
Corporate bonds (b)	3,320,243
	$ 3,675,288

a. The financial bonds were classified as available-for-sale financial assets under IAS 39. Refer to Notes 3 and 11 for information relating to their reclassification and comparative information for 2017.

b. The corporate bonds were classified as held-to-maturity financial assets under IAS 39. Refer to Notes 3 and 12 for information relating to their reclassification and comparative information for 2017.

Refer to Note 10 for information relating to their credit risk management and assessment of impairment.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS - 2018

Investments in debt instruments were classified as at amortized cost.

September 30, 2018

	At Amortized Cost
Gross carrying amount	$ 5,235,046
Less: Allowance for impairment loss	-
Amortized cost	$ 5,235,046

The Group only invests in debt instruments that are rated the equivalent of higher or above investment grade and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group continued reviews the changes of bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the initial recognition to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount at September 30, 2018
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	0%	$ 5,235,046

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017	September 30, 2017
Non-current		
Listed stocks	$ 49,153	$ 53,631
Domestic bonds	459,363	459,561
	$ 508,516	$ 513,192

12. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	December 31, 2017	September 30, 2017
Current		
Foreign corporate bonds	$ 774,864	$ 684,213
Non-current		
Foreign corporate bonds	$ 2,624,969	$ 2,331,783

13. FINANCIAL INSTRUMENTS FOR HEDGING

For the nine months ended September 30, 2018

The Group's hedging strategy is to enter into forward exchange contracts and currency - swap contracts to avoid exchange rate exposure of its foreign currency receipts and payments and to manage exchange rate exposure of its forecasted foreign currency sales. Those transactions are designated as cash flow hedges. When forecast sales actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

For the hedges of highly probable forecast sales, the major terms (such as notional amount, period and the underlying) of forward exchange contracts and currency-swap contracts are negotiated to match the terms of the hedged items. The Group qualitatively assessed the effectiveness and considered that the value of the forward exchange contracts and currency-swap contracts have a negative correlation with the value of the corresponding hedged items in response to the movements of the underlying exchange rates.

The major cause of hedge ineffectiveness is driven by the effect of the counterparty's breach of the contract. No other factor of ineffectiveness emerged from these hedging relationships.

The following tables summarize the information relating to the hedges of foreign currency risk.

For the three months ended September 30, 2018

				Amount Reclassified to Profit and Loss	
Effect of Comprehensive Income	**Hedging Gains (Losses) Recognized in OCI**	**Amount of Hedge Ineffectiveness Recognized in Profit or Loss**	**Line Item of Ineffectiveness**	**Due to Hedged Item Affecting P/L**	**Due to Hedged Future Cash Flows no Longer Expected to Occur**
Cash flow hedges					
Forecast sales	$ -	$ -	$ -	$ - Revenue	$ -

For the nine months ended September 30, 2018

Effect of Comprehensive Income	Hedging Gains (Losses) Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	Line Item of Ineffectiveness	Amount Reclassified to Profit and Loss: Due to Hedged Item Affecting P/L	Amount Reclassified to Profit and Loss: Due to Hedged Future Cash Flows no Longer Expected to Occur
Cash flow hedges					
Forecast sales	$ -	$ -	$ -	$ (2,285) Revenue	$ -

For the nine months ended September 30, 2017

The hedging policy for foreign currency risk of 2018 is the same as the hedging policy of 2017, as the Group used the following instruments for hedging.

Gains and losses of hedging instruments were reclassified from equity to following item of profit and loss.

	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2017
Revenue	$ 49	$ (1,766)

14. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT - 2017

	December 31, 2017	September 30, 2017
Unlisted stocks	$ 85,327	$ 85,327
Classification of financial assets		
Available-for-sale financial assets	$ 85,327	$ 85,327

The management believed that the fair value of the aforementioned unlisted equity investments held by the Group cannot be reliably measured due to the range of reasonable fair value estimates was significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore, the unlisted stocks were measured at cost less impairment at the end of the reporting period.

15. NOTES AND ACCOUNTS RECEIVABLE, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Notes and accounts receivable			
At amortized cost			
Gross carrying amount	$ 5,079,080	$ 3,648,920	$ 3,425,827
Less: Allowance for impairment loss	(3,287)	(3,287)	(3,287)
	$ 5,075,793	$ 3,645,633	$ 3,422,540

For the nine months ended September 30, 2018

At amortized cost

The average credit period on sales of goods was 30 to 45 days after month closing. No interest was charged on notes and accounts receivable. Because the discounted effect of accounts receivable is not significant, it is measured by the original invoice amount. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach prescribed by IFRS 9 which permits using lifetime expected credit loss as the provision loss of trade receivables. The lifetime expected credit losses are estimated using a provision matrix by reference to the debtors' past default experience, the debtors' current financial position, economic circumstance of the industry as well as the forecasted GDP and industrial prospection. As the historical experience shows no significant difference on individual customer, therefore, the Group's provision matrix does not distinguish by customer groups. The expected credit loss rates are estimated based on past due days of the trade receivables.

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, e.g. when the debtor has been placed under liquidation, or when the trade receivables are past due, whichever occurs earlier. 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.

September 30, 2018

Item	**Not Past Due**	**Past Due Less than 60 Days**	**Past Due 61 to 90 Days**	**Past Due Over 90 Days**	**Total**
Gross carrying amount	$ 5,010,448	$ 49,863	$ 15,056	$ 3,713	$ 5,079,080
Loss allowance (Lifetime ECL)	-	-	-	(3,287)	(3,287)
Amortized cost	$ 5,010,448	$ 49,863	$ 15,056	$ 426	$ 5,075,793

The movement of the loss allowance of trade receivables was as follow:

	September 30, 2018
Balance at January 1, 2018 (IAS 39)	$ 3,287
Effect of retrospective application of IFRS 9	-
Balance at January 1, 2018 (IFRS 9)	3,287
Balance at September 30, 2018	$ 3,287

For the nine months ended September 30, 2017

The Group applied the same credit policy in 2018 and 2017. In determining the recoverability of a trade receivable, the Group considered any changes in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful accounts was based on estimated irrecoverable amounts determined by reference to past default experience of the counterparts and an analysis of their current financial position.

For the accounts receivable balance that were past due at the end of the reporting period, the Group had not recognized an allowance for doubtful accounts since there had not been a significant change in the credit quality of its customers and the amounts were still considered recoverable.

The aging analyses of notes and accounts receivable were as follows:

	Past Due Days	December 31, 2017	September 30, 2017
Not past due and not impaired	0 days	$ 3,564,166	$ 3,395,896
Past due but not impaired	Less than 60 days	78,247	20,787
	61-90 days	2,605	1,120
	Over 90 days	615	4,737
		81,467	26,644
		$ 3,645,633	$ 3,422,540

The above aging analyses were based on the past due dates.

Movements of the allowance for doubtful accounts were as follows:

	Nine Months Ended September 30, 2017
Balance, beginning of period	$ 1,987
Add: Provision	1,300
Balance, end of period	$ 3,287

16. INVENTORIES

	September 30, 2018	December 31, 2017	September 30, 2017
Finished goods	$ 97,389	$ 184,492	$ 130,591
Work in process	1,762,279	1,574,457	1,487,188
Raw materials	1,014,163	628,689	538,789
Supplies and spare parts	403,113	403,332	362,304
	$ 3,276,944	$ 2,790,970	$ 2,518,872

Cost of revenue, the write-downs of inventory and unallocated manufacturing overheads included in the cost of revenue were as below:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Cost of revenue	$ 4,957,530	$ 4,362,869	$ 13,983,194	$ 12,724,602
Provision of inventory valuation and obsolescence loss	$ 21,951	$ 24,455	$ 77,584	$ 74,336
Unallocated manufacturing overheads	$ 32,192	$ 81,988	$ 32,192	$ 285,130

17. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership September 30, 2018	December 31, 2017	September 30, 2017	Explanation
Vanguard International Semiconductor Corporation	VIS Associates Inc.	Investments	100%	100%	100%	
Vanguard International Semiconductor Corporation	VIS Shanghai Company Limited	Marketing service	100%	100%	-	(1)
VIS Associates Inc.	VIS Investment Holding, Inc.	Investments	100%	100%	100%	
VIS Investment Holding, Inc.	VIS Micro, Inc.	Marketing service	100%	100%	100%	

(1) VIS Shanghai Company Limited was established in August 2017. The Corporation injected capital of RMB 1,000 thousand in October 2017.

18. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	September 30, 2018	December 31, 2017	September 30, 2017
Associates individually immaterial			
CMSC, Inc.	$ 48,283	$ 50,190	$ 56,698
Qromis, Inc. (Note)	204,875	233,150	257,444
	$ 253,158	$ 283,340	$ 314,142

Note: Quora Technology, Inc. changed its company name as Qromis, Inc. in October 2017.

Refer to Table 5 "Information on Investees" for the nature of business, principal place of business and country of incorporation of the associates.

In March 2016, the Group subscribed 5,000 thousand shares of preferred stocks of Qromis, Inc. in cash amounting to $166,175 thousand with 31.04% of voting rights and exercised significant influence over Qromis, Inc. In June 2017, the Group subscribed 4,832 thousand shares of preferred stocks of Qromis, Inc. amounting to 150,575 thousand. As of September 30, 2018, the Group's percentage of voting rights in Qromis, Inc. was 46.48%.

The investments in associates accounted for using the equity method, the share of net profit or loss and the share of other comprehensive income (loss) from investments were calculated based on the unreviewed financial statements. The Group's management considered the use of unreviewed financial statements of the investees did not have material impact on its consolidated financial statements.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Cost					
Balance, January 1, 2017	$ 15,080,497	$ 57,303,574	$ 396,988	$ 483,354	$ 73,264,413
Additions	255,819	1,150,846	2,348	(129,359)	1,279,654
Disposal	-	(2,437)	(740)	-	(3,177)
Reclassified	-	-	658	-	658
Translation adjustments	-	-	(165)	-	(165)
Balance, September 30, 2017	$ 15,336,316	$ 58,451,983	$ 399,089	$ 353,995	$ 74,541,383
Accumulated depreciation					
Balance, January 1, 2017	$ 12,705,146	$ 53,721,268	$ 370,397	$ -	$ 66,796,811
Depreciation	410,380	1,074,640	8,374	-	1,493,394
Disposal	-	(2,437)	(740)	-	(3,177)
Translation adjustments	-	-	(85)	-	(85)
Balance, September 30, 2017	$ 13,115,526	$ 54,793,471	$ 377,946	$ -	$ 68,286,943
Accumulated impairment					
Balance, January 1, 2017 and September 30, 2017	$ -	$ 183,521	$ -	$ -	$ 183,521
Carrying amounts, September 30, 2017	$ 2,220,790	$ 3,474,991	$ 21,143	$ 353,995	$ 6,070,919
Cost					
Balance, January 1, 2018	$ 15,356,291	$ 58,697,224	$ 398,993	$ 790,887	$ 75,243,395
Additions	239,934	1,660,624	14,359	(628,735)	1,286,182
Disposal	-	(36,004)	(5,356)	-	(41,360)
Reclassified	-	730	1,634	-	2,364
Translation adjustments	-	-	70	-	70
Balance, September 30, 2018	$ 15,596,225	$ 60,322,574	$ 409,700	$ 162,152	$ 76,490,651
Accumulated depreciation					
Balance, January 1, 2018	$ 13,249,204	$ 55,180,959	$ 380,588	$ -	$ 68,810,751
Depreciation	220,458	1,112,805	8,875	-	1,342,138
Disposal	-	(36,004)	(5,318)	-	(41,322)
Translation adjustments	-	-	48	-	48
Balance, September 30, 2018	$ 13,469,662	$ 56,257,760	$ 384,193	$ -	$ 70,111,615

(Continued)

	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Accumulated impairment					
Balance, January 1, 2018 and September 30, 2018	$ -	$ 183,521	$ -	$ -	$ 183,521
Carrying amounts, September 30, 2018	$ 2,126,563	$ 3,881,293	$ 25,507	$ 162,152	$ 6,195,515

(Concluded)

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

Buildings	
Main plants	20 years
Mechanical and electrical power equipment	5 to 10 years
Clean rooms	10 years
Machinery and equipment	3 to 5 years
Other equipment	3 to 7 years

20. INTANGIBLE ASSETS

	Nine Months Ended September 30	
	2018	2017
Computer software		
Cost		
Balance, January 1	$ 794,605	$ 788,983
Additions	6,315	1,284
Reclassified to property, plant and equipment	(2,364)	(658)
Balance, September 30	798,556	789,609
Accumulated amortization		
Balance, January 1	775,334	758,701
Amortization	9,115	13,213
Balance, September 30	784,449	771,914
Carrying amount, end of period	$ 14,107	$ 17,695

Intangible assets were amortized on a straight-line basis over the estimated useful lives as follows:

Computer software	3 to 5 years

21. OTHER ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
Pledged time deposit	$ 303,927	$ 303,831	$ 303,799
Others	2,936	3,037	2,504
	$ 306,863	$ 306,868	$ 306,303
Current	$ 2,936	$ 3,037	$ 2,504
Non-current	303,927	303,831	303,799
	$ 306,863	$ 306,868	$ 306,303

22. OTHER PAYABLES

	September 30, 2018	December 31, 2017	September 30, 2017
Bonus	$ 726,787	$ 621,686	$ 621,844
Maintenance	581,091	535,817	461,520
Investment	324,432	-	-
Utilities	167,236	127,234	160,980
Others	824,498	833,352	853,083
	$ 2,624,044	$ 2,118,089	$ 2,097,427

23. OTHER CURRENT LIABILITIES

	September 30, 2018	December 31, 2017	September 30, 2017
Refund liabilities (Provision of sales returns and allowances)	$ 376,443	$ 229,809	$ 259,240
Contract liabilities - advanced receipts	160,103	-	-
Advanced receipts	-	112,000	130,300
Others	239	251	2,154
	$ 536,785	$ 342,060	$ 391,694

The provision of sales returns and allowances was estimated based on historical experience, management's judgments and any other known factors that would affect the returns and allowances. The provision was recognized as a reduction of revenue in the periods of the related products sold.

24. RETIREMENT BENEFIT PLANS

For the three months and the nine months ended September 30, 2018 and 2017, the pension cost of defined benefit plans amounted to $5,547 thousand, $4,549 thousand, $16,643 thousand and $13,648 thousand, respectively, which were calculated using the actuarially determined pension cost discount rates as of December 31, 2017 and 2016.

25. EQUITY

a. Capital stock

Common stock

	September 30, 2018	December 31, 2017	September 30, 2017
Authorized shares (in thousands)	3,300,000	3,300,000	3,300,000
Authorized capital	$ 33,000,000	$ 33,000,000	$ 33,000,000
Issued and fully paid shares (in thousands)	1,638,982	1,638,982	1,638,982
Issued capital	$ 16,389,823	$ 16,389,823	$ 16,389,823

The authorized shares include 300,000 thousand shares reserved for the exercise of employee stock options.

b. Capital Surplus

	September 30, 2018	December 31, 2017	September 30, 2017
May be used to offset a deficit, distributed by cash or transferred to capital			
Issuance of common stock	$ 544,884	$ 544,884	$ 544,884
May be used to offset a deficit only			
Employee stock options (transferred and inactive)	285,845	285,845	285,845
Share of changes in equities of subsidiaries, associates and joint ventures	25,607	25,738	25,904
Unclaimed dividends	277	162	162
	$ 856,613	$ 856,629	$ 856,795

The capital surplus from stock issued in excess of par may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed in cash or stock transferred to capital, which are limited to a certain percentage of the Group's paid-in capital.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Corporation's Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. The policies of the distribution of employees' compensation and remuneration of directors set forth in the Articles, refer to employees' compensation and remuneration of directors in Note 27-c.

The Corporation's Articles also stipulate that all profits may be distributed after taking into consideration to financial, business and operational factors. Dividends are in cash and/or in the form of stock. Since the Corporation's operation is at the steady growth stage, the cash dividend paid (in any given year) should be at least 60% of the dividends of the current year's appropriation. If there is no profit for distribution, or the profit is far less than the profit actually distributed by the Corporation in the previous year or other reasons so require, all or part of the capital surplus may be distributed in accordance with relevant laws or regulations of the authorities in charge.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2017 and 2016 have been approved in the shareholders' meetings on June 14, 2018 and June 16, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	2017	**2016**	**2017**	**2016**
Provision of legal reserve	$ 450,506	$ 553,793	$ -	$ -
Provision (reversal) of special reserve	339,074	(77,855)	-	-
Cash dividends	4,916,947	4,916,947	3.00	3.00

d. Other equity items

1) Exchange differences on translation of foreign operations

	Nine Months Ended September 30	
	2018	**2017**
Balance at January 1	$ (384,631)	$ (38,066)
Recognized during the period		
Exchange differences on translation of foreign operations	261,585	(203,583)
Share of associates accounted for using equity method	(2)	(4)
Recognized in other comprehensive income	261,583	(203,587)
Balance at September 30	$ (123,048)	$ (241,653)

2) Unrealized gain (loss) on financial assets at FVTOCI

	Nine Months Ended September 30, 2018
Balance at January 1 (IAS 39)	$ -
Effect of retrospective application of IFRS 9	(83,239)
Balance at January 1 (IFRS 9)	(83,239)
Recognized during the period	
Unrealized gain - equity instruments	(14,499)
Recognized in other comprehensive income	(14,499)
Balance at September 30	$ (97,738)

3) Unrealized gain (loss) on available-for-sale financial assets

Balance at January 1, 2017	$ 110
Recognized during the period	
Unrealized gain on revaluation of available-for-sale financial assets	11,528
Recognized in other comprehensive income	11,528
Balance at September 30, 2017	$ 11,638
Balance at January 1, 2018 (IAS 39)	$ 7,601
Effect of retrospective application of IFRS 9	(7,601)
Balance at January 1, 2018 (IFRS 9)	$ -

Unrealized gains or losses on available-for-sale financial assets represent the cumulative gains or losses arising from the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income netting the amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

26. REVENUE

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Revenue from contracts with customers				
Revenue from sales of goods	$ 7,619,346	$ 6,275,700	$ 20,878,664	$ 18,240,418
Others	113,675	89,567	296,196	217,351
	7,733,021	6,365,267	21,174,860	18,457,769
Other operating revenue				
Rental income	8,526	8,502	25,333	28,643
Others	7,629	26,288	23,141	48,189
	16,155	34,790	48,474	76,832
	$ 7,749,176	$ 6,400,057	$ 21,223,334	$ 18,534,601

Refer to Note 13 for the effective hedge amounts from the foreign sales cash flow hedges which were recognized as decrease of revenue for the three months and nine months ended September 30, 2018 and 2017.

a. Disaggregation of revenue

1) Disaggregation of revenue by Region

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Regions		
Asia	$ 6,972,717	$ 19,103,311
Europe	462,991	1,353,962
America	313,468	765,447
Oceania	-	614
	$ 7,749,176	$ 21,223,334

2) Disaggregation of revenue by platform

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Platforms		
Power Management	$ 3,895,393	$ 10,385,182
Large panel driver IC	2,431,250	6,281,330
Small panel driver IC	881,363	2,478,552
Other platforms	411,340	1,733,600
Revenue from sales of goods	7,619,346	20,878,664
Other revenue	129,830	344,670
Total revenue	$ 7,749,176	$ 21,223,334

3) Disaggregation of revenue by Process

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Processes		
0.18 micron (and) below	$ 2,740,626	$ 7,724,737
0.25 micron	1,171,644	3,017,032
0.35 micron	1,622,395	4,581,325
0.5 micron (and) above	2,084,681	5,555,570
Revenue from sales of goods	7,619,346	20,878,664
Other revenue	129,830	344,670
Total revenue	$ 7,749,176	$ 21,223,334

b. Contact balances

	September 30, 2018
Notes and accounts receivable, net (Note 15)	$ 5,075,793
Receivables from related parties (Note 33)	544,990
Trade Receivables	$ 5,620,783
Contract liabilities	
Contract liabilities - advanced receipts (Other current liabilities) (Note 23)	$ 160,103

The contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

Revenues from the beginning balance of the contract liability and satisfaction during the three months and nine months ended September 30, 2018 were as follow:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Revenues from the beginning balance of contract liability		
Sales of goods	$ 11,063	$ 73,240

27. OTHER ITEMS IN THE STATEMENTS OF COMPREHENSIVE INCOME

a. Depreciation and amortization

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Classification of depreciation - by function				
Cost of revenue	$ 441,577	$ 488,164	$ 1,313,822	$ 1,437,959
Operating expenses	9,523	19,056	28,316	55,435
	$ 451,100	$ 507,220	$ 1,342,138	$ 1,493,394
Classification of amortization - by function				
Cost of revenue	$ 1,010	$ 1,300	$ 3,326	$ 6,551
Operating expenses	1,727	2,099	5,789	6,662
	$ 2,737	$ 3,399	$ 9,115	$ 13,213

b. Employee benefits expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Post-employment benefits				
Defined contribution plans	$ 54,957	$ 53,376	$ 168,411	$ 159,790
Defined benefit plans (see Note 24)	5,547	4,549	16,643	13,648
	60,504	57,925	185,054	173,438
Other employee benefits	1,980,526	1,615,723	5,402,969	4,714,644
Total employee benefits expense	$ 2,041,030	$ 1,673,648	$ 5,588,023	$ 4,888,082
Employee benefits expense summarized by function				
Cost of revenue	$ 1,531,648	$ 1,324,876	$ 4,292,305	$ 3,859,632
Operating expenses	509,382	348,772	1,295,718	1,028,450
	$ 2,041,030	$ 1,673,648	$ 5,588,023	$ 4,888,082

c. Employees’ compensation and remuneration of directors

According to the Articles of Incorporation, the Corporation should distribute no less than 10% of the current year’s profit as employees’ compensation in the form of stock or in cash as resolved by the board of directors. The employees include those of subsidiaries meeting some conditions agreed by the board of directors. The Corporation should also distribute no higher than 1% of the current year’s profit as remuneration to directors. However, the Corporation’s accumulated losses shall have been covered. For the three months and the nine months ended September 30, 2018 and 2017, the employees’ compensation was $384,210 thousand, $182,717 thousand, $769,620 thousand and $481,368 thousand, respectively. For the three months and the nine months ended September 30, 2018 and 2017, the remuneration to directors was $7,835 thousand, $1,775 thousand, $14,360 thousand and $6,025 thousand, respectively. The above calculation was at a certain percentage of the base income.

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

The appropriations of employees’ compensation and remuneration to directors for 2017 and 2016 having been resolved by the board of directors on February 5, 2018 and February 21, 2017, respectively, were as below:

	For the Years Ended December 31			
	2017		2016	
	Cash	Stock	Cash	Stock
Employees’ compensation	$ 675,760	$ -	$ 831,803	$ -
Remuneration to directors	9,900	-	14,100	-

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

Information of the employees' compensation and remuneration to directors resolved by the Corporation's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Net gain and loss of financial instruments

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2018	**2017**	**2018**	**2017**
Interest income				
Cash and cash equivalents	$ 53,741	$ 35,973	$ 154,922	$ 118,271
Available-for-sale financial assets	-	1,682	-	5,386
Held-to-maturity financial assets	-	15,289	-	37,906
Financial assets at amortized cost	28,493	-	70,051	-
Other financial assets	-	-	-	319
	$ 82,234	$ 52,944	$ 224,973	$ 161,882
Dividends				
Available-for-sale financial assets	$ -	$ 244	$ -	$ 244
Financial assets carried at cost	-	-	-	24,967
Investments in equity instruments at FVTOCI	200	-	27,978	-
	$ 200	$ 244	$ 27,978	$ 25,211
Net foreign exchange gain (loss)				
Available-for-sale financial assets	$ -	$ 2	$ -	$ (1,560)
Held-to-maturity financial assets	-	(801)	-	(3,349)
Financial assets at amortized cost	-	-	(753)	-
Other monetary assets and liabilities	(4,751)	5,486	163,191	(251,675)
	$ (4,751)	$ 4,687	$ 162,438	$ (256,584)

(Continued)

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Gain (loss) on financial assets and liabilities at FVTPL				
Financial assets and liabilities mandatorily classified as at FVTPL (2018)				
Forward exchange and currency-swap contracts	$ (3,616)	$ -	$ (243,090)	$ -
Credit linked notes	-	-	532	-
Financial assets and liabilities held for trading (2017)				
Forward exchange and currency-swap contracts	-	1,626	-	170,028
Financial assets designated as at FVTPL (2017)				
Credit linked notes	-	502	-	(5,769)
Interest rate linked notes	-	376	-	(28,618)
Exchange linked notes	-	-	-	(4,455)
	$ (3,616)	$ 2,504	$ (242,558)	$ 131,186

(Concluded)

28. INCOME TAX

a. Major components of tax expenses recognized in profit or loss:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Current tax				
In respect of the current period	$ 423,587	$ 245,236	$ 1,066,354	$ 651,116
Adjustments for prior years' tax	(33)	-	10,856	(117,930)
Others	(3)	(9)	375	(463)
	423,551	245,227	1,077,585	532,723
Deferred income tax				
In respect of the current period	(19,413)	2,875	(31,878)	(3,803)
Income tax expenses recognized in profit or loss	$ 404,138	$ 248,102	$ 1,045,707	$ 528,920

The ROC Income Tax Act was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effectively in 2018. The effect of the change in tax rate on deferred tax income/expense has been fully recognized in profit and loss throughout the interim period. In addition, the tax rate applicable to unappropriated earnings will be reduced from 10% to 5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax assessments

Income tax returns through 2015 had been examined and cleared by the tax authorities.

29. EARNINGS PER SHARE

Unit: NT$ Per Share

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Basic earnings per share	$ 1.02	$ 0.71	$ 2.59	$ 2.01
Diluted earnings per share	$ 1.01	$ 0.70	$ 2.57	$ 0.99

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

Earnings

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Earnings used in computation of basic earnings per share	$ 1,668,825	$ 1,158,225	$ 4,238,101	$ 3,288,082
Effect of dilutive potential common stocks:				
Employees' compensation	-	-	-	-
Earnings used in the computation of diluted earnings per share	$ 1,668,825	$ 1,158,225	$ 4,238,101	$ 3,288,082

Shares

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Weighted average number of common stocks used in the computation of basic earnings per share	1,638,982	1,638,982	1,638,982	1,638,982
Effect of dilutive potential common shares:				
Employees' compensation	11,318	9,186	12,651	11,685
Weighted average number of common stocks used in the computation of diluted earnings per share	1,650,300	1,648,168	1,651,633	1,650,667

Since the Corporation is allowed to settle compensation paid to employees by cash or shares, the Corporation assumed that the entire amount of the compensation will 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 shares had dilutive effect. 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 in the following year.

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group leases the sites of its manufacturing plant and parking lot from the Hsinchu Science-Based Industrial Park Administration and a certain individual under renewable operating lease agreements expiring on various dates from December 2019, December 2027, December 2029 and December 2034. The rental pay to Hsinchu Science-Based Industrial Park Administration can be adjusted according to the lease contract, and the lease is renewable upon expiration.

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than 1 year	$ 82,339	$ 75,432	$ 79,315
Later than 1 year and not later than 5 years	320,254	306,228	313,513
Later than 5 years	471,904	505,471	536,808
	$ 874,497	$ 887,131	$ 929,636

The lease payments recognized as expenses were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Minimum lease payment	$ 20,585	$ 19,101	$ 61,224	$ 57,661

31. CAPITAL MANAGEMENT

The objectives, policies, process of capital risk management and the capital structures of the Group in these consolidated financial statements were applied as the same as in the preparation of the consolidated financial statements for the year ended December 31, 2017. Please refer to Note 28 to the consolidated financial statements for the year ended December 31, 2017 for details.

32. FINANCIAL INSTRUMENTS

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

September 30, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic financial bonds	$ 455,476	$ 458,104	$ -	$ -	$ 458,104
Foreign corporate bonds	4,779,570	4,740,411	-	-	4,740,411

December 31, 2017

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Held-to-maturity investments	$ 3,399,833	$ 3,377,588	$ -	$ -	$ 3,377,588

September 30, 2017

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Held-to-maturity investments	$ 3,015,996	$ 3,008,849	$ -	$ -	$ 3,008,849

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

1) Fair value hierarchy

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 16,065	$ -	$ 16,065
Financial assets at FVTOCI				
Equity instruments				
Domestic listed stocks	$ 20,073	$ 43,500	$ -	$ 63,573
Domestic unlisted stocks	-	109,004	-	109,004
Foreign unlisted stocks	-	99,108	-	99,108
	$ 20,073	$ 251,612	$ -	$ 271,685
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 5,973	$ -	$ 5,973

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 9,729	$ -	$ 9,729
Hybrid financial assets	-	220,269	-	220,269
	$ -	$ 229,998	$ -	$ 229,998
Available-for-sale financial assets				
Equity instruments				
Domestic listed stocks	$ 19,153	$ 30,000	$ -	$ 49,153
Debts instruments				
Domestic bonds	459,363	-	-	459,363
	$ 478,516	$ 30,000	$ -	$ 508,516

September 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 4,085	$ -	$ 4,085
Hybrid financial assets	-	220,228	-	220,228
Mutual funds	100,001	-	-	100,001
	$ 100,001	$ 224,313	$ -	$ 324,314
Available-for-sale financial assets				
Equity instruments				
Domestic listed stocks	$ 23,631	$ 30,000	$ -	$ 53,631
Debts instruments				
Domestic bonds	459,561	-	-	459,561
	$ 483,192	$ 30,000	$ -	$ 513,192
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 4,859	$ -	$ 4,859

There were no transfers between Level 1 and 2 of the fair value hierarchy for the nine months ended September 30, 2018 and 2017, respectively.

There were no acquisition or disposal of financial assets measured by Level 3 of the fair value hierarchy for the nine months ended September 30, 2018 and 2017, respectively.

2) Valuation techniques and assumptions applied to Level 2 of fair value hierarchy

The fair values of financial assets and financial liabilities are determined as follows:

a) For those derivative instruments with no quoted market prices, their fair values are determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair values.

Fair values of forward exchange contacts and currency-swap contracts are determined by using valuation techniques based on forward rates for each contract. The Reuter's quotation system is mainly used as reference for the forward rates.

b) For the private placement shares issued by listed companies with no quoted market prices, the fair value is determined by using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair values.

The Group used "Black-Scholes model" to determine the fair value.

c) The fair value of the unlisted stocks are synthetically estimated by reference to comparable targets and compare investees' assets, liabilities, profit and loss with the observable stock prices and give them implicit value multiplier. The "Black-Scholes model" is adopted according to the individual terms of each equity instrument, and it takes the observable stock price, stock price volatility, risk-free interest rate and exit probability as the parameters, and comprehensively considers the discount of non-controlling rights and liquidity risks.

c. Categories of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets			
Fair value through profit or loss (FVTPL)			
Held for trading	$ -	$ 9,729	$ 104,086
Designated as at FVTPL	-	220,269	220,228
Mandatorily at FVTPL	16,065	-	-
Held-to-maturity financial assets	-	3,399,833	3,015,996
Loans and receivables (Note 1)	-	20,325,079	19,629,677
Available-for-sale financial assets (Note 2)	-	593,843	598,519
Financial assets at amortized cost (Note 3)	24,492,576	-	-
Financial assets at FVTOCI			
Equity instruments	271,685	-	-
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Held for trading	5,973	-	4,859
Measured at amortized cost (Note 4)	5,013,352	4,431,040	4,152,147

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, other receivables, and other financial assets.

Note 2: The balances included the carrying amount of available-for-sale financial assets measured at cost.

Note 3: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets, and debts securities.

Note 4: The balances included financial liabilities measured at amortized cost, which comprise accounts payable and other payables.

d. Objective and policies of financial risk management

The Group's major financial instruments include equity and bond investments, accounts receivable and accounts payable. The Group's corporate finance function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group 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 exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of excess liquidity. The compliance with policies and the control of exposure limits are continuously reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate finance function reports quarterly to the Group's board of directors and audit committee for their independent mentorship to risks and policy implementation.

1) Market risk

The Group's activities are exposed to the financial risks primarily arising from the changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other prices (see (c) below). The Group enters into a variety of derivative financial instruments including forward exchange and currency-swap contracts to manage its exposure to foreign currency risk.

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

The Group's operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Group's management of the foreign currency risk is to hedge the risk instead of making a profit.

The strategy of foreign currency risk management is to review the net position exposed to foreign currency risk and manage the risk of the net position. The Group selects the instruments to hedge currency exposure by considering the hedge cost and hedge period. The Group currently utilizes derivative financial instruments, primarily buy/sell forward exchange contracts, to hedge its currency exposure.

The Group use forward exchange contracts to eliminate currency exposure. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item for maximizing the hedge effectiveness.

Investing in foreign operations is for strategic purposes, it is not hedged by the Group.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (including cash and cash equivalents, financial assets, accounts receivable, other receivables, refundable deposits, accounts payable, and other payables) and the hedge contracts, for which their translation at period end is adjusted for a 5% change in foreign currency rates. The following table indicates the influences which the New Taiwan dollars strengthen 5% against the relevant currency.

	Impact on USD Items	
	Nine Months Ended September 30	
	2018	2017
(Loss)	$ (121,681)	$ (126,164)

	Impact on EUR Items	
	Nine Months Ended September 30	
	2018	2017
(Loss)/Gain	$ (1,911)	$ 353

b) Interest rate risk

The Group's financial assets are exposed to interest rate risk both at fixed and floating interest rates.

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

	September 30, 2018	December 31, 2017	September 30, 2017
Fair value interest rate risk			
Financial assets	$ 16,361,508	$ 18,022,023	$ 16,609,081
Cash flow interest rate risk			
Financial assets	2,254,591	2,122,044	2,469,879

Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for the derivative and non-derivative instruments at the end of the reporting period. For the floating rate assets, the analysis is prepared assuming the amount of the asset at the end of the reporting date is outstanding during the reporting period.

If the market interest rate increases/decrease by 0.1% and all other variables remain constant, the pre-tax profit of the Group for the nine months ended on September 30, 2018 and 2017 will increases/decrease $1,691 thousand and $1,852 thousand, respectively, resulting from the exposure of the net assets with floating rate.

c) Other price risk

2018

The Group is exposed to price risk arising from its investments in stocks. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

2017

The Group is exposed to price risk arising from its investments in available-for-sale stocks and bonds. Investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to security price risks at the end of the reporting period.

If financial assets at FVTOCI stocks prices had been 5% higher/lower, the other comprehensive income for the nine months ended September 30, 2018 would have an increase/decrease of $13,584 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If available-for-sale stocks and bonds prices had been 5% higher/lower, the other comprehensive income for the nine months ended September 30, 2017 would have an increase/decrease of $25,660 thousand, as a result of the changes in fair value of available-for-sale financial investments in stocks and bonds.

2) Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations and result in financial loss to the Group. As of the end of the reporting period, the Group may have a financial loss due to the default on obligation from counterparts, and the maximum exposure to credit risk is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to mitigate credit risk, the Group has made the policy of credit management to ensure that appropriate action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each receivable debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Group considers the credit risk is significantly reduced.

The credit risk on operating funds and derivatives is limited as the counterparts are creditworthy banks.

The Group’s accounts receivable outstanding arose from trading with its customers spreading across diverse industries and geographical areas. The balances are monitored on an ongoing basis by evaluating the customer’s financial conditions.

The Group’s credit concentration risk was related to the 5 largest customers. Besides the 5 largest customers, credit concentration risks related to other customers do not exceed 10% of total gross accounts receivable at any time during the period. The 5 largest customers are creditworthy counterparts, therefore, the Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining adequate reserves of cash and cash equivalents to fund the Group’s operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group’s remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been 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 tables include both interest and principal cash flows.

September 30, 2018

	Less than 1 Year	More than 1 Year
Non-derivative financial liabilities		
Non-interest bearing	$ 5,013,352	$ -

December 31, 2017

	Less than 1 Year	More than 1 Year
Non-derivative financial liabilities		
Non-interest bearing	$ 4,431,040	$ -

September 30, 2017

	Less than 1 Year	More than 1 Year
Non-derivative financial liabilities		
Non-interest bearing	$ 4,152,147	$ -

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted net inflows and outflows from those derivatives with gross settlement.

September 30, 2018

	Less than 1 Year	More than 1 Year
Gross settled		
Forward exchange contracts		
Inflows	$ 3,268,248	$ -
Outflows	(3,258,156)	-
	$ 10,092	$ -

December 31, 2017

	Less than 1 Year	More than 1 Year
Gross settled		
Forward exchange contracts		
Inflows	$ 1,038,896	$ -
Outflows	(1,029,167)	-
	$ 9,729	$ -

September 30, 2017

	Less than 1 Year	More than 1 Year
Gross settled		
Forward exchange contracts		
Inflows	$ 2,083,592	$ -
Outflows	(2,084,366)	-
	$ (774)	$ -

33. TRANSACTIONS WITH RELATED PARTIES

Intercompany balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Name and relationship of related parties

Name	Relationship with the Group
Taiwan Semiconductor Manufacturing Company Ltd.	Investors that have significant influence over the Group
Image Match Design Inc.	Key management personnel
Shenzhen Winsemi Microelectronics Co., Ltd.	Key management personnel
Global Unichip Corp.	Substantial related parties
TSMC China Company Limited	Substantial related parties
Systems on Silicon Manufacturing Co. Pte. Ltd.	Substantial related parties
CMSC, Inc.	Associates
Qromis, Inc. (Note)	Associates

Note: Quora Technology, Inc. changed its company name as Qromis, Inc. in October 2017.

b. Operating transactions

	Revenue from Sales of Goods			
	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Investors that have significant influence over the Group				
Taiwan Semiconductor Manufacturing Company Ltd.	$ 1,325,436	$ 1,591,097	$ 3,952,869	$ 4,400,615
Key management personnel	$ 91,459	$ 28,115	$ 228,651	$ 105,961
Substantial related parties	$ 5,940	$ 7,764	$ 26,120	$ 25,055
Associates	$ 11,818	$ 9,474	$ 33,662	$ 23,459

	Purchases			
	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Substantial related parties	$ 21,879	$ -	$ 34,833	$ -

	Manufacturing Expenses			
	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Investors that have significant influence over the Group	$ 10,266	$ 87,766	$ 191,729	$ 266,991
Substantial related parties	$ -	$ -	$ -	$ 4

	Research and Development Expenses			
	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Investors that have significant influence over the Group	$ -	$ 1,135	$ -	$ 1,962
Associates	$ -	$ -	$ -	$ 94

	Nonoperating Income and Gains			
	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Investors that have significant influence over the Group				
Taiwan Semiconductor Manufacturing Company Ltd.	$ 5,115	$ 1,919	$ 9,614	$ 10,275
Key management personnel	-	83	12	83
	$ 5,115	$ 2,002	$ 9,626	$ 10,358

The following balances were outstanding at the end of the reporting period:

	Receivables from Related Parties		
	September 30, 2018	December 31, 2017	September 30, 2017
Investors that have significant influence over the Group			
Taiwan Semiconductor Manufacturing Company Ltd.	$ 461,982	$ 402,422	$ 603,520
Key management personnel	71,314	6,217	18,106
Associates	6,836	8,172	7,829
Substantial related parties	4,858	10,820	5,190
	$ 544,990	$ 427,631	$ 634,645

	Other Receivables from Related Parties		
	September 30, 2018	December 31, 2017	September 30, 2017
Investors that have significant influence over the Group			
Taiwan Semiconductor Manufacturing Company Ltd.	$ 5,892	$ 7,528	$ -
Key management personnel	-	564	-
Associates	-	156	-
	$ 5,892	$ 8,248	$ -

	Payables to Related Parties		
	September 30, 2018	December 31, 2017	September 30, 2017
Substantial related parties			
Systems on Silicon Manufacturing Co. Pte. Ltd.	$ 14,915	$ -	$ -

	Other Payables to Related Parties		
	September 30, 2018	December 31, 2017	September 30, 2017
Investors that have significant influence over the Group			
Taiwan Semiconductor Manufacturing Company Ltd.	$ 7,241	$ 77,948	$ 79,287

	Contract Liabilities - Advanced Receipts (Other Current Liabilities)
	September 30, 2018
Key management personnel	$ 3,368
Associates	500
	$ 3,868

	Guarantee Deposits (Other Non-current Liabilities)		
	September 30, 2018	December 31, 2017	September 30, 2017
Key management personnel			
Shenzhen Winsemi Microelectronics Co., Ltd.	$ 12,202	$ -	$ -

	Disposal of Property, Plant and Equipment			
	Proceeds		Gain (Loss) on Disposal	
	Three Months Ended September 30		Three Months Ended September 30	
	2018	2017	2018	2017
Key management personnel	$ -	$ -	$ -	$ -

	Disposal of Property, Plant and Equipment			
	Proceeds		Gain (Loss) on Disposal	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Key management personnel	$ 236	$ -	$ 236	$ -

The terms of sales and purchases transactions with related parties were not significantly different from those with third parties. However, for other related-party transactions, license fees, research and development expenses, nonoperating income and gains and guarantee deposits, there were no similar transactions in the market; thus, transaction terms were determined in accordance with related contracts.

c. Compensation of key management personnel

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 54,241	$ 19,856	$ 140,215	$ 121,135
Post-employment benefits	735	1,763	2,205	3,110
	$ 54,976	$ 21,619	$ 142,420	$ 124,245

The remuneration to directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and the market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged as collateral for the guarantee of customs duty and lease of the manufacturing plant from the Hsinchu Science-Based Industrial Park Administration:

	September 30, 2018	December 31, 2017	September 30, 2017
Pledged time deposits (presented under other non-current assets)	$ 303,927	$ 303,831	$ 303,799

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments of the Group as of September 30, 2018 were as follows:

The Corporation entered into a “Manufacturing, License, and Technology Transfer Agreement” with Taiwan Semiconductor Manufacturing Company Ltd. beginning January 1, 2004 to pay fees according to the net sales of certain products and reserve a portion of its production capacity.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2018		**September 30, 2017**	
	Foreign Currencies	**Exchange Rate**	**Foreign Currencies**	**Exchange Rate**
Financial assets				
Monetary items				
USD	$ 513,009	30.505	$ 318,247	30.386
EUR	152	35.86	407	36.07
JPY	46,289	0.2702	63,978	0.2713
RMB	1,017	4.432	1,000	4.556
Non-monetary items				
USD	7,060	30.505	9,472	30.386
RMB	19,998	4.432	-	-
Derivative instruments				
EUR	3,000	35.86	500	36.07
JPY	146,220	0.2702	112,100	0.2713
Financial liabilities				
Monetary items				
USD	46,735	30.505	33,624	30.386
EUR	2,086	35.86	1,103	36.07
JPY	172,933	0.2702	142,873	0.2713
Derivative instruments				
USD	106,807	30.505	68,596	30.386

	December 31, 2017	
	Foreign Currencies	**Exchange Rate**
Financial assets		
Monetary items		
USD	$ 393,797	29.659
EUR	1,194	35.58
JPY	57,491	0.2646
Non-monetary items		
USD	8,861	29.659
Financial liabilities		
Monetary items		
USD	37,307	29.659
EUR	1,564	35.58
JPY	200,739	0.2646
Derivative instruments		
USD	34,700	29.659

Please refer to the consolidated statements of comprehensive income for the total of realized and unrealized foreign exchange gain and loss for the three months and nine months ended September 30, 2018 and 2017, respectively. Since there were varieties of foreign currency transactions and functional currencies within the subsidiaries of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact.

37. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

a. Financing provided to others: None.

b. Endorsement/guarantee provided: None.

c. Marketable securities held (excluding investment in subsidiaries, associates and jointly ventures): Table 1 (attached)

d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

e. Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

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

g. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 2 (attached)

h. Receivable from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3 (attached)

i. Trading in derivative instruments: Notes 7 and 13.

j. Intercompany relationships and significant intercompany transactions: Table 4 (attached)

k. Information on investees: Table 5 (attached)

l. Information on investment 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 6 (attached)

    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 4 (attached)

        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 period or on the financial position, such as the rendering or receiving of services

38. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information on a per plant basis. It focuses on the operating result of each of the plants operated under Vanguard International Semiconductor Corporation and its subsidiaries. Accordingly, each of the plants constitutes an operating segment of the Group. As each plant shares similar economic characteristics, produces similar products by using similar production process and all of products produced are distributed and sold to the same level of customers through a central sales function, the Group's segments are aggregated into a single reportable segment.

The revenues, operating results and financial information on a plant by plant basis presented to the chief operating decision maker are consistent with the information in the consolidated financial statement. The segment revenues and operating results for the nine months ended September 30, 2018 and 2017 can be referred to the consolidated statements of comprehensive income for the nine months ended September 30, 2018 and 2017. The segment assets as of September 30, 2018, December 31, 2017 and September 30, 2017 can be referred to the consolidated balance sheets as of September 30, 2018, December 31, 2017 and September 30, 2017.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2018				Note
				Shares/Units (Thousands)	Carrying Value	% of Ownership	Market Value or Net Asset Value	
	Bonds							
Vanguard International Semiconductor Corporation	Shanghai Commercial & Saving Bank 2012 2nd Subordinated Financial Debentures	-	Financial assets at amortized cost - current	-	$ 100,431	-	$ 100,565	-
	MEGA Bank 2014 1st Subordinated Financial Debentures	-	Financial assets at amortized cost - non-current	-	101,415	-	102,151	-
	MEGA Bank 2014 2nd Subordinated Financial Debentures	-	Financial assets at amortized cost - non-current	-	152,125	-	153,252	-
	Taiwan Cooperative Bank 2014 1st Subordinated Financial Debentures	-	Financial assets at amortized cost - non-current	-	101,505	-	102,136	-
VIS Associates Inc.	Bank of China Limited, Hong Kong Branch Bonds (XS1371532117)	-	Financial assets at amortized cost - current	-	54,869	-	54,580	-
	Bank of China Limited, Luxembourg Branch Bonds	-	Financial assets at amortized cost - current	-	158,597	-	156,770	-
	China Construction Bank (Asia) Co., Ltd. Bonds	-	Financial assets at amortized cost - current	-	262,884	-	260,096	-
	Industrial and Commercial Bank of China Limited, Singapore Branch Bonds	-	Financial assets at amortized cost - current	-	197,587	-	195,685	-
	Industrial and Commercial Bank of China Limited, Sydney Branch Bonds		Financial assets at amortized cost - current	-	64,074	-	63,919	-
	Mizuho Bank Ltd. Bonds	-	Financial assets at amortized cost - current	-	244,072	-	243,967	-
	Standard Chartered PLC Bonds	-	Financial assets at amortized cost - current	-	263,431	-	259,877	-
	Sumitomo Mitsui Banking Corporation Bonds	-	Financial assets at amortized cost - current	-	213,813	-	213,087	-
	ABN AMRO Bank N.V. Bonds	-	Financial assets at amortized cost - non-current	-	61,719	-	61,449	-
	ANZ New Zealand (Int'l) Ltd., London Branch Bonds	-	Financial assets at amortized cost - non-current	-	284,905	-	284,031	-
	Bank of China (Hong Kong) Limited Bonds	-	Financial assets at amortized cost - non-current	-	157,662	-	156,780	-
	Bank of China Limited, Hong Kong Branch Bonds (XS1371532208)	-	Financial assets at amortized cost - non-current	-	208,004	-	206,894	-
	Bank of China Limited, Hong Kong Branch Bonds (XS1561673804)	-	Financial assets at amortized cost - non-current	-	111,760	-	110,084	-
	China Construction Bank Co., Hong Kong Branch Bonds	-	Financial assets at amortized cost - non-current	-	304,405	-	298,461	-
	Credit agricole S.A., London Branch Bonds	-	Financial assets at amortized cost - non-current	-	207,553	-	207,044	-
	Horsepower Finance Ltd. Bonds	-	Financial assets at amortized cost - non-current	-	60,801	-	60,006	-
	HSBC Bank Middle East Ltd. Bonds	-	Financial assets at amortized cost - non-current	-	15,323	-	15,158	-
	HSBC Holdings PLC Bonds	-	Financial assets at amortized cost - non-current	-	274,541	-	273,996	-
	ICBC, Dubai Branch Bonds	-	Financial assets at amortized cost - non-current	-	266,804	-	265,018	-
	Inventive Global Investments Ltd. Bonds (XS1528905919)	-	Financial assets at amortized cost - non-current	-	262,246	-	258,828	-
	Inventive Global Investments Ltd. Bonds (XS1683356874)	-	Financial assets at amortized cost - non-current	-	365,926	-	357,933	-
	Mizuho Financial Group Inc. Bonds	-	Financial assets at amortized cost - non-current	-	169,850	-	169,705	-
	QNB Financial Ltd. Bonds	-	Financial assets at amortized cost - non-current	-	305,050	-	308,101	-
	State Elite Global Ltd. Bonds	-	Financial assets at amortized cost - non-current	-	263,694	-	258,942	-
	Stocks							
Vanguard International Semiconductor Corporation	Champion Microelectronic Corp.	Investee	Financial assets at fair value through other comprehensive income - non-current	400	20,073	1	20,073	-
	Advanced Microelectronic Products Inc.	Investee	Financial assets at fair value through other comprehensive income - non-current	30,000	43,500	9	43,500	-
	United Industrial Gases Co., Ltd.	Investee	Financial assets at fair value through other comprehensive income - non-current	4,246	104,999	2	104,999	-
	Image Match Design Inc.	Investee	Financial assets at fair value through other comprehensive income - non-current	1,400	4,005	4	4,005	-
	AnDAPT Inc.	Investee	Financial assets at fair value through other comprehensive income - non-current	1,000	10,207	4	10,207	-
	Voltafield Technology Corporation (Cayman)	Investee	Financial assets at fair value through other comprehensive income - non-current	600	269	2	269	-
	Shenzhen Winsemi Microelectronics Co., Ltd.	Investee	Financial assets at fair value through other comprehensive income - non-current	-	88,632	10	88,632	-

Note 1: Marketable securities mentioned in the table include stocks, bonds, beneficiary certificate and the derivative securities from aforementioned items.

Note 2: As of September 30, 2018, all the securities were not pledged or restricted.

Note 3: With respect to the information of subsidiaries, associates and joint ventures, please see TABLE 5 and TABLE 6.

TABLE 2

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION 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 NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sales	$ 3,952,869	19	30 days after closing	$ -	-	$ 461,982	8	-

TABLE 3

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	$ 461,982	12.19	$ -	-	$ -	$ -

TABLE 4

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

No.	Company Name	Company Name	Nature of Relationship	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note)	Percentage of Consolidated Net Revenue or Total Assets
0	Vanguard International Semiconductor Corporation	VIS Micro, Inc.	Transaction from ultimate parent company to subsidiary	Marketing expenses	$ 79,532	-	0.37%
				Other payables to related parties	17,224	-	0.05%
		VIS Shanghai Company Limited	Directly held subsidiary	Marketing expenses	731	-	-

Note: The trade term of the intercompany transactions were based on related agreements.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING THE INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2018			Net Gain (Loss) of the Investee (Foreign Currencies in Thousands)	Investment Gain (Loss) Recognized (Foreign Currencies in Thousands)	Note
				September 30, 2018 (Foreign Currencies in Thousands)	December 31, 2017 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
Vanguard International Semiconductor Corporation	VIS Associates Inc.	British Virgin Islands	Investments	$ 8,269,635	$ 6,895,684	269	100	$ 8,547,843	$ 149,254	$ 149,254	Subsidiary
	CMSC, Inc.	Hsinchu City, Taiwan	Integrated circuit design services and related businesses	112,650	112,650	9,902	25	48,283	(7,643)	(1,906)	Investment accounted for using equity method
	Qromis, Inc. (Note)	Delaware, USA	Semiconductor research and development related businesses	316,750 (US$ 10,000)	316,750 (US$ 10,000)	9,832	46	204,875 (US$ 6,716)	(73,042) (US$ (2,454))	(33,950) (US$ (1,140))	Investment accounted for using equity method
VIS Associates Inc.	VIS Investment Holding, Inc.	Delaware, USA	Investments	190,656 (US$ 6,250)	190,656 (US$ 6,250)	63	100	81,127 (US$ 2,659)	6,253 (US$ 209)	6,253 (US$ 209)	Subsidiary
VIS Investment Holding, Inc.	VIS Micro, Inc.	California, USA	Marketing services	6,101 (US$ 200)	6,101 (US$ 200)	200	100	60,564 (US$ 1,985)	3,294 (US$ 110)	3,294 (US$ 110)	Subsidiary

Note: Quora Technology, Inc. changed its company name as Qromis, Inc. in October 2017.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2018	Accumulated Repatriation of Investment Income as of September 30, 2018	Note
					Outflow	Inflow							
VIS Shanghai Company Limited	Marketing services	$ 4,556 (RMB 1,000 thousand)	Note 1	$ 4,556 (RMB 1,000 thousand)	$ -	$ -	$ 4,556 (RMB 1,000 thousand)	$ 15 (RMB 3 thousand)	100	$ 15 (RMB 3 thousand)	$ 4,313 (RMB 973 thousand)	$ -	-

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2018	Investment Amount Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$4,556 (RMB1,000 thousand)	$4,556 (RMB1,000 thousand)	$16,484,030

Note 1: Directly invested.

Note 2: Amount was recognized based on the subsidiary's financial statements which were reviewed by the certified public account of parent company.

Note 3: The investment amount in mainland china authorized by investment commission, MOEA is total $109,105 thousand (RMB 23,340 thousand), of which $104,549 (RMB 22,340) is accounted for financial assets at fair value through other comprehensive income. Please refer to table 1.