Vanguard International Semiconductor Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard NO.10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

By

LEUH FANG
Chairman

February 20, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Vanguard International Semiconductor Corporation

Opinion

We have audited the accompanying consolidated financial statements of Vanguard International Semiconductor Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2019, are described as follows:

<u>Timing of revenue recognition</u>

1. The sales revenue of the Group is material to the Group. Please refer to Note 25. The major types of transactions together with their timing of recognition are as follows:

    1) Revenue generated from domestic shipment with the transaction term of ex-works accounted for approximately 51% of total revenue and is recognized as sales revenue at point of ex-factory. Revenue generated from domestic shipment with the transaction term of delivered-at-place accounted for 20% of

total revenue and is also recognized at point of ex-factory due to its nature of the goods delivering and receiving are at the same day.

2) Revenue generated from oversea shipment accounted for 29% of the total revenue depending on the trade terms where the revenue is recognized when the risk of goods is transferred to customers.

2. Revenues generated from either domestic or foreign shipments whose trade terms denote that the revenues are recognized at point of ex-factory consist of 99% of total revenue. The recognition process of revenue thereof is to have sales personnel verify the shipment on the computer system, and the system automatically recognizes the sale revenue and issues invoice. When the customers or their designated forwarders come to withdraw the goods, warehouse personnel will have them sign off on handheld devices and transmit the information to the shipping system. The system automatically checks the shipment on a daily basis. For goods that are not withdrawn, the system will notify sales personnel for confirmation and delete the shipping list where the sales revenue will be reversed automatically and the invoice cancelled.

3. Since the above process consists of manual controls, the risk exists in revenue before or after the end of the reporting period being unrecognized in the appropriate period.

4. We reviewed the revenue recognition policy of the Group, assessed the reasonableness of the revenue recognition, conducted on-site observation and recorded the details of the last shipment of the year ended 2019. We also traced all of the shipping records at December 31, 2019 against relevant supporting documents and accounting records to verify the accuracy of the timing of sales revenue recognition as well as the monetary amount, and evaluated whether the risk and rewards of goods are transferred.

Timing of capitalization of property, plant and equipment

1. The annual capital expenditure of the Group relating to property, plant and equipment is significant to its consolidated financial statements. Because of the significance of such expenditure, delaying in capitalization thereof may lead to the consolidated financial statements not fairly presented. Please refer to Note 16.

2. We reviewed the capital expenditure policy of the Group on property, plant and equipment, assessed the reasonableness of the timing of capitalization, and conducted procedures as follows:

   1) Selecting samples of newly acquired items from the lists of Advance Payments and Construction in Progress of the year to verify whether they are included in the un-capitalized list of the current month.

   2) Selecting samples from those that are transferred from Advance Payments and Construction in Progress to Property, Plant and Equipment of the year to verify whether such items are not included in the un-capitalized list of the current month.

   3) Selecting samples from the un-capitalized list at the year end and perform on-site count to observe whether such items were not ready for their intended use.

   4) Selecting samples of items that were not capitalized over three months from the un-capitalized list to examine whether the reasons of such items not capitalized explained by applicants or users were approved by supervisors.

Other Matter

We have also audited the parent company only financial statements of Vanguard International Semiconductor Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 20, 2020

<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 audit such consolidated financial statements are those generally applied in the Republic of China.

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 31)	$ 10,888,029	25	$ 14,607,185	39
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	150,256	-	1,526	-
Financial assets at amortized cost - current (Notes 4, 5, 9, 10 and 31)	1,233,827	3	1,600,259	4
Notes and accounts receivable, net (Notes 4, 5, 12, 25 and 31)	4,769,130	11	5,311,885	14
Receivables from related parties (Notes 4, 5, 25, 31 and 32)	199,084	1	416,219	1
Other receivables (Notes 4 and 31)	227,338	1	280,233	1
Other receivables from related parties (Notes 4, 31 and 32)	-	-	3,842	-
Inventories (Notes 4 and 13)	3,107,612	7	3,415,585	9
Prepaid expenses	192,524	-	163,520	1
Other current assets (Notes 19 and 31)	348,755	1	2,892	-
Total current assets	21,116,555	49	25,803,146	69
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	180,848	-	262,294	1
Financial assets at amortized cost - non-current (Notes 4, 5, 9, 10 and 31)	4,956,334	12	4,246,872	11
Investments accounted for using equity method (Notes 4 and 15)	240,575	1	238,044	1
Property, plant and equipment (Notes 4 and 16)	13,418,411	31	6,444,050	17
Right-of-use assets (Notes 3, 4, 5 and 17)	1,848,440	4	-	-
Intangible assets (Notes 4 and 18)	345,735	1	25,999	-
Deferred income tax assets (Notes 4 and 27)	188,646	-	115,760	-
Refundable deposits	192,481	1	212,905	-
Other non-current assets (Notes 4, 19, 31 and 33)	304,087	1	303,959	1
Total non-current assets	21,675,557	51	11,849,883	31
TOTAL ASSETS	$ 42,792,112	100	$ 37,653,029	100

	2019		2018	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Notes 20, 29 and 31)	$ 3,210,000	7	$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 31)	-	-	4,547	-
Notes and accounts payable (Note 31)	1,012,509	2	1,278,483	3
Payables to related parties (Notes 31 and 32)	12,195	-	14,288	-
Accrued employees' compensation and remuneration to directors (Notes 26 and 31)	1,227,834	3	1,192,595	3
Payables to contractors and equipment suppliers (Note 31)	961,708	2	331,272	1
Other payables (Notes 21 and 31)	2,557,357	6	2,576,216	7
Other payables to related parties (Notes 31 and 32)	3,920	-	10,363	-
Current income tax liabilities (Notes 4 and 27)	1,081,862	3	1,252,726	3
Lease liabilities - current (Notes 3, 4, 5, 17, 29 and 31)	259,726	1	-	-
Other current liabilities (Notes 22, 25 and 32)	751,873	2	528,840	2
Total current liabilities	11,078,984	26	7,189,330	19
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 27)	206,169	-	163,302	1
Lease liabilities - non-current (Notes 3, 4, 5, 17, 29 and 31)	1,104,788	3	-	-
Net defined benefit liabilities - non-current (Notes 4 and 23)	813,887	2	804,486	2
Other non-current liabilities (Notes 29 and 32)	56,151	-	56,788	-
Total non-current liabilities	2,180,995	5	1,024,576	3
Total liabilities	13,259,979	31	8,213,906	22
EQUITY (Notes 4, 8 and 24)				
Capital stock				
Common stock	16,389,823	38	16,389,823	43
Capital surplus	881,651	2	856,616	2
Retained earnings				
Legal reserve	5,127,697	12	4,511,070	12
Special reserve	162,717	-	377,030	1
Unappropriated earnings	7,675,799	18	7,467,301	20
Total retained earnings	12,966,213	30	12,355,401	33
Other equity	(705,554)	(1)	(162,717)	-
Total equity	29,532,133	69	29,439,123	78
TOTAL LIABILITIES AND EQUITY	$ 42,792,112	100	$ 37,653,029	100

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 11, 25 and 32)	$ 28,286,072	100	$ 28,928,094	100
COST OF REVENUE (Notes 4, 13, 26 and 32)	17,953,285	63	18,759,824	65
GROSS PROFIT	10,332,787	37	10,168,270	35
OPERATING EXPENSES (Note 26)				
Marketing	326,739	1	340,524	1
General and administrative	1,351,092	5	1,178,132	4
Research and development	1,745,567	6	1,494,321	5
Expected credit losses (Notes 4, 5 and 12)	-	-	585	-
Total operating expenses	3,423,398	12	3,013,562	10
OPERATING INCOME	6,909,389	25	7,154,708	25
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Gain arising from derecognition of financial assets at amortized cost (Note 9)	13,765	-	-	-
Interest income (Note 26)	388,005	1	316,624	1
Dividend income (Notes 8 and 26)	30,330	-	27,978	-
Other income (Note 32)	162,689	-	92,043	-
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Note 26)	9,594	-	(285,526)	(1)
Interest expense (Notes 3, 4, 5 and 26)	(41,167)	-	-	-
(Loss) gain on disposal of property, plant and equipment (Note 32)	(273)	-	610	-
Net (loss) gain on foreign exchange (Note 26)	(73,926)	-	218,325	1
Share of loss of associates and joint ventures (Note 15)	(40,087)	-	(52,576)	-
Total non-operating income and expenses	448,930	1	317,478	1
INCOME BEFORE INCOME TAX	7,358,319	26	7,472,186	26
INCOME TAX EXPENSE (Notes 4 and 27)	(1,497,822)	(5)	(1,305,917)	(5)
NET INCOME	5,860,497	21	6,166,269	21

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (Notes 4 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 23)	$ (15,849)	-	$ (20,501)	-
Unrealized loss on investment in equity instruments designated as at fair value through other comprehensive income	(42,029)	-	(23,891)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(481,924)	(2)	329,041	1
Share of other comprehensive income of associates and joint ventures (Note 15)	-	-	3	-
Total other comprehensive (loss) income	(539,802)	(2)	284,652	1
TOTAL COMPREHENSIVE INCOME	$ 5,320,695	19	$ 6,450,921	22
NET INCOME ATTRIBUTABLE TO				
Owner of the Corporation	$ 5,860,497	21	$ 6,166,269	21
Non-controlling interests	-	-	-	-
	$ 5,860,497	21	$ 6,166,269	21
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owner of the Corporation	$ 5,320,695	19	$ 6,450,921	22
Non-controlling interests	-	-	-	-
	$ 5,320,695	19	$ 6,450,921	22
EARNINGS PER SHARE (Note 28)				
Basic	$ 3.58		$ 3.76	
Diluted	$ 3.54		$ 3.72	

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
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

			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, 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 for adoption of IFRS 9	-	-	-	-	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
Appropriation 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	-	(128)	-	-	-	-	-	-	(128)
Other change in capital surplus	-	115	-	-	-	-	-	-	115
Net income for the year ended December 31, 2018	-	-	-	-	6,166,269	-	-	-	6,166,269
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(20,501)	329,044	(23,891)	-	284,652
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	6,145,768	329,044	(23,891)	-	6,450,921
BALANCE, DECEMBER 31, 2018	16,389,823	856,616	4,511,070	377,030	7,467,301	(55,587)	(107,130)	-	29,439,123
Appropriation of prior year's earnings									
Legal reserve	-	-	616,627	-	(616,627)	-	-	-	-
Cash dividends - 32%	-	-	-	-	(5,244,743)	-	-	-	(5,244,743)
Reversal of special reserve	-	-	-	(214,313)	214,313	-	-	-	-
Changes in capital surplus from investment in associates and joint ventures accounted for using equity method	-	36	-	-	-	-	-	-	36
Other change in capital surplus	-	148	-	-	-	-	-	-	148
Net income for the year ended December 31, 2019	-	-	-	-	5,860,497	-	-	-	5,860,497
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(15,849)	(481,924)	(42,029)	-	(539,802)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	5,844,648	(481,924)	(42,029)	-	5,320,695
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	18,884	-	(18,884)	-	-
Differences between equity purchase price and carrying amount arising from subscription of associates	-	24,851	-	-	(7,977)	-	-	-	16,874
BALANCE, DECEMBER 31, 2019	$ 16,389,823	$ 881,651	$ 5,127,697	$ 162,717	$ 7,675,799	$ (537,511)	$ (168,043)	$ -	$ 29,532,133

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 7,358,319	$ 7,472,186
Adjustments for:		
Depreciation	2,128,035	1,811,747
Amortization	13,048	11,559
Expected credit losses	-	585
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(126)	269
Interest expense	41,167	-
Net gain arising from derecognition of financial assets at amortized cost	(13,765)	-
Interest income	(388,005)	(316,624)
Dividend income	(30,330)	(27,978)
Share of losses of associates and joint ventures	40,087	52,576
Loss (gain) on disposal of property, plant and equipment	273	(610)
Net loss on foreign exchange	240	643
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	(48,604)	228,203
Notes and accounts receivable	542,755	(1,682,853)
Receivables from related parties	217,135	11,412
Other receivables	72,664	(67,356)
Other receivables from related parties	3,842	4,406
Inventories	307,973	(624,615)
Prepaid expenses	(33,722)	9,943
Other current assets	(345,863)	145
Financial liabilities held for trading	(4,547)	4,547
Notes and accounts payable	(265,974)	(31,675)
Payables to related parties	(2,093)	14,288
Other payables	(27,855)	458,127
Other payables to related parties	(6,443)	(67,585)
Other current liabilities	223,033	186,780
Net defined benefit liabilities	(6,448)	6,884
Accrued employees' compensation and remuneration to directors	35,239	506,935
Cash generated from operations	9,810,035	7,961,939
Interest received	367,030	292,085
Interest paid	(32,171)	-
Income tax paid	(1,699,725)	(793,810)
Net cash provided by operating activities	8,445,169	7,460,214
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of financial assets at fair value through other comprehensive income	-	(104,549)
Proceeds from disposal of financial assets at fair value through other comprehensive income	39,416	-
Acquisitions of financial assets at amortized cost	(2,924,444)	(2,826,064)
Proceeds from disposal of financial assets at amortized cost	826,732	-
Proceeds from redemption of financial assets at amortized cost	1,605,968	954,951
Acquisitions of financial assets at fair value through profit or loss	(200,000)	-

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from disposal of financial assets at fair value through profit or loss	$ 100,000	$ -
Acquisition of investment accounted for using equity method	(30,740)	-
Acquisitions of property, plant and equipment	(8,262,119)	(1,919,433)
Proceeds from disposal of property, plant and equipment	11	648
Decrease (increase) in refundable deposits	14,934	(15,498)
Acquisitions of intangible assets	(336,692)	(20,651)
Acquisitions of right-of-use assets	(505,058)	-
Increase in other non-current assets	(128)	(128)
Dividends received	30,330	27,978
Net cash used in investing activities	(9,641,790)	(3,902,746)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	3,210,000	-
Repayment of the principal portion of lease liabilities	(172,111)	-
(Decrease) increase in other non-current liabilities	(637)	13,579
Cash dividends	(5,244,743)	(4,916,947)
Unclaimed dividends	148	115
Net cash used in financing activities	(2,207,343)	(4,903,253)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(315,192)	192,199
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,719,156)	(1,153,586)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,607,185	15,760,771
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,888,029	$ 14,607,185

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 YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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) Taipei Exchange 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 approved and authorized for issue by the Board of Directors on February 20, 2020.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), 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 16 “Leases”

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

      Definition of a lease

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

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

Leases previously classified as operating leases under IAS 17 were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to assess impairment of all right-of-use assets.

The Group also applies the following practical expedients:

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

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

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

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

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.7%. The difference between the lease liabilities recognized and the future minimum non-cancellable lease payable on December 31, 2018 is stated as follows:

The future minimum lease payments of non-cancellable operating leases on December 31, 2018	$ 853,912
Undiscounted amounts on January 1, 2019	$ 853,912
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 783,607
Add: Future minimum lease payments of cancellable operating leases	704,738
Lease liabilities recognized on January 1, 2019	$ 1,488,345

The Group as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 1,488,345	$ 1,488,345
Total effect on assets	$ -	$ 1,488,345	$ 1,488,345
Lease liabilities - current	$ -	$ 202,323	$ 202,323
Lease liabilities - non-current	-	1,286,022	1,286,022
Total effect on liabilities	$ -	$ 1,488,345	$ 1,488,345

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by The International Accounting Standards Board (IASB)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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

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

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for 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. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the 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 14, Table 8 and Table 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation and the Group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

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

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognized the changes in the Group's share of the equity of associates.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of the equity of associates. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent that interests in the associate are not related to the Group.

h. Property, plant, and equipment

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

Depreciation of property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditure

Expenditures on research activities are recognized as an expense in the period in which they are incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

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

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

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

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

The amount initially recognized for internally-generated intangible assets is the aggregate of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets other than goodwill

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

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

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

k. Financial instruments

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

Financial assets and financial liabilities are initially recognized 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.

1) Measurement category

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

   a) 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 31.

   b) 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 assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Credit-impaired financial assets mean that the issuer or debtor experiences significant financial difficulties or defaults, the debtor is likely to claim bankruptcy or other financial reorganization, or the active market for financial assets disappears due to financial difficulties.

Cash equivalents include time deposits and bonds acquired under repurchase 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.

c) 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. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

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

2) Impairment of financial assets and contract assets

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

The Group always recognizes lifetime Expected Credit 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.

Under internal credit risk management purpose, the Group concludes that the financial assets were defaulted when internal or external information shows that debtor will not be able to repay, without considering the collateral held by the Group.

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.

3) 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 entity.

   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.

<u>Equity instruments</u>

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

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

<u>Financial liabilities</u>

1) Subsequent measurement

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

   <u>Financial liabilities at fair value through profit or loss</u>

   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 31.

2) 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.

<u>Derivative financial instruments</u>

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.

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.

l. 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.

1) 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.

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.

2) 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 gains or losses relating to the ineffective portion are 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 items affect profit or loss. If a hedge of a forecasted 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.

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.

m. Revenue recognition

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

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

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.

n. Leasing

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

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

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease contract is a short-term lease agreement and exempted from capitalization, the lease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

Except for short-term leases and low-value asset leases which are recognized as expenses on a straight-line basis over the lease terms, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If implicit rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

<u>2018</u>

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rentals are recognized as income in the period in which they are incurred.

2) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term. Contingent rentals are recognized as expenses in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical accounting judgments

a. Lease terms - 2019

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occurs.

Key sources of estimation uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's 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 12. Where the actual future cash inflows are less than expected, an impairment loss may arise.

b. Lessees' incremental borrowing rates - 2019

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Deposits in bank	$ 7,745,618	$ 13,531,252
Cash equivalents		
Bonds acquired under repurchase agreements	3,142,411	1,075,933
	$ 10,888,029	$ 14,607,185

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

	December 31	
	2019	2018
Bank deposits	0%-3.36%	0%-3.55%
Bonds acquired under repurchase agreements	0.50%-0.60%	0.48%-0.55%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Credit linked notes (a)	$ 100,126	$ -
Derivative instruments (not designated for hedging)		
Forward exchange contracts (b)	18,304	1,275
Currency-swap contracts (c)	31,826	251
Financial assets at FVTPL - current	$ 150,256	$ 1,526
Financial liabilities held for trading		
Derivative instruments (not designated for hedging)		
Forward exchange contracts (b)	$ -	$ 1,225
Currency-swap contracts (c)	-	3,322
Financial liabilities at FVTPL - current	$ -	$ 4,547

a. The Group entered into structured investment contracts with the bank in 2019. The structured investment contracts included embedded derivative instruments which were not closely related to the host contracts. The entire contract should be assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.

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)
December 31, 2019			
Sell forward exchange contracts	US$ to NT$	2020.01.08-2020.01.30	US$ 42,000
December 31, 2018			
Buy forward exchange contracts	EUR to US$	2019.01.09	EUR 1,300
Sell forward exchange contracts	US$ to NT$	2019.01.09-2019.01.18	US$ 29,000

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)
December 31, 2019			
Sell forward exchange contracts	US$ to NT$	2020.01.07-2020.02.13	US$ 141,000
December 31, 2018			
Sell forward exchange contracts	US$ to NT$	2019.01.10-2019.01.28	US$ 54,000
Buy forward exchange contracts	US$ to JPY	2019.01.08	US$ 4,200

The Group entered into foreign exchange forward contracts and currency-swap contracts during the years ended December 31, 2019 and 2018 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 - NON-CURRENT

	December 31	
Equity Instruments	**2019**	**2018**
Domestic investments		
Listed stocks	$ 20,100	$ 54,053
Unlisted stocks	107,695	122,368
Foreign investments		
Unlisted stocks	53,053	85,873
	$ 180,848	$ 262,294

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.

During the year ended December 31, 2019, as the strategic purposes no longer existed, the Group sold the partial shares of investment. Proceeds from disposal of the shares were $39,416 thousand, and other equity - unrealized gain on financial assets at fair value through other comprehensive income of $18,884 thousand, that is, the gain on disposal of the shares, was transferred directly to retained earnings.

Dividends from equity investments held at the reporting date were $30,330 thousand and $27,978 thousand for the years ended December 31, 2019 and 2018, respectively.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31 2019	December 31 2018
Current		
Domestic investments		
Financial bonds	$ -	$ 100,261
Foreign investments		
Corporate bonds	1,233,827	1,499,998
	$ 1,233,827	$ 1,600,259
Non-current		
Domestic investments		
Financial bonds	$ 352,665	$ 354,568
Foreign investments		
Corporate bonds	4,603,669	3,892,304
	$ 4,956,334	$ 4,246,872

The Group's investments in debt instrument are held for collecting contractual cash flows. For higher contractual cash flow, the partial bonds were disposed to adjust investment portfolio, and the proceeds from disposal of these bonds were $826,732 thousand and gain arising from disposal were $13,765 thousand in 2019.

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

Investments in debt instruments were classified as at amortized cost.

	December 31 2019	December 31 2018
Gross carrying amount	$ 6,190,161	$ 5,847,131
Less: Allowance for impairment loss	-	-
Amortized cost	$ 6,190,161	$ 5,847,131

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.

In determining the expected credit losses for debt instrument investments, the Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries.

The Group's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

The gross carrying amounts of debt instrument investments by credit category and the corresponding expected loss rates were as follows:

December 31, 2019

Category	Expected Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0%	$ 6,190,161

December 31, 2018

Category	Expected Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0%	$ 5,847,131

11. FINANCIAL INSTRUMENTS FOR HEDGING

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 year ended December 31, 2019

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	$ -	$ -	-	$ (435) Revenue	$ -

For the year ended December 31, 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	$ -

12. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31 2019	December 31 2018
Notes and accounts receivable		
At amortized cost		
Gross carrying amount	$ 4,769,861	$ 5,315,757
Less: Allowance for impairment loss	(731)	(3,872)
	$ 4,769,130	$ 5,311,885

At amortized cost

The average credit period on sales of goods was 30 to 60 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.

December 31, 2019

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	$ 4,465,881	$ 290,859	$ 11,380	$ 1,741	$ 4,769,861
Loss allowance (Lifetime ECL)	-	-	-	(731)	(731)
Amortized cost	$ 4,465,881	$ 290,859	$ 11,380	$ 1,010	$ 4,769,130

December 31, 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	$ 5,123,029	$ 181,870	$ -	$ 10,858	$ 5,315,757
Loss allowance (Lifetime ECL)	-	-	-	(3,872)	(3,872)
Amortized cost	$ 5,123,029	$ 181,870	$ -	$ 6,986	$ 5,311,885

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

	December 31	
	2019	2018
Balance, beginning of year (IFRS 9)	$ 3,872	$ 3,287
Add: Provision of loss allowance	-	585
Less: Amounts written off	(3,141)	-
Balance, end of year	$ 731	$ 3,872

13. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 221,125	$ 210,248
Work in process	1,651,841	1,707,479
Raw materials	725,019	1,044,442
Supplies and spare parts	509,627	453,416
	$ 3,107,612	$ 3,415,585

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

	Years Ended December 31	
	2019	2018
Cost of revenue	$ 17,953,285	$ 18,759,824
Provision of inventory valuation and obsolescence loss	$ 111,181	$ 71,859
Unallocated manufacturing overheads	$ 16,766	$ 32,919

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

			Proportion of Ownership December 31	
Investor	Investee	Nature of Activities	2019	2018
Vanguard International Semiconductor Corporation	VIS Associates Inc.	Investments	100%	100%
Vanguard International Semiconductor Corporation	VIS Shanghai Company Limited	Marketing service	100%	100%
Vanguard International Semiconductor Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Manufacturing, selling and packaging	100%	-
VIS Associates Inc.	VIS Investment Holding, Inc.	Investments	100%	100%
VIS Investment Holding, Inc.	VIS Micro, Inc.	Marketing service	100%	100%

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	December 31	
	2019	2018
Associates individually immaterial		
CMSC, Inc.	$ 38,129	$ 50,407
Qromis, Inc.	202,446	187,637
	$ 240,575	$ 238,044

Refer to Table 8 "Information on Investees" for the nature of business, principal place of business and country of incorporation of the associates.

Aggregate information of associates that are not individually material

	Years Ended December 31	
	2019	2018
The Corporation's share of		
Loss from continuing operations	$ (40,087)	$ (52,576)
Other comprehensive income	-	3
Total comprehensive loss for the years	$ (40,087)	$ (52,573)

In February 2019, the Group subscribed 873 thousand shares of preferred stocks of Qromis, Inc. in cash amounting to $30,740 thousand. As of December 31, 2019, the Group subscribed 10,705 thousand shares of preferred stocks and the percentage of voting rights in Qromis, Inc. was 39.31%.

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 unaudited financial statements. The Group's management considered the use of unaudited financial statements of the investees did not have material impact on its consolidated financial statements.

16. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
Assets used by the Group	$ 13,172,377
Assets subject to operating leases	246,034
	$ 13,418,411

a. 2019

	Assets Used by the Group				Assets	
	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Subject to Operating Leases Buildings	Total
Cost						
Balance, January 1, 2019	$ 14,620,122	$ 60,424,195	$ 420,632	$ 705,043	$ 1,037,160	$ 77,207,152
Additions	1,119,029	8,119,114	65,526	(275,532)	-	9,028,137
Disposal	(1,180)	(293,998)	(97)	-	-	(295,275)
Reclassified	2,199	1,709	-	-	-	3,908
Translation adjustments	(3,588)	(124,068)	(59)	(42)	-	(127,757)
Balance, December 31, 2019	$ 15,736,582	$ 68,126,952	$ 486,002	$ 429,469	$ 1,037,160	$ 85,816,165
Accumulated depreciation						
Balance, January 1, 2019	$ 12,782,382	$ 56,649,896	$ 386,932	$ -	$ 760,371	$ 70,579,581
Depreciation	316,674	1,561,952	20,316	-	30,755	1,929,697
Disposal	(1,180)	(293,714)	(97)	-	-	(294,991)
Translation adjustments	-	-	(54)	-	-	(54)
Balance, December 31, 2019	$ 13,097,876	$ 57,918,134	$ 407,097	$ -	$ 791,126	$ 72,214,233
Accumulated impairment						
Balance, January 1, 2019 and December 31, 2019	$ -	$ 183,521	$ -	$ -	$ -	$ 183,521
Carrying amounts, December 31, 2019	$ 2,638,706	$ 10,025,297	$ 78,905	$ 429,469	$ 246,034	$ 13,418,411

b. 2018

	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Cost					
Balance, January 1, 2018	$ 15,356,291	$ 58,697,224	$ 398,993	$ 790,887	$ 75,243,395
Additions	300,991	1,763,860	25,313	(85,844)	2,004,320
Disposal	-	(37,619)	(5,397)	-	(43,016)
Reclassified	-	730	1,634	-	2,364
Translation adjustments	-	-	89	-	89
Balance, December 31, 2018	$ 15,657,282	$ 60,424,195	$ 420,632	$ 705,043	$ 77,207,152
Accumulated depreciation					
Balance, January 1, 2018	$ 13,249,204	$ 55,180,959	$ 380,588	$ -	$ 68,810,751
Depreciation	293,549	1,506,556	11,642	-	1,811,747
Disposal	-	(37,619)	(5,359)	-	(42,978)
Translation adjustments	-	-	61	-	61
Balance, December 31, 2018	$ 13,542,753	$ 56,649,896	$ 386,932	$ -	$ 70,579,581
Accumulated impairment					
Balance, January 1, 2018 and December 31, 2018	$ -	$ 183,521	$ -	$ -	$ 183,521
Carrying amounts, December 31, 2018	$ 2,114,529	$ 3,590,778	$ 33,700	$ 705,043	$ 6,444,050

The Group leases a part of building subject to operating lease from January 2015 to December 2024. The lessees do not have preferential purchase right to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease receivable subject to operating lease for property, plant and equipment was as follows:

	December 31, 2019
Year 1	$ 27,526
Year 2	26,495
Year 3	26,495
Year 4	26,495
Year 5	26,495
	$ 133,506

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

17. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Restated balance, January 1, 2019	$ 1,078,359	$ 385,202	$ 16,236	$ 8,548	$ 1,488,345
Additions	-	573,868	-	-	573,868
Lease expired	-	(2,654)	-	-	(2,654)
Lease terms changed	-	(3,963)	-	(140)	(4,103)
Translation adjustments	-	(11,403)	-	-	(11,403)
Balance, December 31, 2019	$ 1,078,359	$ 941,050	$ 16,236	$ 8,408	$ 2,044,053
Accumulated depreciation					
Restated balance, January 1, 2019	$ -	$ -	$ -	$ -	$ -
Depreciation	103,840	83,309	7,071	4,118	198,338
Lease expired	-	(2,654)	-	-	(2,654)
Translation adjustments	-	(71)	-	-	(71)
Balance, December 31, 2019	$ 103,840	$ 80,584	$ 7,071	$ 4,118	$ 195,613
Carrying amounts, December 31, 2019	$ 974,519	$ 860,466	$ 9,165	$ 4,290	$ 1,848,440

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 259,726
Non-current	$ 1,104,788

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.70%
Buildings	1.70%-3.62%
Machinery and equipment	1.70%
Other equipment	1.70%

c. Material lease-in activities and terms

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 2022, 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.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 2,189
Expenses relating to low-value asset leases	$ 167
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 587
Total cash outflow for leases	$ 197,530

The Group leases certain buildings, machinery and equipment which qualify as short-term leases, and certain other equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

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

	December 31, 2018
Not later than 1 year	$ 82,339
Later than 1 year and not later than 5 years	319,647
Later than 5 years	451,926
	$ 853,912

The lease payments recognized as expense were $81,826 thousand for the year ended December 31, 2018.

18. INTANGIBLE ASSETS

	Computer Software	Technological Assets	Total
Cost			
Balance, January 1, 2018	$ 794,605	$ -	$ 794,605
Additions	20,651	-	20,651
Reclassified	(2,364)	-	(2,364)
Balance, December 31, 2018	$ 812,892	$ -	$ 812,892
Accumulated amortization			
Balance, January 1, 2018	$ 775,334	$ -	$ 775,334
Amortization	11,559	-	11,559
Balance, December 31, 2018	$ 786,893	$ -	$ 786,893
Carrying amounts, December 31, 2018	$ 25,999	$ -	$ 25,999

(Continued)

	Computer Software	Technological Assets	Total
Cost			
Balance, January 1, 2019	$ 812,892	$ -	$ 812,892
Additions	63,701	278,373	342,074
Reclassified	(3,908)	-	(3,908)
Translation adjustments	-	(5,382)	(5,382)
Balance, December 31, 2019	$ 872,685	$ 272,991	$ 1,145,676
Accumulated amortization			
Balance, January 1, 2019	$ 786,893	$ -	$ 786,893
Amortization	13,048	-	13,048
Balance, December 31, 2019	$ 799,941	$ -	$ 799,941
Carrying amounts, December 31, 2019	$ 72,744	$ 272,991	$ 345,735

(Concluded)

Technological assets were the purchase of patents from other companies. The Group will start to amortize by straight line at the time in service.

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

Computer software	3 to 5 years
Technological assets	5 years

19. OTHER ASSETS

	December 31	
	2019	2018
Pledged time deposit	$ 304,087	$ 303,959
Repatriated offshore funds deposit	345,662	-
Others	3,093	2,892
	$ 652,842	$ 306,851
Current	$ 348,755	$ 2,892
Non-current	304,087	303,959
	$ 652,842	$ 306,851

20. SHORT-TERM LOANS

	December 31	
	2019	2018
Unsecured loans		
Credit loans	$ 3,210,000	$ -

The range of interest rates on bank loans was 0.83%-0.88% per annum at December 31, 2019.

21. OTHER PAYABLES

	December 31	
	2019	2018
Bonus	$ 849,326	$ 817,803
Maintenance	506,896	667,036
Utilities	134,313	133,788
Others	1,066,822	957,589
	$ 2,557,357	$ 2,576,216

22. OTHER CURRENT LIABILITIES

	December 31	
	2019	2018
Refund liabilities (Provision of sales returns and allowances)	$ 472,091	$ 389,056
Contract liabilities - advanced receipts	279,692	139,577
Others	90	207
	$ 751,873	$ 528,840

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.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Besides, VIS Micro, Inc., VIS Shanghai Company Limited and Vanguard International Semiconductor Singapore Pte. Ltd. are required by local regulations to make monthly contributions at certain percentage of the basic salary of their employees.

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Law and the "Pension Plan of Senior Management" of the Corporation. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

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

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 1,150,126	$ 1,131,640
Fair value of plan assets	(336,239)	(327,154)
Net defined benefit liability	$ 813,887	$ 804,486

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2018	$ 1,107,016	$ (329,915)	$ 777,101
Service cost			
Current service cost	9,494	-	9,494
Interest expense (income)	18,061	(5,364)	12,697
Recognized in profit or loss	27,555	(5,364)	22,191
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,887)	(7,887)
Actuarial gain - changes in demographic assumptions	(26,311)	-	(26,311)
Actuarial loss - changes in financial assumptions	13,146	-	13,146
Actuarial loss - experience adjustments	41,553	-	41,553
Recognized in other comprehensive income	28,388	(7,887)	20,501
Contributions from the employer	-	(15,307)	(15,307)
Benefits paid	(31,319)	31,319	-
Balance at December 31, 2018	1,131,640	(327,154)	804,486

(Continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
Service cost			
Current service cost	$ 6,942	$ -	$ 6,942
Interest expense (income)	13,779	(3,821)	9,958
Recognized in profit or loss	20,721	(3,821)	16,900
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,250)	(11,250)
Actuarial loss - changes in financial assumptions	39,325	-	39,325
Actuarial gain - experience adjustments	(12,226)	-	(12,226)
Recognized in other comprehensive income	27,099	(11,250)	15,849
Contributions from the employer	-	(15,374)	(15,374)
Benefits paid	(29,334)	21,360	(7,974)
Balance at December 31, 2019	$ 1,150,126	$ (336,239)	$ 813,887

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

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

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

	December 31	
	2019	2018
Discount rates	0.75%	1.25%
Expected rates of salary increase	3.25%	3.25%

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

	December 31	
	2019	2018
Discount rates		
0.50% increase	$ (39,325)	$ (41,664)
0.50% decrease	$ 41,954	$ 44,512
Expected rates of salary increase		
0.50% increase	$ 40,741	$ 43,443
0.50% decrease	$ (38,615)	$ (41,107)

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	$ 15,874	$ 15,804
The average duration of the defined benefit obligation	7 years	7.6 years

Maturity analyses of pension benefit were as follows:

	December 31	
	2019	2018
Maturity analyses of undiscounted pension benefit		
No later than 1 year	$ 137,621	$ 58,686
Later than 1 year and not later than 5 years	393,006	441,008
Later than 5 years	717,242	797,725
	$ 1,247,869	$ 1,297,419

24. EQUITY

a. Capital stock

Common stock

	December 31	
	2019	2018
Authorized shares (in thousands)	3,300,000	3,300,000
Authorized capital	$ 33,000,000	$ 33,000,000
Issued and fully paid shares (in thousands)	1,638,982	1,638,982
Issued capital	$ 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

	December 31	
	2019	2018
May be used to offset a deficit, distributed by cash or transferred to capital		
Issuance of common stock	$ 544,884	$ 544,884
May be used to offset a deficit only		
Employee stock options (transferred and inactive)	285,845	285,845
Share of changes in equities of subsidiaries, associates and joint ventures	50,497	25,610
Unclaimed dividends	425	277
	$ 881,651	$ 856,616

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 transferred to capital, which are limited to a certain percentage of the Group's paid-in capital.

c. Retained earnings and dividend policy

Earnings distribution 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 26-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 2018 and 2017 have been approved in the shareholders' meeting on June 14, 2019 and June 14, 2018, respectively, were as follows:

	Appropriations of Earnings		Dividends Per Share (NT$)	
	2018	**2017**	**2018**	**2017**
Provision of legal reserve	$ 616,627	$ 450,506	$ -	$ -
(Reversal) provision of special reserve	(214,313)	339,074	-	-
Cash dividends	5,244,743	4,916,947	3.20	3.00

The appropriation of earnings for 2019 had been proposed by the Corporation's board of directors on February 20, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividend Per Share (NT$)
Provision of legal reserve	$ 585,555	$ -
Provision of special reserve	542,838	-
Cash dividends	5,244,743	3.20

The appropriation of earnings for 2019 is subject to the resolution of the shareholders' meeting to be held on June 12, 2020.

d. Other equity

1) Exchange differences on translation of foreign operations

	Years Ended December 31	
	2019	**2018**
Balance, beginning of year	$ (55,587)	$ (384,631)
Recognized during the year		
Exchange differences on translation of foreign operations	(481,924)	329,041
Share of exchange differences of associates accounted for using equity method	-	3
Recognized in other comprehensive (loss) income	(481,924)	329,044
Balance, end of year	$ (537,511)	$ (55,587)

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

	Years Ended December 31	
	2019	**2018**
Balance, beginning of year	$ (107,130)	$ (83,239)
Recognized during the year		
Unrealized loss - equity instruments	(42,029)	(23,891)
Recognized in other comprehensive income	(42,029)	(23,891)
Disposal of investments in equity instruments at fair value through other comprehensive income	(18,884)	-
Balance, end of year	$ (168,043)	$ (107,130)

25. REVENUE

	Years Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sales of goods	$ 27,683,838	$ 28,459,367
Others	512,453	403,092
	28,196,291	28,862,459
Other operating revenue		
Rental income	38,995	33,843
Others	50,786	31,792
	89,781	65,635
	$ 28,286,072	$ 28,928,094

Refer to Note 11 for the effective hedge amounts from the foreign sales cash flow hedges which were recognized as decrease of revenue for the years ended December 31, 2019 and 2018.

a. Disaggregation of revenue

1) Disaggregation of revenue by region

	Years Ended December 31	
	2019	2018
Regions		
Asia	$ 25,779,088	$ 26,011,474
Europe	1,839,018	1,841,180
America	667,878	1,074,778
Oceania	88	625
Africa	-	37
	$ 28,286,072	$ 28,928,094

2) Disaggregation of revenue by platform

	Years Ended December 31	
	2019	2018
Platforms		
Power Management	$ 16,322,151	$ 14,226,047
Large panel driver IC	7,988,279	8,841,943
Small panel driver IC	2,005,853	3,331,855
Other platforms	1,367,555	2,059,522
Revenue from sales of goods	27,683,838	28,459,367
Other revenue	602,234	468,727
	$ 28,286,072	$ 28,928,094

3) Disaggregation of revenue by process

	Years Ended December 31	
	2019	2018
Processes		
0.18 micron (and) below	$ 10,758,370	$ 10,559,505
0.25 micron	3,402,689	4,094,829
0.35 micron	6,333,575	6,416,788
0.5 micron (and) above	7,189,204	7,388,245
Revenue from sales of goods	27,683,838	28,459,367
Other revenue	602,234	468,727
	$ 28,286,072	$ 28,928,094

b. Contract balances

	December 31	
	2019	2018
Notes and accounts receivable, net (Note 12)	$ 4,769,130	$ 5,311,885
Receivables from related parties (Note 32)	199,084	416,219
Trade Receivables	$ 4,968,214	$ 5,728,104
Contract liabilities		
Contract liabilities - advanced receipts (Other current liabilities) (Note 22)	$ 279,692	$ 139,577

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 years ended December 31, 2019 were as follows:

	Years Ended December 31	
	2019	2018
Revenues from the beginning balance of contract liabilities		
Sales of goods	$ 91,721	$ 81,350

26. OTHER ITEMS IN THE STATEMENTS OF COMPREHENSIVE INCOME

a. Depreciation and amortization

	Years Ended December 31	
	2019	2018
Classification of depreciation - by function		
Cost of revenue	$ 2,023,112	$ 1,774,284
Operating expenses	104,923	37,463
	$ 2,128,035	$ 1,811,747

(Continued)

	Years Ended December 31	
	2019	2018
Classification of amortization - by function		
Cost of revenue	$ 4,678	$ 4,033
Operating expenses	8,370	7,526
	$ 13,048	$ 11,559

(Concluded)

b. Employee benefits expense

	Years Ended December 31	
	2019	2018
Post-employment benefits (Note 23)		
Defined contribution plans	$ 217,037	$ 222,979
Defined benefit plans	16,900	22,191
	233,937	245,170
Other employee benefits	7,396,768	7,465,138
Total employee benefits expense	$ 7,630,705	$ 7,710,308
Employee benefits expense summarized by function		
Cost of revenue	$ 5,676,267	$ 5,874,795
Operating expenses	1,954,438	1,835,513
	$ 7,630,705	$ 7,710,308

c. Employees' compensation and remuneration of directors

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 years ended December 31, 2019 and 2018, the employees' compensation was $1,205,834 thousand and $1,170,000 thousand, respectively. For the years ended December 31, 2019 and 2018, the remuneration to directors was $21,800 thousand and $22,195 thousand, respectively. The above calculation was at a certain percentage of the base income.

If there is a 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 2019 and 2018 having been resolved by the board of directors on February 20, 2020 and January 29, 2019, respectively, were as below:

	Years Ended December 31			
	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 1,205,834	$ -	$ 1,170,000	$ -
Remuneration to directors	21,800	-	22,195	-

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information of the employees' compensation and remuneration to directors resolved by the Corporation's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Net gain and loss of financial instruments

	Years Ended December 31	
	2019	2018
Interest income		
Cash and cash equivalents	$ 221,234	$ 209,416
Financial assets at amortized cost	166,771	107,208
	$ 388,005	$ 316,624
Dividends		
Investments in equity instruments at FVTOCI	$ 30,330	$ 27,978
Net foreign exchange (loss) gain		
Financial assets at amortized cost	$ -	$ (753)
Other monetary assets and liabilities	(73,926)	219,078
	$ (73,926)	$ 218,325
Gain (loss) on financial assets and liabilities at FVTPL		
Financial assets and liabilities mandatorily classified as at FVTPL		
Forward exchange and currency-swap contracts	$ 9,134	$ (286,058)
Credit linked notes	460	532
	$ 9,594	$ (285,526)

e. Interest expense

	Years Ended December 31	
	2019	2018
Bank loans	$ 17,499	$ -
Lease liabilities	23,668	-
	$ 41,167	$ -

27. INCOME TAXES

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

	Years Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 1,515,466	$ 1,513,530
Adjustments for prior years' tax	(17,014)	(192,076)
Withheld tax in accordance with Repatriated Offshore Funds Act	30,374	-
Others	(985)	508
	1,527,841	1,321,962
Deferred income tax		
In respect of the current year	(30,019)	(16,045)
Income tax expenses recognized in profit or loss	$ 1,497,822	$ 1,305,917

A reconciliation of accounting profit and income tax expenses was as follow:

	Years Ended December 31	
	2019	2018
Income before income tax	$ 7,358,319	$ 7,472,186
Income tax expense calculated at the statutory rate	$ 1,450,824	$ 1,454,786
Additional items in determining taxable income	11,174	11,796
Income tax on unappropriated earnings	30,936	-
The origination and reversal of temporary differences	21,096	35,963
Effect of tax on loss carryforward	(28,583)	(5,060)
Adjustments for prior years' tax	(17,014)	(192,076)
Withheld tax in accordance with Repatriated Offshore Funds Act	30,374	-
Others	(985)	508
Income tax expense recognized in profit or loss	$ 1,497,822	$ 1,305,917

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income/expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. The rate of the corporate surtax applicable to the 2018 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.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are invested in construction or purchase of certain assets or technologies can be deducted from unappropriated earnings when computing the income tax.

b. Current tax liabilities

	December 31	
	2019	2018
Current tax liabilities		
Income tax payable	$ 1,081,862	$ 1,252,726

c. Deferred income tax assets and liabilities

The movements of deferred income tax assets and liabilities were as follows:

2019

Deferred Income Tax Assets	Balance, Beginning of Year	Movements	Balance, End of Year
Loss carryforwards	$ 9,376	$ 27,372	$ 36,748
Temporary differences	106,384	45,514	151,898
	$ 115,760	$ 72,886	$ 188,646

Deferred Income Tax Liabilities	Balance, Beginning of Year	Movements	Balance, End of Year
Temporary differences	$ 163,302	$ 42,867	$ 206,169

2018

Deferred Income Tax Assets	Balance, Beginning of Year	Movements	Balance, End of Year
Loss carryforwards	$ 8,512	$ 864	$ 9,376
Temporary differences	31,800	74,584	106,384
	$ 40,312	$ 75,448	$ 115,760

Deferred Income Tax Liabilities	Balance, Beginning of Year	Movements	Balance, End of Year
Temporary differences	$ 103,899	$ 59,403	$ 163,302

d. Items for which no deferred income tax assets have been recognized

	December 31	
	2019	2018
Loss carryforwards		
Expire in 2020	$ 19,166	$ 17,867
Expire in 2021	410	419
Expire in 2027	221	226
Expire in 2034	2,306	2,362
Expire in 2036	88	90
	$ 22,191	$ 20,964
Deductible temporary differences	$ 227,909	$ 195,258

e. Unrecognized deferred income tax liabilities associated with investments

As of December 31, 2019 and 2018, there were no taxable temporary differences associated with investment in subsidiaries for which no deferred income tax liabilities have been recognized.

f. Income tax assessments

Income tax returns through 2017 had been examined and cleared by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT$ Per Share

	Years Ended December 31	
	2019	**2018**
Basic earnings per share	$ 3.58	$ 3.76
Diluted earnings per share	$ 3.54	$ 3.72

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

Earnings

	Years Ended December 31	
	2019	**2018**
Earnings used in computation of basic earnings per share	$ 5,860,497	$ 6,166,269
Effect of dilutive potential common stocks:		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 5,860,497	$ 6,166,269

Shares

Unit: Shares in Thousands

	Years Ended December 31	
	2019	**2018**
Weighted average number of common stocks used in the computation of basic earnings per share	1,638,982	1,638,982
Effect of dilutive potential common stocks:		
Employees' compensation	16,598	20,661
Weighted average number of common stocks used in the computation of diluted earnings per share	1,655,580	1,659,643

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.

29. CASH FLOWS INFORMATION FOR FINANCING ACTIVITIES

For the year ended December 31, 2019

	Balance, January 1	Cash Flows	Non-cash Changes	Balance, December 31
Other non-current liabilities	$ 56,788	$ (637)	$ -	$ 56,151
Lease liabilities (Note 3)	1,488,345	(172,111)	48,280	1,364,514
Short-term loans	-	3,210,000	-	3,210,000
Dividends Payable	-	(5,244,743)	5,244,743	-
Unclaimed dividends	277	148	-	425
	$ 1,545,410	$ (2,207,343)	$ 5,293,023	$ 4,631,090

For the year ended December 31, 2018

	Balance, January 1	Cash Flows	Non-cash Changes	Balance, December 31
Other non-current liabilities	$ 43,209	$ 13,579	$ -	$ 56,788
Dividends Payable	-	(4,916,947)	4,916,947	-
Unclaimed dividends	162	115	-	277
	$ 43,371	$ (4,903,253)	$ 4,916,947	$ 57,065

30. CAPITAL MANAGEMENT

The Group manages its capital in a manner to ensure its ability to continue as a going concern while maximizing the return to shareholders. The Group's overall strategy has no significant variations.

The capital structure of the Group consists of net debt (loans offset by cash and cash equivalents) and equity (i.e. capital stock, capital surplus, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

31. FINANCIAL INSTRUMENTS

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

December 31, 2019

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic financial bonds	$ 352,665	$ 354,559	$ -	$ -	$ 354,559
Foreign corporate bonds	5,837,496	5,868,715	-	-	5,868,715

December 31, 2018

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic financial bonds	$ 454,829	$ 457,346	$ -	$ -	$ 457,346
Foreign corporate bonds	5,392,302	5,375,235	-	-	5,375,235

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 50,130	$ -	$ 50,130
Hybrid financial assets	-	100,126	-	100,126
	$ -	$ 150,256	$ -	$ 150,256
Financial assets at FVTOCI				
Equity instruments				
Domestic listed stocks	$ -	$ 20,100	$ -	$ 20,100
Domestic unlisted stocks	-	107,695	-	107,695
Foreign unlisted stocks	-	53,053	-	53,053
	$ -	$ 180,848	$ -	$ 180,848

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 1,526	$ -	$ 1,526
Financial assets at FVTOCI				
Equity instruments				
Domestic listed stocks	$ 18,353	$ 35,700	$ -	$ 54,053
Domestic unlisted stocks	-	122,368	-	122,368
Foreign unlisted stocks	-	85,873	-	85,873
	$ 18,353	$ 243,941	$ -	$ 262,294
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 4,547	$ -	$ 4,547

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2019 and 2018, respectively.

There were no acquisition or disposal of financial assets measured by Level 3 of the fair value hierarchy for the years ended December 31, 2019 and 2018, 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 contracts 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 uses "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

	December 31	
	2019	**2018**
Financial assets		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	$ 150,256	$ 1,526
Financial assets at amortized cost (Note 1)	22,923,491	26,770,454
Financial assets at FVTOCI		
Equity instruments	180,848	262,294
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	-	4,547
Financial liabilities at amortized cost (Note 2)	8,985,523	5,403,217
Lease liabilities	1,364,514	-

Note 1: 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 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, accounts payable and other payables.

d. Objectives and policies of financial risk management

The Group's major financial instruments include equity and bond investments, accounts receivable, borrowings, accounts payable, and lease liabilities. 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 derivatives 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 uses 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 Group is mainly exposed to the exchange rate fluctuation of USD, JPY and EUR.

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	
	Years Ended December 31	
	2019	2018
Gain (Loss)	$ 29,367	$ (129,792)

	Impact on JPY Items	
	Years Ended December 31	
	2019	2018
(Loss) Gain	$ (558)	$ 10,712

	Impact on EUR Items	
	Years Ended December 31	
	2019	2018
(Loss) Gain	$ (910)	$ 1,085

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 and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	$ 13,408,037	$ 18,707,306
Financial liabilities	4,574,514	-
Cash flow interest rate risk		
Financial assets	4,420,028	2,050,969

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 years ended on December 31, 2019 and 2018 will increase/decrease $4,420 thousand and $2,051 thousand, respectively, resulting from the exposure of the net assets with floating rates.

c) Other price risk

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.

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 years ended December 31, 2019 and 2018 would have an increase/decrease of \$9,042 thousand and \$13,115 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

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 condition.

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.

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

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.

December 31, 2019

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
Non-derivative financial liabilities						
Non-interest bearing liabilities	$ 5,775,523	$ -	$ -	$ -	$ -	$ 5,775,523
Lease liabilities	275,164	586,609	509,991	93,248	-	1,465,012
Short-term loans	3,210,000	-	-	-	-	3,210,000
	$ 9,260,687	$ 586,609	$ 509,991	$ 93,248	$ -	$ 10,450,535

December 31, 2018

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	More than 15 Years	Total
Non-derivative financial liabilities						
Non-interest bearing liabilities	$ 5,403,217	$ -	$ -	$ -	$ -	$ 5,403,217

b) Liquidity and interest rate risk tables for derivative financial liabilities

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.

December 31, 2019

	Less than 1 Year	More than 1 Year
Gross settled		
Forward exchange and currency-swap contracts		
Inflows	$ 5,537,934	$ -
Outflows	(5,487,804)	-
	$ 50,130	$ -

December 31, 2018

	Less than 1 Year	More than 1 Year
Gross settled		
Forward exchange and currency-swap contracts		
Inflows	$ 2,723,290	$ -
Outflows	(2,726,311)	-
	$ (3,021)	$ -

c) Financial facilities

	December 31	
	2019	2018
Unsecured bank credit facilities (Reviewed annually)	$ 3,212,000	$ 2,900
Amount used	9,906,000	5,601,100
Amount unused		
	$ 13,118,000	$ 5,604,000

32. 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
Systems on Silicon Manufacturing Co. Pte. Ltd.	Substantial related parties
CMSC, Inc.	Associates
Qromis, Inc.	Associates

b. Operating transactions

	Revenue from Sales of Goods		Purchases	
	Years Ended December 31		Years Ended December 31	
	2019	2018	2019	2018
Investors that have significant influence over the Group				
Taiwan Semiconductor Manufacturing Company Ltd.	$ 3,062,881	$ 5,098,011	$ 161	$ 56
Key management personnel	$ 74,628	$ 236,978	$ -	$ -
Substantial related parties	$ 46,203	$ 43,885	$ (1,722)	$ 34,833
Associates	$ 31,519	$ 53,242	$ -	$ -

	Manufacturing Expenses	
	Years Ended December 31	
	2019	2018
Investors that have significant influence over the Group	$ 25,423	$ 206,121

	Non-operating Income and Gains	
	Years Ended December 31	
	2019	2018
Investors that have significant influence over the Group		
Taiwan Semiconductor Manufacturing Company Ltd.	$ 10,754	$ 13,226
Key management personnel	-	12
	$ 10,754	$ 13,238

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

	Receivables from Related Parties	
	December 31	
	2019	2018
Investors that have significant influence over the Group		
Taiwan Semiconductor Manufacturing Company Ltd.	$ 153,977	$ 353,238
Key management personnel	26,773	33,611
Associates	8,447	14,805
Substantial related parties	9,887	14,565
	$ 199,084	$ 416,219

	Other Receivables from Related Parties	
	December 31	
	2019	2018
Investors that have significant influence over the Group		
Taiwan Semiconductor Manufacturing Company Ltd.	$ -	$ 3,842

	Payables to Related Parties	
	December 31	
	2019	2018
Substantial related parties		
Systems on Silicon Manufacturing Co. Pte. Ltd.	$ 12,195	$ 14,228
Investors that have significant influence over the Group	-	60
	$ 12,195	$ 14,288

	Other Payables to Related Parties	
	December 31	
	2019	2018
Investors that have significant influence over the Group		
Taiwan Semiconductor Manufacturing Company Ltd.	$ 3,920	$ 10,363

	Contract Liabilities - Advanced Receipts (Other Current Liabilities)	
	December 31	
	2019	2018
Key management personnel	$ 7,400	$ 3,462
Associates	835	550
Substantial related parties	283	-
	$ 8,518	$ 4,012

	Guarantee Deposits (Other Non-current Liabilities)	
	December 31	
	2019	2018
Key management personnel		
Shenzhen Winsemi Microelectronics Co., Ltd.	$ 11,995	$ 12,296

	Disposal of Property, Plant and Equipment			
	Proceeds		Gain (Loss) on Disposal	
	Years Ended December 31		Years Ended December 31	
	2019	2018	2019	2018
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, non-operating 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

	Years Ended December 31	
	2019	2018
Short-term employee benefits	$ 229,791	$ 214,932
Post-employment benefits	2,922	2,940
	$ 232,713	$ 217,872

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.

33. 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:

	December 31	
	2019	2018
Pledged time deposits (presented under other non-current assets)	$ 304,087	$ 303,959

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments of the Group as of December 31, 2019 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.

35. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On January 31, 2019, the Corporation's board of directors approved a capital increase of SGD 399,990 thousand to VANGUARD INTERNATIONAL SEMICONDUCTOR SINGAPORE PTE. LTD. that has been approved by Investment Commission, MOEA. As of December 31, 2019, the Corporation has remitted SGD 325,600 thousand, sequentially, the Corporation remitted another SGD 74,390 thousand within the approved quota in January 2020.

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:

	December 31			
	2019		2018	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets				
Monetary items				
USD	$ 546,472	29.988	$ 479,258	30.74
EUR	1,194	33.617	226	35.25
JPY	277,080	0.2761	17,976	0.2769
SGD	18,691	22.266	5	22.49
RMB	907	4.295	1,077	4.475
Non-monetary items				
USD	6,751	29.988	6,293	30.74
RMB	12,352	4.295	17,893	4.475
Derivative instruments				
USD	-	-	4,200	30.74
EUR	-	-	1,300	35.25
Financial liabilities				
Monetary items				
USD	56,160	29.988	32,815	30.74
EUR	652	33.617	2,141	35.25
JPY	236,680	0.2761	325,483	0.2769
SGD	841	22.266	-	-
RMB	79	4.295	20	4.475
Derivative instruments				
USD	183,000	29.988	84,490	30.74
JPY	-	-	466,200	0.2769

Please refer to the consolidated statements of comprehensive income for the total of realized and unrealized foreign exchange gain and loss for the years ended December 31, 2019 and 2018, respectively. Since there were varieties of foreign currency transactions and functional currencies within the subsidiaries of the Group, the Group 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: Table 1 (attached)

b. Endorsements/guarantees provided: Table 2 (attached)

c. Marketable securities held (excluding investment in subsidiaries, associates and jointly ventures): Table 3 (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: Table 4 (attached)

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 5 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6 (attached)

i. Trading in derivative instruments: Notes 7 and 11.

j. Intercompany relationships and significant intercompany transactions: Table 7 (attached)

k. Information on investees: Table 8 (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 9 (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 7 (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

a. Segment revenue, results and segment assets

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 statements. The segment revenues and operating results for the years ended December 31, 2019 and 2018 can be referred to the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018. The segment assets as of December 31, 2019 and 2018 can be referred to the consolidated balance sheets as of December 31, 2019 and 2018.

b. Revenue from major products and services

The Group's revenue from its major products and services, please refer to Note 25.

c. Geographic information

Revenue by region as of December 31, 2019 and 2018, please refer to Note 25. Non-current assets by region were as follows:

	Non-current Assets	
	December 31	
	2019	**2018**
Asia	$ 15,265,289	$ 6,443,435
America	1,562	615
Total	$ 15,266,851	$ 6,444,050

Non-current assets exclude the investments accounted for by the equity method, financial instruments, intangible assets, deferred income tax assets, refundable deposits and other assets.

d. Major customers

Sales to customers amounting to at least 10% of total gross revenue:

Customer	Years Ended December 31 2019	2018
A	$ 4,865,261	$ 5,085,112
B	3,062,881	5,098,011

TABLE 1

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Financing Company	Counter-Party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note 3)	Total Available Amount for Leading (Note 3)	Note
													Item	Value			
0	Vanguard International Semiconductor Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Other receivables from related parties	Note 2	$ 1,737,890 (USD 55,000)	$ -	$ -	4.76	For short-term financing	$ -	Assets purchase and initial operating funding needed	$ -	-	$ -	$ 2,953,213	$ 5,906,426	-

Note 1: The description of the number column is as follows

(1) Issuer fills in 0

(2) The invested company is numbered sequentially according to the company from Arabic Numbers 1.

Note 2: Directly held subsidiary.

Note 3: The amount for lending to each borrowing company and the total available amount for all borrowings shall not exceed 10% and 20% of the Corporation’s net equity, respectively.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorsement/Guarantee Provider	Guarantee Party		Limit Amount for Endorsement/ Guarantee to Each Guarantee Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Allowable amount for Endorsement/ Guarantee (Note 3)	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by Subsidiaries	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China	Note
		Company Name	Nature of Relationship											
0	Vanguard International Semiconductor Corporation	Vanguard International Semiconductor Singapore Pte. Ltd.	Note 2	$ 8,859,639	$ 7,254,640 (USD 236,000)	$ 707,717 (USD 23,600)	$ 707,717 (USD 23,600)	$ -	2.40	$ 8,859,639	Yes	No	No	-

Note 1: The description of the number column is as follows
(1) Issuer fills in 0
(2) The invested company is numbered sequentially according to the company from Arabic Numbers 1.

Note 2: Directly held subsidiary.

Note 3: The individual amount to each company and the total amount of endorsement/guarantee shall not exceed 30% of the Corporation’s net equity.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(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	December 31, 2019				Note
				Shares/ Units (Thousands)	Carrying Value	% of Ownership	Market Value or Net Asset Value	
Vanguard International Semiconductor Corporation	Structured Instruments							
	Eva Airways Corp. 3rd credit linked structured investment notes	-	Financial assets at fair value through profit or loss - current	-	$ 100,126	-	$ 100,126	-
	Bonds							
	MEGA Bank 2014 1st Subordinated Financial Debentures	-	Financial assets at amortized cost - non-current	-	100,707	-	101,218	-
	MEGA Bank 2014 2nd Subordinated Financial Debentures	-	Financial assets at amortized cost - non-current	-	151,158	-	152,036	-
	Taiwan Cooperative Bank 2014 1st Subordinated Financial Debentures	-	Financial assets at amortized cost - non-current	-	100,800	-	101,305	-
VIS Associates Inc.	Azure Orbit II International Finance Ltd. bonds	-	Financial assets at amortized cost - current	-	57,200	-	57,194	-
	Bank of China (Hong Kong) Ltd. bonds（USY1391CAJ00）	-	Financial assets at amortized cost - current	-	150,370	-	150,390	-
	Bank of China Limited, Hong Kong Branch bonds（XS1561673804）	-	Financial assets at amortized cost - current	-	110,039	-	110,061	-
	China Construction Bank Co., Hong Kong Branch bonds	-	Financial assets at amortized cost - current	-	299,605	-	300,990	-
	Inventive Global Investments Ltd. bonds	-	Financial assets at amortized cost - current	-	359,807	-	360,180	-
	State Elite Global Ltd. bonds	-	Financial assets at amortized cost - current	-	256,806	-	256,761	-
	ABN AMRO Bank N.V. bonds（XS1377968307）	-	Financial assets at amortized cost - non-current	-	60,326	-	60,750	-
	ABN AMRO Bank N.V. bonds（XS1871116171）	-	Financial assets at amortized cost - non-current	-	119,662	-	122,675	-
	ABQ Finance Ltd. bonds	-	Financial assets at amortized cost - non-current	-	210,772	-	210,042	-
	Aozora Bank Ltd. bonds	-	Financial assets at amortized cost - non-current	-	73,517	-	73,475	-
	AVIC International Finance & Investment Ltd. bonds	-	Financial assets at amortized cost - non-current	-	131,709	-	131,318	-
	Azure Nova Finance bonds (XS1511025907)	-	Financial assets at amortized cost - non-current	-	59,788	-	59,778	-
	Azure Nova Finance bonds (XS1572322318)	-	Financial assets at amortized cost - non-current	-	182,545	-	182,627	-
	Bank of China Limited, Hong Kong Branch bonds（XS1371532208）	-	Financial assets at amortized cost - non-current	-	207,230	-	210,084	-
	Bank of China Limited, Hong Kong Branch bonds（XS1641476657）	-	Financial assets at amortized cost - non-current	-	150,980	-	150,735	-
	BMW Finance N.V. bonds	-	Financial assets at amortized cost - non-current	-	211,113	-	211,364	-
	BOC Aviation Ltd. bonds（US09681MAC29）	-	Financial assets at amortized cost - non-current	-	50,789	-	50,823	-
	BOC Aviation Ltd. bonds（US09681MAG33）	-	Financial assets at amortized cost - non-current	-	60,337	-	60,258	-
	Credit Agricole S.A., London Branch bonds	-	Financial assets at amortized cost - non-current	-	206,637	-	211,113	-
	DIB Sukuk Ltd. bonds（XS1387925958）	-	Financial assets at amortized cost - non-current	-	88,220	-	87,974	-
	DIB Sukuk Ltd. bonds（XS1565166789）	-	Financial assets at amortized cost - non-current	-	91,982	-	91,790	-
	First Abu Dhabi Bank P.J.S.C bonds	-	Financial assets at amortized cost - non-current	-	60,365	-	60,366	-
	HSBC Holdings PLC bonds	-	Financial assets at amortized cost - non-current	-	269,890	-	274,291	-
	ICBC, Luxemburg Branch bonds	-	Financial assets at amortized cost - non-current	-	270,207	-	270,297	-
	ICBC, Singapore Branch bonds	-	Financial assets at amortized cost - non-current	-	151,121	-	150,974	-
	ING Group N.V. bonds	-	Financial assets at amortized cost - non-current	-	121,426	-	121,457	-
	Kookmin Bank bonds	-	Financial assets at amortized cost - non-current	-	269,678	-	276,882	-
	Lloyds Banking Group PLC bonds	-	Financial assets at amortized cost - non-current	-	60,189	-	60,318	-
	Lotte Property & Development Co., Ltd. bonds	-	Financial assets at amortized cost - non-current	-	90,369	-	90,333	-
	Mizuho Financial Group Inc. bonds	-	Financial assets at amortized cost - non-current	-	168,874	-	172,162	-
	QNB Finance Ltd. bonds (XS1824431313)	-	Financial assets at amortized cost - non-current	-	299,880	-	299,880	-
	QNB Finance Ltd. bonds (XS1985100509)	-	Financial assets at amortized cost - non-current	-	270,852	-	270,702	-
	Santander UK PLC bonds	-	Financial assets at amortized cost - non-current	-	239,015	-	244,870	-
	Shinhan Bank bonds	-	Financial assets at amortized cost - non-current	-	133,828	-	133,676	-
	Union National Bank P.J.S.C bonds	-	Financial assets at amortized cost - non-current	-	150,838	-	150,690	-
	Xingsheng (BVI) Company Ltd. bonds	-	Financial assets at amortized cost - non-current	-	141,530	-	141,435	-
	Stocks							-
Vanguard International Semiconductor Corporation	Advanced Microelectronic Products Inc.	Investee	Financial assets at fair value through other comprehensive income - non-current	30,000	20,100	7	20,100	-
	United Industrial Gases Co., Ltd.	Investee	Financial assets at fair value through other comprehensive income - non-current	4,246	105,084	2	105,084	-
	AnDAPT Inc.	Investee	Financial assets at fair value through other comprehensive income - non-current	1,000	-	6	-	-
	Image Match Design Inc.	Investee	Financial assets at fair value through other comprehensive income - non-current	700	2,611	2	2,611	-
	Voltafield Technology Corporation (Cayman)	Investee	Financial assets at fair value through other comprehensive income - non-current	600	-	2	-	-
	Shenzhen Winsemi Microelectronics Co., Ltd.	Investee	Financial assets at fair value through other comprehensive income - non-current	-	53,053	10	53,053	-

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

Note 2: As of December 31, 2019, all the securities were not pledged or restricted.

Note 3: With respect to the information of subsidiaries, associates and joint ventures, please see TABLE 8 and TABLE 9.

TABLE 4

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note 1)		Disposal				Ending Balance (Note 2)	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Vanguard International Semiconductor Corporation	Unlisted stock investment													
	VIS Associates Inc.	Investment accounted for using equity method	-	Subsidiary	269	$ 8,676,465	48	$ 1,505,284	-	$ -	$ -	$ -	317	$ 9,817,273
	Vanguard International Semiconductor Singapore Pte. Ltd.	Investment accounted for using equity method	-	Subsidiary	-	-	325,610	7,448,974	-	-	-	-	325,610	7,100,120

Note 1: Subscription of cash injection shares.

Note 2: The ending balance included the profit and loss recognized by using equity method and the exchange differences on translation of foreign operations.

TABLE 5

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 YEAR ENDED DECEMBER 31, 2019
(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	$ 3,062,881	11	30 days after closing	$ -	-	$ 153,977	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
DECEMBER 31, 2019
(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	$ 153,977	12.08	$ -	-	$ 152,936	$ -

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	$ 102,901	-	0.36%
				Other payables to related parties	11,552	-	0.03%
		VIS Shanghai Company Limited	Directly held subsidiary	Marketing expenses	911	-	-
				Other payables to related parties	227	-	-
		Vanguard International Semiconductor Singapore Pte. Ltd.	Directly held subsidiary	Interest income	38,315	-	0.14%
				Other receivables from related parties	19,860	-	0.05%
				Sales revenue	19,560	-	0.07%

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

TABLE 8

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 YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Gain (Loss) of the Investee (Foreign Currencies in Thousands)	Investment Gain (Loss) Recognized (Foreign Currencies in Thousands)	Note
				December 31, 2019 (Foreign Currencies in Thousands)	December 31, 2018 (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	$ 9,774,919	$ 8,269,635	317	100	$ 9,817,273	$ 296,891	$ 296,891	Subsidiary
	Vanguard International Semiconductor Singapore Pte. Ltd.	Singapore	Semiconductor manufacturing, selling and packaging	7,448,974	-	325,610	100	7,100,120	(153,644)	(153,644)	Subsidiary
	CMSC, Inc.	Hsinchu City, Taiwan	Integrated circuit design services and related businesses	112,650	112,650	9,902	25	38,129	(49,230)	(12,279)	Investment accounted for using equity method
	Qromis, Inc.	Delaware, USA	Semiconductor research and development related businesses	347,490	316,750	10,705	39	202,446	(60,468)	(27,808)	Investment accounted for using equity method
VIS Associates Inc.	VIS Investment Holding, Inc.	Delaware, USA	Investments	187,425 (US$ 6,250)	187,425 (US$ 6,250)	63	100	83,988 (US$ 2,801)	2,161 (US$ 70)	2,161 (US$ 70)	Subsidiary
VIS Investment Holding, Inc.	VIS Micro, Inc.	California, USA	Marketing services	5,998 (US$ 200)	5,998 (US$ 200)	200	100	64,056 (US$ 2,136)	4,065 (US$ 131)	4,065 (US$ 131)	Subsidiary

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	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)	$ (175) (RMB (40) thousand)	100	$ (175) (RMB (40) thousand)	$ 4,069 (RMB 948 thousand)	$ -	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amount Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$4,556 (RMB 1,000 thousand)	$4,556 (RMB 1,000 thousand)	$17,719,279

Note 1: Directly invested.

Note 2: Amount was recognized based on the subsidiary's financial statements which were audited 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 thousand (RMB 22,340 thousand) is accounted for financial assets at fair value through other comprehensive income. Please refer to TABLE 3.