



TPK Holding Co., Ltd.

Annual Report 2018

Annual report inquiry website

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Website: <https://www.tpk.com>

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Notice to readers

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

1. Spokesperson, Deputy Spokesperson, their names, Positions, telephone numbers and e-mail addresses:

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Name of Deputy Spokesperson: Li-Chien Hsieh	Job Title: President/CEO
Freddie Liu	Job Title: Chief Strategy Officer
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2. Headquarters, branch office, factory address and Tel:

(1) Headquarters

TPK Holding Co., Ltd.	Registered Address: PO Box 309, Ugland House, Grand Cayman KY 1-1104 Cayman Islands
Web Site: https://www.tpk.com	Business Address Address: 199, Banshang Road, Information Photoelectric Park, Torch Development Zone For HighTechnology Industries, Xiamen, Fujian.
	Tel: (86)592-573-8999

(2) Subsidiary and branch office

TPK Touch Solutions Inc.	Address: 6 F, No. 13-18, Sec. 6, Minquan E. Rd., Neihu Dist., Taipei City
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TPK Universal Solutions Limited Taiwan Branch	Address: 6 F, No. 13-18, Sec. 6, Minquan E. Rd., Neihu Dist., Taipei City
Web Site: https://www.tpk.com	Tel: (886)2-7727-1199
Upper Year Holdings Limited	Address: Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa
Web Site: https://www.tpk.com	Tel: (886)2-7727-1199
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Web Site: https://www.tpk.com	Tel: (886)2-7727-1199
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Ray-Star Universal Solutions Limited	Address: Units 610-611, 6/F., Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong Tel: (886)2-7727-1199
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TPK Film Solutions Limited	Address: Units 610-611, 6/F., Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong Tel: (886)2-7727-1199
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TPK Touch Solutions (Xiamen) Inc.	Address: 199, Banshang Road, Information Photoelectric Park, Torch Development Zone For HighTechnology Industries, Xiamen, Fujian. Tel: (86)592-573-8999
Web Site: https://www.tpk.com	
TPK Lens Solutions Inc.	Address: 40, Haijing Middle Road, Haicang, Xiamen EPZ, Fujian. Tel: (86)592-689-2626
Web Site: https://www.tpk.com	
TPK Touch Systems (Xiamen) Inc.	Address: The Third, Fourth, Fifth And Eighth Floor, No. 190, Jimei Avenue, Jimei, Xiamen, Fujian. Tel: (86)592-779- 0999
Web Site: https://www.tpk.com	
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TPK Glass Solutions (Xiamen) Inc.	Address: 996, Minan Avenue, Xiangnan Industrial District, Torch Development Zone For High Technology Industries, Xiamen, Fujian. Tel: (86)592-779-7999
Web Site: https://www.tpk.com	
XiaMen Jan Jia Optoelectronics Co., Ltd.	Address: Middle Building, No. 1, Xiangming Road, Xiangnan Industrial District, Torch Development Zone For High Technology Industries, Xiamen, Fujian. Tel: (86)592-573-8999
Web Site: https://www.tpk.com	
TPK Film Solutions (Xiamen) Inc.	Address: D Zone, The Fifth Floor Of Complex Building, No. 191, Banshang Road, Information Photoelectric Park, Torch Development Zone For High Technology Industries, Xiamen, Fujian. Tel: (86)592-573-8999
Web Site: https://www.tpk.com	
TPK MasTouch Solutions(Xiamen) Inc.	Address: 1, Haijing North Road, Haicang, Xiamen EPZ, Fujian. Tel: (86)592-573-8999
Web Site: https://www.tpk.com	

TPK Touch Solutions (Pingtan) Inc.	Address: 1, Ruyi East Road, Beicuo Town, Pingtan County, Fujian.
Web Site: https://www.tpk.com	Tel: (86)592-573-8999
TPK Material Solutions Inc.	Address: 19, Quanyuan Road, Jinjiang Economic Development Zone, Fujian.
Web Site: https://www.tpk.com	Tel: (86)592-573-8999
TPK Advanced Solutions Inc.	Address: The Second, Third And Fourth Floor, No. 515, Qishan North Road, Information Photoelectric Park, Torch Development Zone For High Technology Industries, Xiamen, Fujian.
Web Site: https://www.tpk.com	Tel: (86)592-573-8999
TPK Chenqi (Mainland) Solutions	Address: E Zone, The Fifth Floor Of Complex Building, No. 191, Banshang Road, Information Photoelectric Park, Torch Development Zone For High Technology Industries, Xiamen, Fujian.
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TPK Material Solutions (Xiamen) Inc.	Address: A Zone, The First Floor, No.3 Workshop Of Bathroom Ironmongery, No. 2168, Tongan Avenue, Tongan, Xiamen, Fujian.
Web Site: https://www.tpk.com	Tel: (86)592-573-8999
Jan Jia Trading Company Limited	Address: Units 610-611, 6/F., Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Web Site: https://www.tpk.com	Tel: (86)592-573-8999

(3) Lawsuit, non-lawsuit legal representative name, position, telephone number and e-mail

Name: Michael Chao-Juei Chiang Job Title: Chairman
Tel: (886)2-7727-1199 E-mail: Stock@tpk.com

3. Share Transfer Agent:

Name: Department of service agent of Yuanta Securities Co. LTD.	Address: First floor underground, No. 210, Lane 3, 5 th Avenue, Datong District, Taipei
Web Site: http://www.yuanta.com	Tel: (886)2-2586-5859

4. Auditors:

CPA Name: Kuo, Tzu-Jung, Chuang, Pe-Yu	
CPA Firm: Deloitte Touche Tohmatsu Limited	Address: The Twentieth Floor, No. 100, Songren Road, Sinyi District, Taipei.
Web Site: http://www2.deloitte.com	Tel: (886)2- 2725-9988

5. Name of overseas trading office of listed valuable securities and the way to inquire information of valuable overseas securities:

Overseas of Convertible Bonds	Trading office: Luxembourg Stock Exchange	Web Site: www.bourse.lu/Accueil.jsp
Global Depository Shares	Trading office: Luxembourg Stock Exchange	Web Site: www.bourse.lu/Accueil.jsp

6. Web Site: <https://www.tpk.com>

7. Board members:

March 31, 2019

Position	Name	Nationality	Main Education/Experience Background
Chairman	Michael Chao-Juei Chiang	Canadian	Business Administration, Fu Jen Catholic University TVM Corporation - Chairman Taiwan Video & Monitor Corporation - President
Director	Foster Chiang	Canadian	Double Master Degree of International Research and Business Administration of Pennsylvania State University Lehman Brothers (Hong Kong) Inc.- Global Analyst Nomura Securities (Hong Kong) Limited. - Global Analyst
Director	Capable Way Investments Limited	Taiwan	Master of Business Administration (MBA), Duke University Lite-On Technology Corporation, Portable Image Device SBG - Chief Operation Officer Lite-On Young Fast Co. - President
	Representative: Li-Chien Hsieh		
Director	Max Gain Management Limited	Taiwan	Mechanical and Electrical Engineering, China University of Science and Technology Manufacturing department (China) of Tupo Optoelectronics Incorporated -Assistant Manager Research departments of Chief Industrial Inc.-Assistant Manager
	Representative: Heng-Yao Chang		
Director	High Focus Holdings Limited	Taiwan	Mechanical Engineering, Feng Chia University Business development at Green Point Incorporated Company -Director
	Representative: Tsung-Liang Tsai		
Director	Global Yield International Co.,Ltd.	Taiwan	Mechanical Engineering , National Chin-Yi University of Technology Quality assurance at TVM (PRC) Corporation-Assistant Vice President Amkor Co. Ltd.- Assistant Vice President
	Representative: Shih-Ming Liu		
Independent Director	Hong-Yan Chang	Taiwan	Master of Business Administration (MBA), APC degree in Accounting, St. John's University Interplex Industries Inc., New York, USA - Deputy Chief Financial Officer and Assistant Chief Controller Department of Business Administration, Soochow University, Taiwan - Adjunct Associate Professor Department of Communications Management, Shi Hsin University, Taiwan - Full-time Associate Professor
Independent Director	Fong-Nien Chiang	Taiwan	Master of Political Economy, University of Texas at Dallas Trend Micro Incorporated- General Manager SINA. COM ONLINE. - CEO SINA Corporation - Chairman
Independent Director	Ming-Jeng Weng	Taiwan	MBA, University of Southern California Citi Bank- Vice President Salomon Smith Barney Inc. Taipei Branch, Citi Group-General Manager Lehman Brothers Securities Taiwan Ltd.- Chairman Nomura International (Hong Kong) Limited, Taipei Branch -Managing Director

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I. Letter to Shareholders

2018 was a year with many challenges. TPK has turned red ink in its book into black in 2017 after the re-organization and re-engineering since 2015. In 2018, TPK has continued to co-develop new products with customers. Owing to the severe competition in the industry caused average selling price of the products to decline, coupled with weaker end-market demand, and the China-US trade war to interfere macro-economic situation, the Company could merely make small profits.

Touch industry has developed for more than 10 years and has gone through rapid growth stage toward mature stage. Touch application has penetrated into a variety of consumer electronics, infotainment system for automotive, industrial products, POS devices in malls, and educational white boards etc. However, due to the consumer electronics market has been almost saturated, and recently new products has launched with no significant new functions to motivate the replacement demand, the growth rate of the end market demand has slowed down and been stagnant.

In 2019, worldwide brand manufacturers are all dedicated to develop new products with either new and creative functions or appearance to stimulate the consumption and market demand. Accordingly, foldable or flexible products have their place, and have emerged as a point of attention in the market. In addition, there are more and more automobiles begin to adopt capacitive touch panels on the infotainment system, which contributes to the sustained growth of the automotive touch market. As a touch technology leading company, TPK will continue to maintain close relations with customers, and to invest in the research and development of innovative materials and new manufacturing processes as well. In addition, TPK will work together with our customers to condense the lead-time from research and development to mass production, and hence our customer could be the pioneers in the market by adopting TPK's extraordinary innovative touch solutions.

Review of 2018 company policy

The major policy of the Company in 2018 was to continuously improve the yield rate and efficiency, and maintain closer relationships with major customers. The achievements are summarized below:

(I) Development policy of Organization: Optimize manufacturing process and focus on R&D

Owing to our cutting-edge technology, the Company has optimized manufacturing process and the product specifications, and has committed further resources to the development of new materials and manufacturing processes for flexible touch solutions. TPK has possessed key accessible intellectual property patents of silver nanowire (SNW) materials, and the know-how of manufacturing process of SNW.

(II) Sales policy: Provide the customers with high quality, high specification, and competitive products

The Company continued to deepen the relationships with existing customers and played the important role of assisting brand customers to set the mainstream technology spec in the industry and to look for a brand new industry scope that can pioneer the technology trends of next generation and create new addressable markets.

(III) Manufacturing policy: Increase the proportion of automation, and improve the yield rate and efficiency

TPK's total number of employees was 23,942 people as of end of 2018, down from 26,177 as of the end of 2017 due to the increased proportion of automation in the Company's manufacturing process. In addition, the company has more elastic plans to adjust the manpower between peak and low seasons owing to higher automation. Meanwhile automation could also reduce the negative influence when the company encounters labor lacking or salary increasing issues. The manufacturing yield rate and production efficiency has been improved as well in the past few years.

Financial Performance

The Company had consolidated revenues of NT\$113,500 million in 2018, which was an increase of 5.9% from 2017. The net income attributable to the parent company amounted to NT\$220 million, and earnings per share were NT\$0.55.

Research and Development

TPK is an industry-leading touch technology company, and has 2,459 issued patents as of the end of 2018, including 1,343 invention patents and 1,116 utility model patents. In 2019, the Company will continue to pursue patent protection for our proprietary technology and dedicate ourselves not only to research and development, but also to applying for new patents to ensure our technology is strongly protected.

Looking into the future, the Company will continue to increase its proportion of automated production, and concentrate on the research and development of products with flexible touch as well. Regarding the flexible touch, the Company will continue to develop core technology of sliver nanowire, and will work on the manufacturing process and related equipment based on the characteristics of SNW. At the same time, the Company will spare no effort in searching for joint venture partners to build up a vertical supply chain of SNW from upstream to downstream, and pave the way for the potential mainstream technology of next generation.

Summary of Business Plans for 2019

In 2019, we expect to maintain a stable performance. We will not only maintain the existing business, but proactively expand more diversified touch applications. In the quest for flexible touch products in the market, silver nanowire, as a new material and the Company has worked on it for a couple of years, has attracted market attention and high expectation. Many customers have eagerly engaged in co-development projects with the Company on SNW. TPK plans to mass produce larger size SNW products in 2019, and continues to promote SNW materials. The Company is looking for customer cooperation opportunities to expand the scope of the applications of SNW with a view to replacing ITO step by step.

The outline of the Company's Business Plan in 2019 is specified below:

Lean Operation

(I) Continuous yield rate and efficiency improvement

For the existing technology, the Company will provide the customers products with better sensitivity and functions. TPK will also fine-tune the supply chain management and optimize material cost to provide outstanding solutions to our customers with the most efficient cost structure, so that our solutions could keep competitive in the industry.

(II) Continuous service upgrade and customer relationships strengthening

In 2019, the Company will continue to improve the yield rate and efficiency for providing our customers with better quality products. Moreover, the Company will seek any opportunity to cooperate with partners in the supply chain and consolidate the material management and components integration of up/down stream partners, thus TPK can provide more diversified solutions, product designs and services to increase our value-add and further strengthen the customer relationships.

(III) Continuous expenditure control and the maintenance of a healthy financial structure in response to the volatile economic and industry environment

TPK's operating expense rate was 3.9% in 2018, down from 4.6% in 2017. This is the result of cost control by the Company. In 2019, TPK will not only continue to follow the cost control policy, and further enhance the yield rate and efficiency, but also continue to increase the proportion of the automation. We hope to use the leanest organization and the optimal manufacturing processes to tackle the various challenges of the industry.

After a series of write-off, re-organization and re-engineering, the Company has achieved significant enhancement in operating performance with substantial improvements to its financial structure. In 2019, the Company will also continue to maintain low level of financial leverage and a conservative financial structure in order to maintain stable funding allocation while high technology business cycles are always changing so quickly.

Embrace the future

Work on the next generation touch technology, and enjoy the first mover advantage

The Company has spent 8 years in the research and development of SNW, and has possessed the core technology. TPK is the technology leader and the only supplier with end-to-end solutions of SNW to customers in the market for the time being. The Company has been aggressive to co-develop the new applications of SNW on all sizes products with our customers, and hopes to set up the industry standard spec of flexible touch with our customers before the flexible products has become mainstream in the market. TPK will help customers to mass produce new products by utilizing our extraordinary research and development capability to innovate technology of new material, new manufacturing processes, and new equipment. In addition, the low resistance of SNW is proved to be a better solution for products with a super-large size touch panel. For this reason, the Company will spare no effort in developing the interactive panel and white board market as well as the flexible products market.

Development Strategy

TPK has made profits for two consecutive years under the challenging macroeconomic environment and the severe industry competition. In 2019, the Company continues to grow in a stable pace and with a solid foundation. TPK not only looks for the R&D innovation, but continues to optimize the organization and to improve the yield rate and efficiency, in order to assist our customers become industry leaders of next generation touch technology. Besides, the Company will search for cooperation partners, and optimize the benefit for the shareholders given limited resources. As a technology leading company in the industry, TPK has never neglected its corporate social responsibility, and has spared no effort in showing its concern and feedback for the society. Undoubtedly, the Company will continue its contribution to the society in the future.

Last but not least, we would like to thank all the shareholders, customers, and colleagues for your perpetual support and care for the Company. Despite current challenges in the environment, we still hope for the support of every shareholder and predecessor in the industry for our business strategy and development, as well as recognizing the effort made by our management team. With such support we are confident that we can reach the next milestone successfully.

Michael Chao-Juei Chiang, Chairman

Li-Chien Hsieh, Chief Executive Officer

II. Company Profile

1. Date of Incorporation:

November 21, 2005

2. Company History:

TPK Holding Co., Ltd. (Hereinafter referred to as “this company”) was established in the Cayman Islands on November 21, 2005 with 25 subsidiaries distributed in the businesses of the development, manufacturing, and sale of touch applications.

This company strives to develop touch technology based on TPK Touch Solutions Inc. After it progressed into ITO glass and touch technology, it became the partner of an international company for the development of a touch sensor used in smart phones. Since then, this company settled its technology development direction and operation strategy, which pursues relative technology and procedures for projected capacitance. To satisfy customer demands and in consideration of the laborers needed for manufacturing, this company established a factory in Xiamen in 2005.

This company is the leading firm in professional touch technology applications and can provide customers with comprehensive touch technology application solutions, from development to product design and mass production, through a vertical integration production pattern, thus helping customers to significantly reduce the lead time and streamline the production process of product development in order to conform to the quickly changing electronics industry.

Touch is the most instinctive and humanized communication mode. In a number of recent touch technologies, customers have enjoyed the best usage experience thanks to touch sensitivity, durability, and the multi-touch characteristic of projected capacitance. Main of this company’s products are related components, modules of projected capacitance, and service for Opto-Mechatronics. This company ranks among the top, whether in technology level, production ability, or yield, and its customers are world-class electronics factories.

The company’s various departments are shown in the following table:

Company’s milestone is shown in following table:

Date	Milestone
May 2003	TPK Touch Solutions Inc. established
August 2004	TPK Touch Solutions (Xiamen) Inc. established
November 2005	This company was established and registered in British Cayman Islands
December 2005	Subsidiary Optera Technology (Xiamen) Co., Ltd. established

Date	Milestone
May 2006	Subsidiary TPK Lens Solutions Inc. established
June 2006	Subsidiary TPK Touch Systems (Xiamen) Inc. established
June 2007	Mass production
December 2007	Passed ISO TL9000/ISO9001:2000 International Quality Certificate
April 2008	Passed ISO 14001:2004 International Quality Certificate
May 2009	Passed ISO IEC17025:2005 International Quality Certificate
June 2009	Import Six Sigma
July 2009	TPK Touch Solutions (Xiamen) Inc. got the certification of China high-tech companies Optera Technology (Xiamen) Co., Ltd. got the certification of China high-tech companies
December 2009	Passed SA8000:2008 International Quality Certificate
January 2010	Board of directors and board of shareholders passed the application to return to Taiwan for the first listing Elected independent director and set audit committee
March 2010	TPK Lens Solutions Inc. got the certification of China high-tech companies This company got 50% stock rights of Optera TPK Holding Pte. Ltd. from Magna International (Hong Kong) Limited, and some assets as well as professional team from Optera Inc.
April 2010	Subsidiary Ray-Star Technology (Xiamen) Inc. established Subsidiary Ray-Star Optical Solutions (Xiamen) Inc. established Subsidiary TPK America, LLC established TPK Touch Solutions (Xiamen) Inc. got the title of SA 8000 (Social Accountability 8000) issued by SAI certificate company
July 2010	Handle IPO
October 2010	Stock listing
November 2010	Passed TL9000-H R5.0/R4.0/ISO9001:2008 certificate
December 2010	Subsidiary TPK Asia Pacific Sdn. Bhd established Subsidiary Ray-Star Universal Solutions Limited established Subsidiary TPK Universal Solutions Limited established Chairman Michael Chao-Juei Chiang was awarded Manager Today-2010 MVP Manager President Ta-Min Sun got the title of “Excellent Administrator who cares for employees” issued by work committee of labor union of Xiamen development zone
January 2011	TPK Touch Solutions (Xiamen) Inc. was awarded as 2010 Xiamen excellent high-tech enterprise
February 2011	Subsidiary TPK Glass Solutions (Xiamen) Inc. established Subsidiary TPK Universal Solutions Limited, Taiwan Branch (TPK Universal Solutions Limited Taiwan Branch) established TPK Touch Solutions (Xiamen) Inc. was awarded 2010 Xiamen top ten excellent enterprise

Date	Milestone
	Optera Technology (Xiamen) Co., Ltd. was awarded Xiamen major enterprise
April 2011	TPK Touch Solutions Inc. office relocated in NeiHu Issued the 2011 first overseas unsecured convertible corporate bond Passed ISO14001:2004 certificate Passed ISO9001:2008 certificate Got subsidiary MasTouch Optoelectronics Technologies Co., Ltd. Got subsidiary Ray-Star System Solutions (Xiamen) Inc. Got subsidiary Ray-Star System Solutions Limited
May 2011	Passed the safety certification of German Rheinland Electrical Passed water balance test
July 2011	TPK Universal Solutions Limited purchased 19.9% stock rights of CANDO CORPORATION Got subsidiary CIM Corporation Got subsidiary Hallys Corporation
August 2011	Passed ISO9001 certificate
September 2011	TPK was awarded investment relation prize for IPO in Taiwan CEO Ta-Min Sun was awarded investment relation prize for CEO in Taiwan Chief financial officer Freddie Liu was awarded investment relation prize for chief financial prize in Taiwan
October 2011	TPK Touch Solutions Inc. was awarded best known enterprise by Commonwealth Magazine in Taiwan
November 2011	Set Salaries and Remuneration Commission TPK Touch Solutions Inc. was awarded 2011 top 20 innovative enterprises in Taiwan by MOEAIDB
December 2011	TPK Touch Solutions Inc. ranked 77th of 500 Asia-Pacific High-Tech, High-Growth Fast Enterprises in 2012 TPK Touch Solutions (Xiamen) Inc. won the Xiamen Science and Technology Progress Award issued by Xiamen Science and Technology Bureau for its thin Layer Projected Capacitive Touch Screen Technology
February 2012	Passed ISO14001-2004 certificate
March 2012	Chief financial officer Freddie Liu was awarded the best chief financial officer
April 2012	Got subsidiary XiaMen Jan Jia Optoelectronics Co., Ltd. Got subsidiary TPK Specialty Materials Limited
May 2012	Subsidiary Hallys Hong Kong Limited established
June 2012	TPK Touch Systems (Xiamen) Inc. was awarded 2012 Xiamen “Water Saving” enterprise Subsidiary TPK Film Solutions Limited established TPK Touch Solutions (Xiamen) Inc. was awarded 2012 most innovative enterprise of China by Chinese Association of Productivity Science CEO Ta-Min Sun was awarded 2012 excellent innovative entrepreneur by

Date	Milestone
	Chinese Association of Productivity Science
July 2012	Subsidiary TPK Film Solutions (Xiamen) Inc. established
October 2012	Issuance of 2012 overseas unsecured convertible corporate bonds and overseas depository receipts
November 2012	Subsidiary Hallys (Xiamen) Inc. Established
February 2013	TPK Holding Co., Ltd. won the company management prize issued by The Asset Magarizonaine TPK Holding Co., Ltd. was awarded Taiwan Best Deal for its overseas unsecured convertible corporate bonds and overseas depository receipts by The Asset Magarizonaine Got subsidiary TPK MasTouch Solutions (Xiamen) Inc. Subsidiary TPK Touch Solutions (Pingtan) Inc. established
March 2013	Passed OHSAS18001:2007 certificate
April 2013	Passed IOS14001:2004 certificate President Ta-Min Sun was awarded the China top 10 credit entrepreneur by Credit Rating and Certification Center of China Academy of Commerce, the Credit Evaluation Research Center of China Academy of Management Science, the Credit Work Committee of China Market Association and the China Credit Construction Promotion Association. Subsidiary TPK Cando Solutions Inc. established
May 2013	MasTouch Optoelectronics Technologies Co., Ltd. was bought by TPK Touch Solutions Inc.
July 2013	TPK Holding Co., Ltd. was awarded the third best company in Taiwan by The Asset Magarizonaine TPK Holding Co., Ltd. won the second prize of best investor relation in Asia issued by The Asset Magarizonaine President Ta-Min Sun was awarded the third best President in Asia by The Asset Magarizonaine Chief financial officer Freddie Liu was awarded the first best chief financial officer in Asia by The Asset Magarizonaine Chief financial officer Freddie Liu won the second prize of most professional investor relation in Asia issued by The Asset Magarizonaine TPK Touch Solutions (Xiamen) Inc. and TPK Touch Systems (Xiamen) Inc. were both awarded the Xiamen Energy Conservation Demonstration Project by Xiamen Municipal Energy Conservation Office and Xiamen Economic Development Bureau.
August 2013	Subsidiary TPK Material Solutions Inc. established
October 2013	TPK Holding Co., Ltd. was awarded 2013 best known photoelectricity enterprise in Taiwan by Commonwealth Magazine
	TPK Holding Co., Ltd. signed joint agreement with Nissha Printing Co., Ltd. and Cambrios Technologies Corp. to develop Silver Nanowire together
November 2013	Subsidiary Jin Shun Xin Development (Pingtan) Co., Ltd. established

Date	Milestone
	TPK Holding Co., Ltd. won the gold metal of management by The Asset Magarizonaine
	TPK Glass Solutions (Xiamen) Inc. was awarded the safe production standard three qualification enterprise by Xiamen Safety Production Management Association
December 2013	Optera Technology (Xiamen) Co., Ltd., Ray-Star Optical Solutions (Xiamen) Inc. and TPK Touch Systems (Xiamen) Inc. were awarded the safe production standard three qualification enterprises by Xiamen Safety Production Management Association
February 2014	Subsidiary TPK Touch Solutions (Xiamen) Inc. won China Patent Excellence Award for its “Capacitive Touch Circuit Graphics and Its Manufacturing Method” (200910129503.8) issued by the National Intellectual Property Office
May 2014	President Ta-Min Sun won the prize of most influential people in touch screen industry issued by China Communications Industry Association and Nikkei BP
	TPK Holding Co., Ltd. won the prize of most influential international brands in the touch screen industry issued by China Communications Industry Association and Nikkei BP
	TPK Touch Solutions Inc. was awarded 1000 enterprises across the Taiwan Straits by CommonWealth Magazine
	Subsidiary Ray-Star Optical Solutions (Xiamen) Inc. was awarded water saving enterprise by Xiamen Construction and Administration Bureau
July 2014	Subsidiary TPK Advanced Solutions Inc. established
	Subsidiary TPK Advanced Solutions Inc. established
November 2014	Previous President Ta-Min Sun became Vice Chairman, Yi-Hua Chung was employed as President
	TPK Holding Co., Ltd. won “Best Quality Award” prize issued by ZTE
January 2015	TPK Holding Co., Ltd. won the 2015 Best Quality Planning Prize issued by ZTE Corporation’s Terminal Business Unit
March 2015	TPK Holding Co., Ltd. won the best investor relation prize issued by FinanceAsia
April 2015	Issue of 2015 overseas unsecured convertible corporate bonds and overseas depository receipts
December 2015	XiaMen Jan Jia Optoelectronics Co., Ltd. purchase the 100% stock right of Jin Tong suzhou Optoelectronics Co., Ltd.
	Subsidiary TPK Touch Solutions (Xiamen) Inc. was recognized as cross-strait youth entrepreneurship base by Taiwan Work Office of the Central Committee of the Communist Party of China and the Taiwan Affairs Office of the State Council
February 2016	Subsidiary TPK Material Solutions Inc. was awarded the excellent enterprise of tax payment of over NTD 10 million in 2015 by the management

Date	Milestone
August 2016	committee of Fujian Jinjiang Economic Development Zone Subsidiary TPK Touch Solutions (Pingtan) Inc. was awarded “Thirty Model Enterprises” in the Fujian Province Free Trade Experimental Zone from 2015 to 2016 by the Office of the Leading Group of the China (Fujian) Free Trade Experimental Zone
November 2016	Subsidiary TPK Glass Solutions (Xiamen) Inc. won the third prize of Fire Torque Competition of Xiamen Torch High-tech Zone issued by the Management Committee of Xiamen Torch High-tech Zone
January 2017	TPK Holding Co., Ltd. was awarded 2016 Best Supplier by PEGATRON Subsidiary TPK Material Solutions Inc. was awarded the excellent enterprise of tax payment of over NTD 5 million in 2016 by the management committee of Fujian Jinjiang Economic Development Zone
February 2017	
March 2017	Subsidiary TPK Touch Solutions (Pingtan) Inc. disposed 91% equity of Jinshunxin Development (Pingtan) Co., Ltd. to Rayxin (Pingtan) Investment Co., Ltd.
April 2017	Audit supervisor PEI-CHI WANG was awarded the 26th Excellent Internal Auditor by the Internal Auditing Association of the Republic of China
June 2017	Subsidiary TPK Advanced Solutions Inc. won the second prize of “Torch Cup” Safety Production Knowledge Competition and the honorary certificate of organization issued by the Xiamen Torch High-tech Zone Management Committee and the Xiamen Development Zone Trade Union. TPK Touch Solutions (Xiamen) Inc., TPK Advanced Solutions Inc., TPK Glass Solutions (Xiamen) Inc., TPK MasTouch Solutions (Xiamen) Inc., TPK Touch Systems (Xiamen) Inc. and XiaMen Jan Jia Optoelectronics Co., Ltd. were awarded 2017 Xiamen major enterprises by Xiamen Economic informatization and Council
September 2017	
September 2017	Selected Hwai-Hai Chiang as President Issue 2017 overseas depository receipts
January 2018	Subsidiary Jan Jia Trading Company Limited established
March 2018	Subsidiary TPK Touch Solutions (Xiamen) Inc. got the honorary title of the 2017 Advanced Purchasing Manager Survey issued by the Xiamen Investigation Team of the National Bureau of Statistics.
May 2018	Subsidiary XiaMen Jan Jia Optoelectronics Co., Ltd. disposed the stock right of Jin Tong suzhou Optoelectronics Co., Ltd. for re-investment to Xiamen Jiazhong Chuangmeng Equity Investment Partnership
June 2018	Subsidiary TPK Touch Solutions (Xiamen) Inc., TPK Advanced Solutions Inc. was awarded the 2017 annual taxpayer enterprise by the Management Committee of Xiamen Torch Hi-Tech Industrial Development Zone Subsidiary TPK Glass Solutions (Xiamen) Inc. was awarded the 2017 Key Taxpaying Enterprise by the Management Committee of Xiamen Torch Hi-Tech Industrial Development Zone Subsidiary XiaMen Jan Jia Optoelectronics Co., Ltd. won the 2017 Taxation Star Enterprise prize issued by the Management Committee of Xiamen

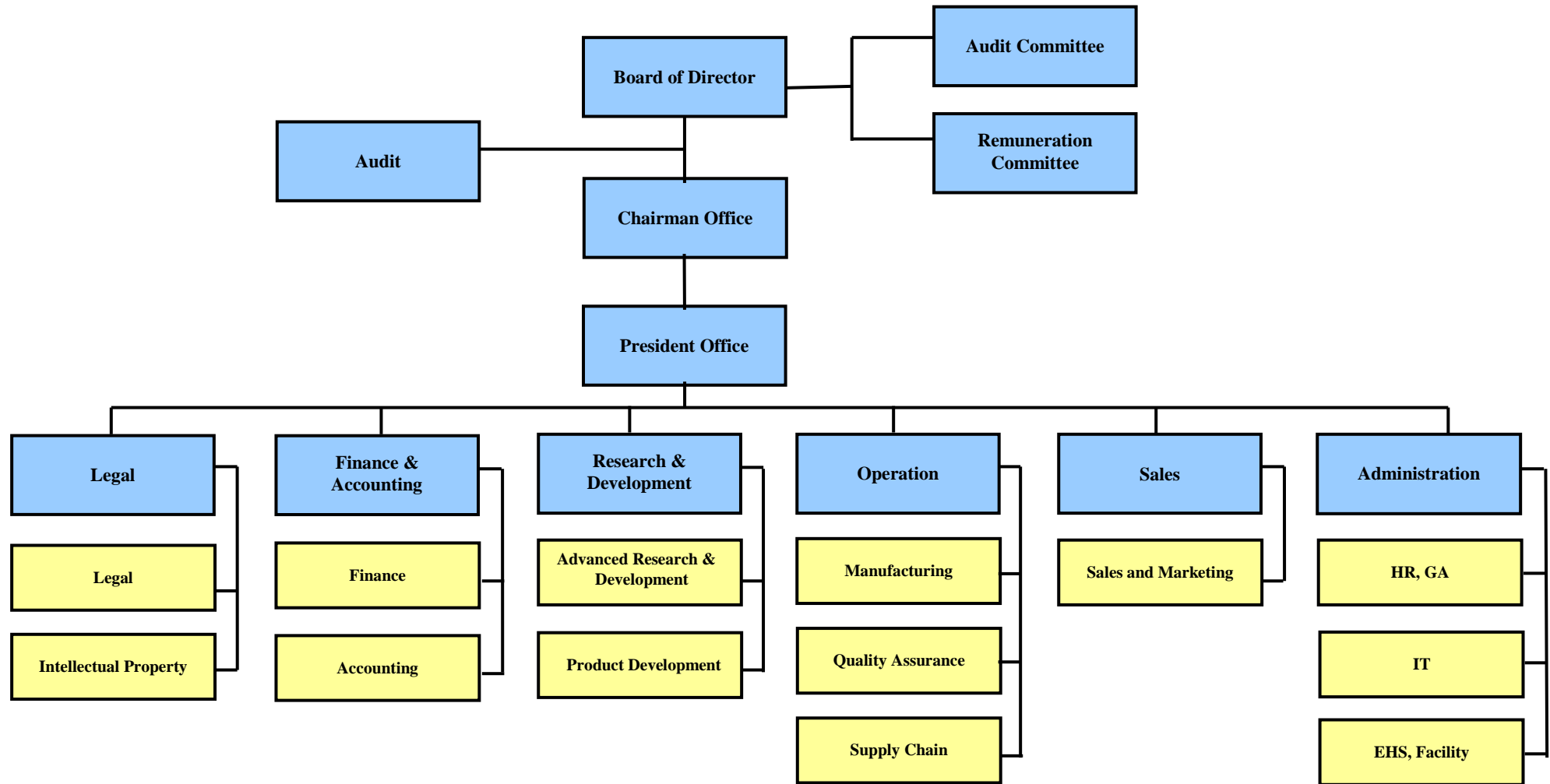
Date	Milestone
July 2018	<p>Torch Hi-Tech Industrial Development Zone</p> <p>TPK-KY (3673) is included in the 2017 “Taiwan Corporate Governance 100 Index” by its grade of top 20% corporate governance evaluation results.</p> <p>TPK Touch Solutions (Xiamen) Inc., TPK Advanced Solutions Inc., TPK Glass Solutions (Xiamen) Inc., TPK MasTouch Solutions (Xiamen) Inc., TPK Touch Systems (Xiamen) Inc. and XiaMen Jan Jia Optoelectronics Co., Ltd. were awarded 2017 Xiamen major enterprises by Xiamen Economic informatization and Council</p>
August 2018	<p>Passed ISO9001:2015 certificate</p> <p>Passed IATF16949:2016 certificate</p>
October 2018	Subsidiary TPK Material Solutions (Xiamen) Inc. established
November 2018	Subsidiary TPK Cando Solutions Inc. closed the liquidation
December 2018	<p>Li-Chien Hsieh was elected as President</p> <p>Subsidiary TPK Touch Solutions (Xiamen) Inc. got second prize of patent for its “pressure detecting device“ issued by Xiamen Government</p>

III. Corporate Governance Report

1. Organization

(1) Organization Chart

As of December 31, 2018



(2) Key duties and functions of major divisions:

Department	Duties and functions
Chairman Office	Plan quality policies and objectives for business operation and appoint a main manager to promote business execution.
President Office	Execute the decisions made by the board of directors and be responsible for all company affairs.
Audit Committee	Assist with supervising the board of directors and strengthen management mechanisms according to the responsibility entrusted by the Company Law and Security Exchange Law.
Remuneration Committee	Assist the board of directors with executing and evaluating the company's overall salary and welfare policies, as well as the salary for directors and managers.
Audit	Responsible for internal auditing and operation procedures, as well as ensuring they can follow management auditing.
Finance & Accounting	Responsible for capital movement, accounting transactions, and strategic investments, as well as implementing company operations, investor relations, and share affairs.
Research & Development	Responsible for developing and designing product technology, introducing new equipment/technology, and the trial production, testing, and verification of new products.
Operation	Responsible for matters related to production, quality, procurement, and information management, thus achieving annual production plans and objectives.
Sales	Responsible for market information collection, product sales, and customer service; develops new market and customers; and responsible for the introduction of new products and maintaining current customers.
Administration	Responsible for general affairs and the HR management system, making full use of organization and human resources, and ensuring good logistic support and harmonious labor-capital relationships.
Legal	Responsible for legal affairs and application for and maintenance of relative patents.

2. Director, Supervisor, President, Vice President, Assistant Vice President, departments, and branch heads

(1) Directors' names, shareholding, and education/experience background (this company does not have a Supervisor set.)

March 31, 2019

Position	Nationality/ registered address	Name	Gender	Date of the initial election	Elected Date	Term year	Shareholding when elected		Present shareholding		Present shareholding of spouse & minor children		Shares held in another name		Major Education/Experience Background	Current position in this company and in other company	With spouse or 2 nd degree relative who are a supervisor, Director or Supervisor		
							Shares	Ratio of shareho lding	Shares	Ratio of sharehold ing	Shares	Ratio of sharehold ing	Shares	Ratio of shareholding			Position	Name	Relation
Chairman	Canada	Michael Chao-Juei Chiang	M	2006/10/20	2016/05/27	3	17,720,401	5.11%	17,720,401	4.36%	—	—	100,000	0.02%	Business Administration, Fu Jen Catholic University TVM Corporation - Chairman Taiwan Video & Monitor Corporation - President	Note 1	Director	Foster Chiang	father and son
Director	Canada	Foster Chiang	M	2013/05/22	2016/05/27	3	—	—	—	—	—	—	—	—	Double Master Degree of International Research and Business Administration of Pennsylvania State University Lehman Brothers (Hong Kong) Inc.- Global Analyst Nomura Securities (Hong Kong) Limited. - Global Analyst	Note 2	Chairman	Michael Chao- Juei Chiang	father and son
Director	Samoa	Capable Way Investments Limited (Note 10)	M	2010/01/08	2016/05/27	3	23,139,855	6.68%	23,139,855	5.69%	—	—	—	—	Master of Business Administration (MBA), Duke University Lite-On Technology Corporation, Portable Image Device SBG - Chief Operation Officer Lite-On Young Fast Co. - President	Note 3	—	—	—
	Taiwan	Representative: Li- Chien Hsieh (Note 3) (Representative: Hwai-Hai Chiang (Note 3)					—	—	—	—	—	—	—	—					
Director	Samoa	Max Gain Management Limited (Note 10)	M	2005/11/21 (2005/11/21~ 2006/10/20)	2016/05/27	3	25,222,643	7.28%	25,222,643	6.20%	—	—	—	—	Mechanical and Electrical Engineering, China University of Science and Technology Manufacturing department (China) of Tupo Optoelectronics Incorporated -Assistant Manager Research departments of Chief Industrial Inc.-Assistant Manager	Note 4	—	—	—
	Taiwan	Representative: Heng- Yao Chang					654,643	0.19%	543,643	0.13%	—	—	—	—					
Director	Samoa	High Focus Holdings Limited (Note 10)	M	2010/01/08	2016/05/27	3	13,273,610	3.83%	13,273,610	3.26%	—	—	—	—	Mechanical Engineering, Feng Chia University Business development at Green Point Incorporated Company - Director	Note 5	—	—	—
	Taiwan	Representative: Tsung-Liang Tsai					170,372	0.05%	50,372	0.01%	—	—	—	—					

Position	Nationality/ registered address	Name	Gender	Date of the initial election	Elected Date	Term year	Shareholding when elected		Present shareholding		Present shareholding of spouse & minor children		Shares held in another name		Major Education/Experience Background	Current position in this company and in other company	With spouse or 2 nd degree relative who are a supervisor, Director or Supervisor		
							Shares	Ratio of shareho lding	Shares	Ratio of sharehold ing	Shares	Ratio of sharehold ing	Shares	Ratio of shareholding			Position	Name	Relation
Director	Samoa	Global Yield International Co., Ltd. (Note 10)	M	2016/05/27	2016/05/27	3	1,114,000	0.32%	1,114,000	0.27%	—	—	—	—	Mechanical Engineering , National Chin-Yi University of Technology Quality assurance at TVM (PRC) Corporation- Assistant Vice President Amkor Co. Ltd.- Assistant Vice President	Note 6	—	—	—
	Taiwan	Representative: Shih- Ming Liu					80,945	0.02%	70,945	0.02%	—	—	—	—					
Independent Director	Taiwan	Horng-Yan Chang	M	2010/01/08	2016/05/27	3	—	—	—	—	—	—	—	—	Master of Business Administration (MBA), APC degree in Accounting, St. John's University Interplex Industries Inc., New York, USA - Deputy Chief Financial Officer and Assistant Chief Controller Department of Business Administration, Soochow University, Taiwan - Adjunct Associate Professor Department of Communications Management, Shih Hsin University, Taiwan - Full-time Associate Professor	Note 7	—	—	—
Independent Director	Taiwan	Fong-Nien Chiang	M	2013/05/22	2016/05/27	3	—	—	—	—	—	—	—	—	Master of Political Economy, University of Texas at Dallas Trend Micro Incorporated- General Manager SINA. COM ONLINE. - CEO SINA Corporation - Chairman	Note 8	—	—	—
Independent Director	Taiwan	Ming-Jeng Weng	M	2013/05/22	2016/05/27	3	323	0.00%	323	0.00%	—	—	—	—	MBA, University of Southern California Citi Bank- Vice President Salomon Smith Barney Inc. Taipei Branch, Citi Group- General Manager Lehman Brothers Securities Taiwan Ltd.- Chairman Nomura International (Hong Kong) Limited, Taipei Branch -Managing Director	Note 9	—	—	—

Note 1 : Michael Chao-Juei Chiang's current position in this company and in other company : TPK Touch Solutions Inc.-Chairman, TPK Touch Solutions (Xiamen) Inc.-Executive Director , TPK Glass Solutions (Xiamen) Inc.-Executive Director , TPK Chenqi (Mainland) Solutions Inc.-Executive Director , TPK Touch Systems (Xiamen) Inc.-Executive Director , TPK Lens Solutions Inc.-Executive Director , TPK Touch Solutions (Pingtan) Inc.-Executive Director , TPK Advanced Solutions Inc.-Chairman, Ray-Star Optical Solutions (Xiamen) Inc.-Chairman, TPK Film Solutions (Xiamen) Inc.-Executive Director , TPK Technology International Inc.-Director, Improve Idea Investments Ltd.-Director, TPK Asia Pacific Sdn. Bhd.-Director, Ray-Star System Solutions Limited-Director, Ray-Star Universal Solutions Limited-Director, TPK Universal Solutions

Limited-Director, TPK Universal Solutions Limited Taiwan Branch-Manager, TPK Film Solutions Limited-Director, Upper Year Holdings Limited-Director, Upper Year Holdings Limited Hong Kong Branch-Director, Optera TPK Holding Pte. Ltd.-Director, TPK America, LLC-Manager, TES Touch Embedded Solutions Inc.-Director, TES Technology (Hong Kong) Limited-Director, TES Touch Embedded Solutions (Xiamen) Co.,Ltd.-Director, TES Trading(Xiamen)Co.,Ltd-Director, Champ Great Int'l Corporation-Director, Digitalking Technology Limited-Director, First Way Investments Limited-Director, Global Excellent Trading Co., Ltd. -Director, Cambrios Film Solutions Corporation-Director, CAM International (Hong Kong) Limited -Director, YING KUAN LIMITED –Director and Representative, Panshi Company Limited –Director and Representative, and Chuan Juei Investment Co. Ltd. –Manager, 35 in total.

Note 2 : Foster Chiang's current position in this company and in other company : TPK Touch Solutions Inc.-Director, TES Touch Embedded Solutions Inc.-Director, TES Technology (Hong Kong) Limited-Director, TES Touch Embedded Solutions (Xiamen) Co.,Ltd.-Director, TES Trading(Xiamen)Co.,Ltd-Director, Champ Great Management Co., Ltd -Director, and Cambrios Advanced Materials Corporation –Chairman, 7 in total.

Note 3 : Li-Chien Hsieh took office on November16, 2018; Hwai-Hai Chiang resigned on November16, 2018.

Li-Chien Hsieh's current position in this company and in other company : TPK Touch Solutions (Xiamen) Inc.-Manager, TPK Glass Solutions (Xiamen) Inc.-Manager, TPK Chenqi (Mainland) Solutions Inc.-Manager, TPK Touch Systems (Xiamen) Inc.-Manager, TPK Lens Solutions Inc.-Manager, TPK Advanced Solutions Inc.-Director and Manager, Ray-Star Optical Solutions (Xiamen) Inc.-Director and Manager, Fichtner Pacific Engineers Inc. – Director, 8 in total.

Note 4 : Heng-Yao Chang's current position in this company and in other company : Xiamen Jan Jia Optoelectronics Co., Ltd.-Director, 1 in total.

Note 5 : Tsung-Liang Tsai doesn't hold a position in this company and other company.

Note 6 : Shih-Ming Liu's current position in this company and in other company : TPK Touch Solutions Inc.-Supervisor, TPK Film Solutions Limited-Director, Ray-Star Optical Solutions (Xiamen) Inc.-Director, TPK Film Solutions (Xiamen) Inc.-Manager, TPK MasTouch Solutions(Xiamen) Inc.-Executive Director and Manager, TPK Touch Solutions (Pingtan) Inc.-Manager, TPK Material Solutions Inc.-Supervisor, TPK Advanced Solutions Inc.-Director, and TPK Material Solutions (Xiamen) Inc.-Manager, 9 in total.

Note 7 : Horng-Yan Chang's current position in this company and in other company : Soft-World International Corporation – Supervisor, LU HAI HOLDING CORP. - Independent Director, Department of Communications Management and Department of Business Administration, Shih Hsin University, Taiwan - Full-time Professor (Joint Appointment), and Department of Business Administration, Soochow University, Taiwan - Adjunct Professor, 4 in total.

Note 8 : Fong-Nien Chiang's current position in this company and in other company : Purestone Capital Group-Chairman and Standard Foods Corporation -Independent Director, 2 in total.

Note 9 : Ming-Jeng Weng's current position in this company and in other company : Lion Travel Service Co., Ltd.-Director, Egis Technology Inc. -Independent Director, Clientron Corp. -Independent Director, and United Renewable Energy Co., Ltd -Independent Director, 4 in total.

Note 10 : FINI name of Taiwan-Max Gain Management Limited : Yuanta Bank in custody for Max Gain Management Limited. ; Capable Way Investments Limited : CTBC BANK CO., LTD in custody for Capable Way Investments Limited. ; High Focus Holdings Limited ; CTBC BANK CO., LTD in custody for High Focus Holdings Limited. ; Global Yield International Co., Ltd. ; CTBC BANK CO., LTD in custody for Global Yield International Co., Ltd..

1. Main Shareholders of Juridical Person

March 31, 2019

Name of Juridical Person	Main Shareholders of Juridical Person	Ratio of shareholding (%)
Capable Way Investments Limited	Digitalking Technology Limited	100%
Max Gain Management Limited	Champ Great Int'l Corporation	100%
High Focus Holdings Limited	Champ Great Int'l Corporation	100%
Global Yield International Co., Ltd.	Digitalking Technology Limited	100%

Note: TaiwanFINI Account Name: Capable Way Investments Limited is the Capable Way special account for investment entrusted by CTBC Bank Co., Ltd.; Max Gain Management Limited is the Max Gain special account for investment entrusted by Yuanta Commercial Bank Co., Ltd.; High Focus Holdings Limited is the High Focus special account for investment entrusted by CTBC Bank Co., Ltd.; Global Yield International Co., Ltd. is the special account for investment of 全球收益國際有限公司 entrusted by CTBC Bank Co., Ltd..

2. Main shareholder is juridical person

March 31, 2019

Name of Juridical Person	Main Shareholder of Juridical Person	Ratio of shareholding (%)
Champ Great Int'l Corporation	Champ Great Management Co., Ltd.	100%
Digitalking Technology Limited	Champ Great Management Co., Ltd.	100%

3. Professional expertise and independent of Director and Supervisor (Supervisor is not set in this company)

March 31, 2019

Name	Condition	Whether having hands-on experience for a minimum of five years?			Detachment										Number of companies where the person also acts as an Independent Director
		At least a lecture from a private or public college or university in the discipline of business, law, finance, accounting or other subjects in demand by this company	Passed the public examination and licensed in a special profession and technology, like that of a judge, public prosecutor, attorney, accountant or others as in demand by this company	Required experience in business, law, finance, accounting and others as in demand by this company	1	2	3	4	5	6	7	8	9	10	
Michael Chao-Juei Chiang			✓	✓							✓		✓	✓	0
Foster Chiang			✓				✓		✓	✓	✓		✓	✓	0
Li-Chien Hsieh			✓				✓	✓	✓	✓	✓	✓	✓	✓	0
Heng-Yao Chang			✓				✓	✓	✓	✓	✓	✓	✓	✓	0
Tsung-Liang Tsai			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shih-Ming Liu			✓				✓	✓	✓	✓	✓	✓	✓	✓	0
Horng-Yan Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Fong-Nien Chiang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ming-Jeng Weng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

- (1) Not the company's employee or an employee of an associated party of the company.
- (2) Not the Director or Supervisor of an associated party of the company (excluding the Independent Director set by this company or its parent company or its subsidiary according to the Security Exchange Law or local laws).
- (3) Not a natural person shareholder of a company where the person, spouse, or underage child holding more than 1% of the outstanding shares or among the top 10 shareholders or holding such shares under the Position of a third party.
- (4) Not a spouse of a second-degree relative as stated in the Civil Code, or the next of kin within three degrees as stated in the Civil Code to any of the parties mentioned in the previous three paragraphs.
- (5) Not a Director, Supervisor, or employee of a judicial person shareholder directly holding up to 5% of the total

shares or a director, Supervisor, or employee of a judicial person shareholder ranking among the top five shareholders.

- (6) Not a Director, Supervisor (Supervisor), manager of a specified corporation, organization, or business connected with the Company or a shareholder holding up to 5% of the total issued shares.
- (7) Not a professional, sole proprietor, partner, corporation, or organization rendering financial, business, or legal services or consultation, or as a proprietor, partner, Director, Supervisor (Supervisor), manager, or spouse thereof. Salaries and remuneration commission that are established according to stock exchange listing or securities transaction location sale and implementing its functions according to Article 7 do not fall within that scope.
- (8) Not a spouse or immediate relative within two degrees of kinship with other Directors.
- (9) No situation under Article 30 of the Company Law.
- (10) Not a judicial person or representative under Article 27 of the Company Law.

(2) President, Vice President, Assistant Vice President, department and branch heads (Assistant Vice President is not available in this company):

March 31, 2019

Position	Nationality	Name	Gender	Elected date	Shareholding		Shareholding of spouse and minor children		Shares held in another's name		Major Education/Experience Background	Current position in other company	With spouse or 2 nd degree relative who are a president or vice president			Manager gets employee stock option certificate
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Position	Name	Relation	
Vice Chairman	Canada	Foster Chiang	M	2016/06/07	—	—	—	—	—	—	Double Master Degree of International Research and Business Administration of Pennsylvania State University Lehman Brothers (Hong Kong) Inc. - Global Analyst Nomura Securities (Hong Kong) Limited. - Global Analyst	TPK Touch Solutions Inc.- Director TES Touch Embedded Solutions Inc. – Director TES Technology (Hong Kong) Limited – Director TES Touch Embedded Solutions (Xiamen) Co., Ltd. - Director TES Trading(Xiamen) Co., Ltd – Director Cambrios Advanced Materials Corporation – Chairman	—	—	—	3,328 units
President	Taiwan	Li-Chien Hsieh (Note 1)	M	2018/12/01	—	—	—	—	—	—	Master of Business Administration (MBA), Duke University Lite-On Technology Corporation, Portable Image Device SBG - Chief Operation Officer Lite-On Young Fast Co. - President	TPK Holding Co., Ltd.- Representative of Corporate Director TPK Touch Solutions (Xiamen) Inc.-Manager TPK Glass Solutions (Xiamen) Inc.-Manager TPK Chenqi (Mainland) Solutions Inc.-Manager TPK Touch Systems (Xiamen) Inc.-Manager TPK Lens Solutions Inc.- Manager TPK Advanced Solutions Inc.- Director and Manager	—	—	—	

Position	Nationality	Name	Gender	Elected date	Shareholding		Shareholding of spouse and minor children		Shares held in another's name		Major Education/Experience Background	Current position in other company	With spouse or 2 nd degree relative who are a president or vice president			Manager gets employee stock option certificate
					Shares	Ratio of shareholding	Share s	Ratio of shareholding	Shares	Ratio of shareholding			Position	Name	Relation	
												Ray-Star Optical Solutions (Xiamen) Inc.-Director and Manager Fichtner Pacific Engineers Inc. - Director				
Senior Vice President	Taiwan	Heng-Yao Chang	M	2004/01/01	543,643	0.13%	—	—	—	—	Mechanical and Electrical Engineering, China University of Science and Technology Manufacturing department (China) of Tupo Optoelectronics Incorporated - Assistant Manager Research departments of Chief Industrial Inc.-Assistant Manager	TPK Holding Co., Ltd.- Representative of Corporate Director Xiamen Jan Jia Optoelectronics Co., Ltd.-Director	—	—	—	
Senior Vice President	Taiwan	Tsung-Liang Tsai	M	2006/11/06	50,372	0.01%	—	—	—	—	Mechanical Engineering, Feng Chia University Business development at Green Point Incorporated Company -Director	TPK Holding Co., Ltd.- Representative of Corporate Director	—	—	—	
Senior Vice President	Taiwan	Shih-Ming Liu	M	2006/01/02	70,945	0.02%	—	—	—	—	Mechanical Engineering , National Chin-Yi University of Technology Quality assurance at TVM (PRC) Corporation- Assistant Vice President Amkor Co. Ltd.- Assistant Vice President	TPK Holding Co., Ltd.- Representative of Corporate Director TPK Touch Solutions Inc.- Supervisor TPK Film Solutions Limited-Director Ray-Star Optical Solutions (Xiamen) Inc.-Director TPK Film Solutions (Xiamen) Inc.-Manager TPK MasTouch Solutions(Xiamen) Inc.- Executive Directorand Manager TPK Touch Solutions (Pingtan) Inc.-Manager TPK Material Solutions Inc.- Supervisor	—	—	—	

Position	Nationality	Name	Gender	Elected date	Shareholding		Shareholding of spouse and minor children		Shares held in another's name		Major Education/Experience Background	Current position in other company	With spouse or 2 nd degree relative who are a president or vice president			Manager gets employee stock option certificate
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Position	Name	Relation	
												TPK Advanced Solutions Inc.-Director TPK Material Solutions (Xiamen) Inc.-Manager				
Senior Vice President	Taiwan	Freddie Liu	M	2009/09/01	433,498	0.11%	—	—	—	—	Master of Business Administration, University of Michigan ASE Group-Vice President of Finance Citibank- Vice President of Unit Head	TPK Touch Solutions Inc.-Director TPK Touch Solutions (Xiamen) Inc.-Supervisor TPK Glass Solutions (Xiamen) Inc.-Supervisor TPK Chenqi (Mainland) Solutions Inc.-Supervisor TPK Touch Systems (Xiamen) Inc.-Supervisor TPK Lens Solutions Inc.-Supervisor TPK MasTouch Solutions(Xiamen) Inc.-Supervisor TPK Touch Solutions (Pingtan) Inc.-Supervisor TPK Advanced Solutions Inc.-Supervisor Ray-Star Optical Solutions (Xiamen) Inc.-Supervisor TPK Film Solutions (Xiamen) Inc.-Supervisor Xiamen Jan Jia Optoelectronics Co., Ltd.-Director TPK Asia Pacific Sdn. Bhd.-Director Ray-Star System Solutions Limited-Director	—	—	—	

Position	Nationality	Name	Gender	Elected date	Shareholding		Shareholding of spouse and minor children		Shares held in another's name		Major Education/Experience Background	Current position in other company	With spouse or 2 nd degree relative who are a president or vice president			Manager gets employee stock option certificate
					Shares	Ratio of shareholding	Share s	Ratio of share holding	Shares	Ratio of shareholding			Position	Name	Relation	
												Ray-Star Universal Solutions Limited-Director TPK Universal Solutions Limited-Director Optera TPK Holding Pte Ltd.- Director CKF Development & Construction Co., Ltd. -Director EDOM Technology Co., Ltd.- Independent Director				
Senior Vice President	Taiwan	MING-CHUNG CHUANG (Note 2)	M	2018/10/09	5,000	0.00%	—	—	—	—	Institute of Electronics Engineering, National Tsing Hua University Wistron Corporation - TFT LCM OEM and ODM Department Supervisor of Optoelectronics Division Industrial PC Electronics Inc.- Executive Vice General Manager of China Agilent Technologies- Supervisor of China/HongKong/Taiwan HP Inc. - Department manager		—	—	—	
Vice President	Taiwan	JEN-I TAI	M	2014/12/16	—	—	—	—	—	—	Department of Law, Soochow University Canatu Oy Ltd.- Director of China Lite On Young Fast (Huizhou) Co.,Ltd.- Chief Operating Officer Imagic Technology Co.,Ltd.- Vice General Manager		—	—	—	
Vice President	Taiwan	YU-SHENG KAI	M	2014/11/04	—	—	—	—	—	—	MBA, Rutgers, The State University of New Jersey TVM Corp.-Chief Investment Officer, Department of Investment Citigroup Venture Capital International	Xiamen Jan Jia Optoelectronics Co., Ltd. -Supervisor TPK Film Solutions Limited-Director Kingyoun Optronics Co., Ltd. -	—	—	—	

Position	Nationality	Name	Gender	Elected date	Shareholding		Shareholding of spouse and minor children		Shares held in another's name		Major Education/Experience Background	Current position in other company	With spouse or 2 nd degree relative who are a president or vice president			Manager gets employee stock option certificate
					Shares	Ratio of shareholding	Share s	Ratio of share holding	Shares	Ratio of shareholding			Position	Name	Relation	
											Asia Limited- Director Canadian Imperial Bank of Commerce- Vice President The Sanwa Bank Limited, New York Branch - Vice President	Director Jenisa Biotechnology Corp - Director GIGAIPC Technology Co., Ltd. -Supervisor				
Financial Executive	Taiwan	JONG-YIH CHEN	M	2017/09/01	—	—	—	—	—	—	MBA, The City University of New York TPK Touch Solutions Inc-Senior Director of Finance and Accounting Division MasTouch Optoelectronics Technologies Co., Ltd.- Director of Finance Division & CFO		—	—	—	
Accountant Officer	Taiwan	HU-YAO LIN	M	2017/09/01	—	—	—	—	—	—	Master of Accounting, Soochow University Manz Taiwan Ltd. - Manager of Accounting Department		—	—	—	
President	Malaysia	Hwai-Hai Chiang (Note 3)	M	2017/09/01	262,000	0.06%	—	—	—	—	Doctor of Mechanical Engineering, Cornell University Jabil Circuit-Vice President Jabil Green Point- CEO		—	—	—	

Note 1: Li-Chien Hsieh took office at Senior Vice President on October 9, 2018, and took office as President on December 1, 2018.

Note 2: MING-CHUNG CHUANG took office on October 9, 2018.

Note 3: Hwai-Hai Chiang resigned on November 30, 2018, and the shares held are at that time.

(3) Remuneration of the Director, Supervisor, President and Vice President

1. Remuneration of Director (include Independent Director)

Unit: NT\$1000

Position	Name	Remuneration of Director								% of the total amount to the net profit after tax (%)		Remuneration in the capacity as an employee								% of the total amount to the net profit after tax (%)		Any remuneration from companies controlled indirectly
		Remuneration (A)		Pension (B)		Remuneration of Director (C)		Professional fees (D)				Salary, bonus & other fees (E)		Pension (F)		Employee Rewards (G)						
		This company	All subsidiaries in the financial report	This company	All subsidiaries in the financial report	This company	All subsidiaries in the financial report	This company	All subsidiaries in the financial report	This company	All subsidiaries in the financial report	This company	All subsidiaries in the financial report	This company	All subsidiaries in the financial report	This company		All subsidiaries in the financial report		This company	All subsidiaries in the financial report	
Cash Amount	Shares Amount															Cash Amount	Shares Amount					
Chairman	Michael Chao-Juei Chiang	3,755	3,755	-	-	-	-	-	-	1.68%	1.68%	67,062	67,062	-	-	-	-	-	-	31.64%	31.64%	-
Director	Foster Chiang																					
Director	Capable Way Investments Limited Representative: Li-Chien Hsieh (Note 1) Representative: Hwai-Hai Chiang (Note 2)																					
Director	Max Gain Management Limited Representative: Heng-Yao Chang																					
Director	High Focus Holdings Limited Representative: Tsung-Liang Tsai																					
Director	Global Yield International Co., Ltd. Representative: Shih-Ming Liu																					

Independ ent Director	Horng-Yan Chang																					
Independ ent Director	Fong-Nien Chiang																					
Independ ent Director	Ming-Jeng Weng																					

Note 1: Li-Chien Hsieh took office on November 16, 2018.

Note 2: Hwai-Hai Chiang resigned on November 16, 2018.

2. Range of Remuneration to Director (include Independent Director)

Unit: NT\$

Range of Remuneration to Directors	Name of Director			
	Total Remuneration Amount (A+B+C+D)		Total Remuneration Amount (A+B+C+D+E+F+G)	
	This company	All subsidiaries in the financial report (I)	This company	All subsidiaries in the financial report (j)
Below NT\$ 2,000,000	Michael Chao-Juei Chiang, Foster Chiang, Capable Way Investments Limited, Max Gain Management Limited, High Focus Holdings Limited, Global Yield International Co., Ltd., Horng-Yan Chang, Fong-Nien Chiang, Ming-Jeng Weng	Michael Chao-Juei Chiang, Foster Chiang, Capable Way Investments Limited, Max Gain Management Limited, High Focus Holdings Limited, Global Yield International Co., Ltd., Horng-Yan Chang, Fong-Nien Chiang, Ming-Jeng Weng	Michael Chao-Juei Chiang, Horng-Yan Chang, Fong-Nien Chiang, Ming-Jeng Weng	Michael Chao-Juei Chiang, Horng-Yan Chang, Fong-Nien Chiang, Ming-Jeng Weng
NT\$ 2,000,000 (include)~5,000,000 (not include)			Foster Chiang	Foster Chiang
NT\$ 5,000,000 (include)~10,000,000 (not include)	—	—	Max Gain Management Limited, High Focus Holdings Limited, Global Yield International Co., Ltd.	Max Gain Management Limited, High Focus Holdings Limited, Global Yield International Co., Ltd.
NT\$ 10,000,000 (include)~15,000,000 (not include)	—	—	—	—
NT\$ 15,000,000 (include)~30,000,000 (not include)	—	—	—	—
NT\$ 30,000,000 (include)~50,000,000 (not include)	—	—	Capable Way Investments Limited	Capable Way Investments Limited
NT\$ 50,000,000 (include)~100,000,000 (not include)	—	—	—	—
Above NT\$ 100,000,000	—	—	—	—
Total	9	9	9	9

3. Remuneration of Supervisor: Supervisor is not set in this company, thus it is not applicable.

4. Remuneration of President and Vice President

Unit: NT\$1000

Position	Name	Salary (A)		Pension (B)		Bonus and extraordinary charge (C)		Employee Rewards (D) (Note 1)				% of the total amount to the net profit after tax (%)		Any remuneration from companies controlled indirectly
		This company	All subsidiaries in the financial report	This comp any	All subsidiaries in the financial report	This company	All subsidiaries in the financial report	This company		All subsidiaries in the financial report		This company	All subsidiaries in the financial report	
								Cash Amount	Shares Amount	Cash Amount	Shares Amount			
Vice Chairman	Foster Chiang	75,100	75,100	-	-	21,861	21,861	-	-	-	-	43.32%	43.32%	-
President (Note2)	Li-Chien Hsieh													
Senior Vice President	Heng-Yao Chang													
Senior Vice President	Tsung-Liang Tsai													
Senior Vice President	Shih-Ming Liu													
Senior Vice President	Freddie Liu													
Senior Vice President (Note2)	MING-CHUNG CHUANG													
Vice President	JEN-I TAI													
Vice President	YU-SHENG KAI													
Vice President	JONG-YIH CHEN													
Accountant Officer	HU-YAO LIN													
President (Note2)	Hwai-Hai Chiang													

Note 1: The remunerations disclosed in this table are different from incomes defined in Income Tax, thus this table is only used for information disclosure but not for tax.

Note 2: Li-Chien Hsieh took office as Senior Vice President on October 9, 2018, and took office as President on December 1, 2018; MING-CHUNG CHUANG took office on October 9, 2018; Hwai-Hai Chiang resigned on November 30, 2018.

5. Range of Remuneration of President and Vice President

Unit: NT\$

Range of Remuneration to President and Vice President	Name of President and Vice President	
	This company	All subsidiaries in the consolidated statement
Below NT\$ 2,000,000	—	—
NT\$ 2,000,000 (include) ~ 5,000,000 (not include)	Foster Chiang, Ming-Chung Chuang, Yu-Sheng Kai, Jong-Yih Chen, Hu-Yao Lin	Foster Chiang, Ming-Chung Chuang, Yu-Sheng Kai, Jong-Yih Chen, Hu-Yao Lin
NT\$ 5,000,000 (include) ~ 10,000,000 (not include)	Li-Chien Hsieh, Heng-Yao Chang, Shih-Ming Liu, Tsung-Liang Tsai, Freddie Liu, Jen-I Tai	Li-Chien Hsieh, Heng-Yao Chang, Shih-Ming Liu, Tsung-Liang Tsai, Freddie Liu, Jen-I Tai
NT\$ 10,000,000 (include) ~ 15,000,000 (not include)	—	—
NT\$ 15,000,000 (include) ~ 30,000,000 (not include)	—	—
NT\$ 30,000,000 (include) ~ 50,000,000 (not include)	Hwai-Hai Chiang	Hwai-Hai Chiang
NT\$ 50,000,000 (include) ~ 100,000,000 (not include)	—	—
Above NT\$ 100,000,000	—	—
Total	12	12

6. Employee's rewards paid to managers, the names and allocation

March 31, 2019; Unit: NT\$1000

	Position	Name	Shares Amount	Cash Amount (Note)	Total	% of the total amount to the net profit after tax (%)
Manager	Vice Chairman	Foster Chiang	—	—	—	—
	President (Note1)	Li-Chien Hsieh				
	Senior Vice President	Heng-Yao Chang				
	Senior Vice President	Tsung-Liang Tsai				
	Senior Vice President	Shih-Ming Liu				
	Senior Vice President	Freddie Liu				
	Senior Vice President (Note1)	MING-CHUNG CHUANG				
	Vice President	JEN-I TAI				
	Vice President	YU-SHENG KAI				
	Vice President	JONG-YIH CHEN				
	Accountant Officer	HU-YAO LIN				
	President (Note1)	Hwai-Hai Chiang				

Note1: Li-Chien Hsieh took office as Senior Vice President on October 9, 2018, took office as President on December 1, 2018; MING-CHUNG CHUANG took office on October 9, 2018; Hwai-Hai Chiang resigned on November 30, 2018.

(4) Separately compare and describe total remuneration as a percentage of net income as paid by this company, and by each other company included in the consolidated financial statements, during the past two fiscal years to its Director, Supervisor, President, and Vice President, and analyze and describe remuneration policies, standards, and packages, the procedure for setting remuneration, and relationships with performance and future risks (this company does not have a Supervisor).

1. Separately compare and describe total remuneration as a percentage of net income as paid by this company, and by each other company included in the consolidated financial statements to its Director, Supervisor, President, and Vice President.

Unit: NT\$1000

Item	2017		2018	
	Amount	%	Amount	%
Director	18,109	0.75%	3,755	1.68%
President and Vice President	77,830	3.24%	96,962	43.32%
Total net income	2,404,390	100.00%	223,833	100%

2. Policy, standards, and portfolio of remuneration paid, procedure for remuneration formulated and relationship with operation performance and future risks
 - (1) The remuneration of the Director will be paid according to the service scope and value of this Director to the company and in line with like companies in the R.O.C and abroad.
 - (2) The remuneration paid to the President and Vice President over the past two years is divided into salaries and bonuses, with the remuneration of the President and Vice President being paid according to his/her contribution to the company and in line with like companies. Furthermore, it shall be handled according to company regulations, which are determined by the Salaries and Remuneration Commission.

3. Implementation of Corporate Governance

(1) Operation of the Board of Directors:

Presence by Directors in the board of directors meeting from April 12, 2018 to March 31, 2019:

Position	Name	Actual attendance (B)	Attendance through proxy	Actual attendance ratio (%) (B/A)	Notes
Chairman	Michael Chao-Juei Chiang	9	0	100%	
Director	Foster Chiang	8	1	88.9%	
Director	Capable Way Investments Limited Representative: Li-Chien Hsieh (Appointed on November 16, 2018)	3	0	100%	
	Representative: Hwai-Hai Chiang (Dismissed on November 16, 2018)	6	0	100%	
Director	Max Gain Management Limited Representative: Heng-Yao Chang	8	1	88.9%	
Director	High Focus Holdings Limited Representative: Tsung-Liang Tsai	8	1	88.9%	
Director	Global Yield International Co., Ltd. Representative: Shih-Ming Liu	9	0	100%	
Independent Director	Horng-Yan Chang	7	2	77.8%	
Independent Director	Fong-Nien Chiang	7	2	77.8%	
Independent Director	Ming-Jeng Weng	8	1	88.9%	

Others:

1. If there are any particulars as specified in item 3 of article 14 of the Securities Exchange Law and other objections of independent directors with record or written declaration to board resolutions, it shall describe date, stage, proposal contents of board of directors, all opinions of Independent Director and company's response to these opinions: as shown in note 1.
2. The status of avoidance of conflict of interests by Directors on sensitive issues, it shall describe Director name, proposal contents, reasons and status of decisions:

Meeting Date	Proposal Contents	Reasons for avoidance of conflict of interests and status of decisions
May 4, 2018	Decide to pass the bonus plan of senior manager	Hwai-Hai Chiang Director, Foster Chiang Director, Heng-Yao Chang Director, Shih-Ming Liu Director (not include Tsung-Liang Tsai Director) and five supervisors at presence Chief Strategy Officer Freddie Liu, chief financial officer JONG-YIH CHEN, financial supervisor PEI-CHING TSAI audit supervisor PEI-CHI

		WANG and accounting supervisor HU-YAO LIN avoid of conflicts of interests, after the opinions of Directors were inquired by the chairman, the plan passed without objection.
June 22, 2018	Decide to refer to remuneration distribution plan of director for annual surplus in 2017	Michael Chao-Juei Chiang Director, Hwai-Hai Chiang Director, Foster Chiang Director, Heng-Yao Chang Director, Tsung-Liang Tsai Director, Shih-Ming Liu Director, Horng-Yan Chang independent director, Fong-Nien Chiang independent director, Ming-Jeng Weng independent director avoid of conflicts of interests; after the opinions of Directors were inquired by the chairman, the plan passed without objection.
	Decide to pass annual salary adjustment plan for internal managers	Hwai-Hai Chiang Director, Foster Chiang Director, Heng-Yao Chang Director, Tsung-Liang Tsai Director, Shih-Ming Liu Director and four attended supervisor Chief Strategy Officer Freddie Liu, chief financial officer JONG-YIH CHEN, financial supervisor PEI-CHING TSAI and audit supervisor PEI-CHI WANG avoid conflicts of interests; after the opinions of Directors were inquired by the chairman, the plan passed without objection.
November 16, 2018	Appointment of President and CEO and Spokesperson	Li-Chien Hsieh Director avoids of conflicts of interests; after the opinions of Directors were inquired by the chairman, the plan passed without objection.
	Decide to pass the remuneration plan of senior managers	Li-Chien Hsieh Director avoids of conflicts of interests; after the opinions of Directors were inquired by the chairman, the plan passed without objection.
January 17, 2019	Decide to pass the year-end bonus plan for senior managers	Foster Chiang Director, Li-Chien Hsieh Director, Heng-Yao Chang Director, Tsung-Liang Tsai Director, Shih-Ming Liu Director and four attended supervisors Chief Strategy Officer Freddie Liu, chief financial officer JONG-YIH CHEN avoid of conflicts of interests; after the opinions of Directors were inquired by the

		chairman, the plan passed without objection.
February 20, 2019	Nomination and review plan of Director and Independent Director	Michael Chao-Juei Chiang Director, Foster Chiang Director, Li-Chien Hsieh Director, Heng-Yao Chang Director, Tsung-Liang Tsai Director, Shih-Ming Liu Director, Ming-Jeng Weng Director and Fong-Nien Chiang Director (not include Horng-Yan Chang Director) avoid of conflicts of interests; after the opinions of Directors were inquired by the chairman, the plan passed without objection.

3. Strengthening the function of the board of directors and its execution condition in this year and last year (such as establishing an audit committee, improving information transparency):

The board of directors authorizes its audit committee and salaries and remuneration commission to separately assist with supervision. These two committees are each composed of three Independent Directors. The chairman of each committee shall regularly report its activities and decisions to the board of directors.

(2) Operation condition of audit committee

Presence by members of audit committee as an observer in the audit committee meeting from April 12, 2018 to March 31, 2019 (7 times):

Position	Name	Actual attendance (B)	Attendance through proxy	Actual attendance ratio (%) (B/A)	Notes
Independent Director	Horng-Yan Chang	5	2	71.4%	
Independent Director	Fong-Nien Chiang	6	1	85.7%	
Independent Director	Ming-Jeng Weng	6	1	85.7%	

Others:

1. Matters listed in item 5 of Article 14 of the Securities Exchange Law that are not passed by the audit committee, if agreed by over 2/3 of all Directors, then the date of the board of directors meeting, the location, the proposal contents, and the decision results of the audit committee, as well as the company's processing of the audit committee's opinions, shall be described as shown in note 1.
2. Under the execution condition of which the Independent Director's avoidance of conflicts of interest, the name of the Independent Director, the proposal contents, and reasons for avoidance of conflicts of interest, and the status of decisions shall be described:

Meeting Date	Proposal Contents	Reasons for avoidance of conflicts of interest and status of decisions
June 22, 2018	Decide to pass remuneration distribution plan of Director for annual surplus in 2017	To prevent a conflict of interest, Independent Directors Horng-Yan Chang, Fong-Nien Chiang, and Ming-Jeng Weng avoid conflicts of interest; after the opinions of the Directors were inquired by the chairman, the plan passed without objection.
February 20, 2019	Nomination and review plan of Directors and Independent Directors	Independent Directors Ming-Jeng Weng & Fong-Nien Chiang (Horng-Yan Chang without delegate attendance) avoid conflicts of interest; after the opinions of the Directors were inquired by the chairman, the plan passed without objection.

3. Communication condition between Independent Directors, internal auditing supervisor, and CPA (including communication of important events, methods, and results related to financial and business conditions):

Certifying CPA attended the audit committee meeting on February 20, 2019. Description:

- (1) Company's internal auditing supervisor will regularly communicate the audit results with members of the audit committee and report it in the audit committee meeting in each quarter. Under special situations, the auditing supervisor will also report to members of the audit committee, while special situation did not occur in 2018. Audit committee communicates well with internal auditing supervisor.
- (2) Company's certifying CPA will report financial report check or review results and other matters required in related laws in the annual audit committee meeting; under special situations, the certifying CPA will also report to members of the audit committee. Audit committee communicates well with certifying CPA.

Meeting Date	Communication with internal auditing supervisor	Communication with CPA
March 12, 2018	Review audit missing trace report of the fourth quarter in 2017	<ul style="list-style-type: none"> ● Discuss any review problems in the 2017 annual financial report review and the responses of top managers ● Report on any changes to laws ● Review the independence and suitability of the verifying CPA ● Change the certifying CPA since the financial report of the first quarter in 2018
	Review 2017 internal control system statement	
May 4, 2018	Review audit missing trace report of the first quarter in 2018	<ul style="list-style-type: none"> ● Discuss any review problems in the financial report of the first quarter in 2018
August 7, 2018	Review audit missing trace report of the second quarter in 2018	<ul style="list-style-type: none"> ● Discuss any review problems in the financial report of the second quarter in 2018 and the responses of top managers
November 8, 2018	Review audit missing trace report of the third quarter in 2018	<ul style="list-style-type: none"> ● Discuss any review problems in the financial report of the third quarter in 2018
	Review the 2019 “annual audit plan”	
February 20, 2019	Review audit missing trace report in the fourth quarter of 2018	<ul style="list-style-type: none"> ● Discuss any review problems in the financial report in 2018 and the responses of top managers ● Report on any changes to laws ● Review the independent and suitability of the certifying CPA ● Change the certifying CPA since the financial report of the first quarter in 2019
	Review the 2018 annual internal control system statement	

Note 1:

Board of Directors	Proposal Contents and Follow-up Processing	Items listed in §14-3 of security exchange law	Decision matters disagreed by independent Director with recorded opinions or written statements	Items listed in §14-5 of security exchange law	Matters which are not passed by the audit committee while agreed by over 2/3 of all directors
Fourth congress of the 15 th meeting April 12, 2018	1. Plan to revise some articles of this company's "Acquisition or Disposal of Assets Handling Procedures"	V		V	
	2. Plan to revise some articles of "Funding loans and other people's methods of operation"	V		V	
	Decision results of audit committee (April 12, 2018): All members of audit committee agreed to pass. Company's processing to the opinions of the audit committee: All Directors present agreed to pass. Opinions of all Independent Directors: All Independent Director agreed to pass. Company's processing to the opinions of Independent Director: All directors present agreed to pass.				
Fourth congress of the 16 th meeting May 4, 2018	1. Decide to pass the operation performance bonus plan for senior managers	V		V	
	Decision results of audit committee (May 4, 2018): All members of the audit committee agreed to pass. Company's processing to the opinions of audit committee: All Directors present agreed to pass. Opinions of all Independent Directors: All Independent Director agreed to pass. Company's processing to the opinions of Independent Director: All directors present agreed to pass.				
Fourth congress of the 17 th meeting June 22, 2018	1. Decide to pass remuneration distribution plan of Director for annual surplus in 2017	V		V	
	2. Decide to pass the annual salary adjustment plan for internal managers	V		V	
	Decision results of audit committee (June 22, 2018): All members of audit committee agreed to pass. Company's processing to the opinions of audit committee: All Directors present agreed to pass. Opinions of all Independent Directors: All Independent Director agreed to pass. Company's processing to the opinions of Independent Director: All directors present agreed to pass.				

Board of Directors	Proposal Contents and Follow-up Processing	Items listed in § 14-3 of security exchange law	Decision matters disagreed by independent Director with recorded opinions or written statements	Items listed in § 14-5 of security exchange law	Matters which are not passed by the audit committee while agreed by over 2/3 of all directors
Fourth congress of the 18 th meeting August 7, 2018	1. Plan to handle the capital loan of TPK Universal Solutions Limited to this company	V		V	
	Decision results of audit committee (August 7, 2018): All members of audit committee agreed to pass. Company's processing to the opinions of audit committee: All Directors present agreed to pass. Opinions of all Independent Directors: All Independent Director agreed to pass. Company's processing to the opinions of Independent Director: All directors present agreed to pass.				
Fourth congress of the 20 th meeting November 8, 2018	1. Plan to handle the capital loan of TPK Touch Solutions (Xiamen) Inc. to this company	V		V	
	2. Plan to handle the capital loan of TPK Universal Solutions Limited to this company	V		V	
	Decision results of audit committee (November 8, 2018): All members of the audit committee agreed to pass. Company's processing to the opinions of audit committee: All Directors present agreed to pass. Opinions of all Independent Directors: All Independent Director agreed to pass. Company's processing to the opinions of Independent Director: All directors present agreed to pass.				
Fourth congress of the 21 st meeting November 16, 2018	1. Appointment plan of President and CEO and Spokesperson	V		V	
	2. Decide to pass the remuneration plan of senior managers	V		V	
	Opinions of all Independent Directors: All Independent Director agreed to pass. Company's processing to the opinions of Independent Director: All directors present agreed to pass.				
Fourth	1. Decide to pass the year-end bonus distribution plan for senior	V		V	

Board of Directors	Proposal Contents and Follow-up Processing	Items listed in § 14-3 of security exchange law	Decision matters disagreed by independent Director with recorded opinions or written statements	Items listed in § 14-5 of security exchange law	Matters which are not passed by the audit committee while agreed by over 2/3 of all directors
congress of the 22 nd meeting January 17, 2019	managers				
	Opinions of all Independent Directors: All Independent Director agreed to pass. Company's processing to the opinions of Independent Director: All directors present agreed to pass.				
Fourth congress of the 23 rd meeting February 20, 2019	1. 2018 consolidated financial statement and business report			V	
	2. Plan to pass 2018 valid assessment and statement of internal control system			V	
	3. This company decided to change the certifying CPA for financial report	V		V	
	4. Revise some articles of this company's "Acquisition or Disposition of Asset Processing Procedures"	V		V	
	5. Plan to revise some articles of Company's "Procedures for Derivatives Transaction Process"	V		V	
	6. Nomination and review plan of director and Independent Director	V		V	
	Decision results of audit committee (February 20, 2019): All members of the audit committee agreed to pass. Company's processing to the opinions of audit committee: All Directors present agreed to pass. Opinions of all Independent Directors: All Independent Director agreed to pass. Company's processing to the opinions of Independent Director: All directors present agreed to pass.				

(3) SE/OTC listed company's operation, the corrective action plan or countermeasures of the latest year and as of the annual report

Evaluation Item	Operation Condition			Corrective action or countermeasures
	Yes	No	Abstract	
1. Whether this company has formulated and disclosed the company's corrective action plan according to SE/OTC listed companies' corrective action?	✓		Our company has formulated an operation practice code and distributed it to the public information observation website; the operation of our company is based on business operation, we promote business operation through strengthening operation transparency and function of the board of directors.	There is no big difference.
2. This company's shareholding composition and shareholder's equity (1) Whether this company has formulated internal operation procedure to deal with shareholder's proposals, doubts, disputes, and lawsuits, and has been implemented according to the procedure?	✓		(1) In order to ensure shareholder equity, this company has set special personnel and e-mail (IR@tpk.com); special personnel for internal processing procedure can handle share affairs and investor relations, personnel for legal affairs can handle shareholder opinions, disputes, and lawsuits related to overseas income tax. At the same time, in response to the internal and external personnel's reporting system for illegal (including corruption) and unethical behavior, the company has set an appeal mailbox	Comply with code of practice for business operation of SE/OTC listed companies, and there is no big difference. Comply with code of

Evaluation Item	Operation Condition			Corrective action or countermeasures
	Yes	No	Abstract	
(2) Whether this company has the name list of main shareholders and the final controller of shareholders?	✓		(whistle.blowing@tpk.com), and special personnel will be assigned to handle relative affairs. (2) This company has set the unit for shares affairs and agent for shares affairs which can timely grasp the main shareholders of the company and the final controller of main shareholders.	practice for business operation of SE/OTC listed companies, and there is no big difference. Comply with code of practice for business operation of SE/OTC listed
(3) This company's efforts to set up and implement risk control mechanism and firewall with affiliates?	✓		(3) This company has formulated a transaction management method which can define the regulation for enterprise operation, business and financial relation with an interested party, and thus to reach the risk control mechanism.	companies, and there is no big difference. Comply with code of practice for business operation of SE/OTC listed
(4) Whether the company has formulated internal regulations to forbid purchasing and selling of securities by internal employees with the use of undisclosed information in the market?	✓		(4) This company has formulated a processing procedure for important internal information to forbid purchasing and selling of securities by internal employees with the use of undisclosed information in the market.	companies, and there is no big difference.

Evaluation Item	Operation Condition			Corrective action or countermeasures
	Yes	No	Abstract	
3. The composition and responsibility of board of directors				
(1) Whether the board of directors has formulated multiple policies and implemented them based on the composition of directors?	√		(1) Multiple composition of the board of directors and execution condition: 1. Professional expertise and skills: industry practice experience, business, financial, accounting and work experience which are necessary for the company's business. 2. Ability to achieve the objective of the company's business operation: operation judgment ability, accounting and financial analysis ability, operation management ability, crisis management ability, professional expertise, view of world, leadership, and decision-making ability. 3. Multiple composition of board of directors and execution condition, refer to note 1.	Comply with code of practice for business operation of SE/OTC listed companies, and there is no big difference.
(2) Except for the establishment of Salaries and Remuneration commission, whether this company has set other functional committees on its own?		√	(2) Our company has set salaries and a remuneration commission, audit committee, and other functional committees will be set according to actual demands in future.	Comply with code of practice for business operation of SE/OTC listed companies, and there is no big difference.
(3) Whether this company has formulated an evaluation method and mode for the performance of the board of directors, and whether performance evaluation has		√	(3) This company regularly reviews the efficiency of the board of directors to	Comply with code of

Evaluation Item	Operation Condition			Corrective action or countermeasures
	Yes	No	Abstract	
been carried out regularly every year?			gradually improve the business operation, though evaluation method and mode for the performance of the board of directors have not been formulated at present, while it will be formulated in future if necessary.	practice for business operation of SE/OTC listed companies, and there is no big difference.
(4) Regular assessment of the independent performance of the CPA in the auditing practice?	√		<p>(4) This company has submitted the 2018 independent evaluation plan of the certifying CPA to the board of directors and audit committee on February 20, 2019, all directors decided that Deloitte Touche Tohmatsu Limited Kuo, Tzu-Jung and CPA Kuo, Cheng-Hung can accord with independent and suitability standards, the evaluation is based on the “Certifying Accountant Review and Evaluation Form” prepared by this company and the “Accountant’s detached independence statement” issued by the accountant.</p> <p>Review table and detailed indications:</p> <ol style="list-style-type: none"> 1. Independent of CPA 2. Morality of CPA 3. Quality and timeliness of financial 	Comply with code of practice for business operation of SE/OTC companies, and there is no big difference.

Evaluation Item	Operation Condition			Corrective action or countermeasures
	Yes	No	Abstract	
			report 4. Expertise of audit personnel 5. Evaluate and supervise the existing or potential risks of this company 6. Communication with top management 7. Reasonable fees	
4. Whether the SE/OTC listed companies have set up a special (part-time) unit or personnel responsible for corporate management related matters (including but not limited to providing data for directors and Supervisors in business operations, handling affairs related to the meeting of board of directors and board of shareholders, handling company registration and change registration, making notes for the meeting of board of directors and board of shareholders)?		√	This company has set special personnel to be responsible for affairs related to the board of shareholders and shares; it will be submitted to the board of directors for the selection of the company operation manager. Responsibility of special personnel for share affairs: 1. Plan suitable company system and organization structure to facilitate the independent board of directors and transparency of the company according to relative laws and the rule of internal audit and control. 2. Plan and formulate the schedule and provide it to all directors 7 days before the meeting, so directors can know the contents of relative proposals; remind the directors who are interested	Comply with code of practice for business operation of SE/OTC listed companies, and there is no big difference.

Evaluation Item	Operation Condition			Corrective action or countermeasures
	Yes	No	Abstract	
			<p>parties shall avoid, and finish the meeting notes 20 days after.</p> <p>3. Notice important information to top management after its announcement at the time to ensure that top management can know important information in a timely manner.</p> <p>4. Cooperate with the latest laws of authority and the company's actual operation demands, revise various methods and submit to board of directors for decision.</p> <p>5. Register the date of the board of directors according to the regulations, make and declare meeting notices, annual report, proposal manual and notes before the limited date, and submit to the relative authority for the revision of the company's articles or re-election of the board of directors.</p> <p>6. Carry out internal performance evaluation according to overall operation of company and employees in each year; carry out evaluation on the independent certifying CPA.</p> <p>7. The Company will hold meetings to describe the operation results of each quarter and irregularly</p>	

Evaluation Item	Operation Condition			Corrective action or countermeasures
	Yes	No	Abstract	
			take part in external investment forums to establish multiple communication channels with investors.	
5. Whether this company has set communication channels for interested parties (including but not limited to shareholders, employees, customers and suppliers) and a special area on the website for interested parties, and whether this company has responded to the enterprise social responsibility topics concerned by interested parties?	√		This company has set special personnel and e-mail (IR@tpk.com), and set a special area for interested parties, established communication channels with interested parties such as investors, employees, customers, suppliers, media, district and government departments and execution conditions (in Note 2), handle and response company's external relations and matters related to interested party.	Comply with code of practice for business operation of SE/OTC, and there is no big difference.
6. Whether the company has entrusted an agent to handle affairs of the board of shareholders?	√		This company has entrusted Yuanta Securities Co. LTD. to handle affairs of the board of shareholders.	Comply with code of practice for business operation of SE/OTC, and there is no big difference.
7. Disclosure of information (1). Whether this company has installed a website to fully disclose the information regarding this company's financial business standing as well as management?	√		(1). This company has installed a website (www.tpk.com) to disclose relative information at time, company overview and various financial information will be declared to the public information	Comply with code of practice for business operation of SE/OTC, and there is no big difference.

Evaluation Item	Operation Condition			Corrective action or countermeasures
	Yes	No	Abstract	
(2). Whether other methods have been adopted by this company to disclose information (e.g., installation of websites in English, appointment of designated personnel to collect and disclose information, process for presentation of commercial papers, firm enforcement of spokesperson system, installation of company website, etc.)	√		<p>website according to the regulations of authority.</p> <p>(2). 1. This company has installed a website, and has set the website for financial information and business operation information.</p> <p>2. This company has set a spokesperson system, and implemented it according to relative laws. Investors can send emails to IR@tpk.com if there are any doubts, and special personnel will respond.</p> <p>3. This company's juridical person briefing will provide a live webcast or live conference call, and the recording files as well as briefings will be placed in the public information observation website and company website.</p>	Comply with code of practice for business operation of SE/OTC, and there is no big difference.
8. Whether this company has important information for others to know the business operations (including but not limited to employee rights, employee care, investor relation, supplier relation, rights of interested parties, training of directors and Supervisors, risk management	√		1. Employee right and benefit: This company has formulated a employee remuneration method (refer to articles of association), employee performance award method, and employee stock option	Comply with code of practice for business operation of SE/OTC, and there is no big difference.

Evaluation Item	Operation Condition			Corrective action or countermeasures
	Yes	No	Abstract	
policy and execution of risk measurement standard, execution condition of customer policy, the condition of the company to buy insurance for directors and Supervisors)?			<p>method.</p> <p>2. Employee care: This company pays attention to human rights and employee interests, except for basic requirements in labor laws, this company has set up a welfare commission, Good News and We care to care for employee, and encourages employees to participate in road running, mountain climbing or swimming; in addition, it provides a gym, training center (playing movies irregularly), staff restaurants, staff travel and fire detection drills to maintain a good working environment, and actively develop community activities, so employees can grow healthily.</p> <p>3. Investor relation: This company has set letter box IR@tpk.com, provided a channel for investors to express opinions, and set special personnel to respond; the important information will be released on the public information station and website in a timely manner.</p>	

Evaluation Item	Operation Condition			Corrective action or countermeasures
	Yes	No	Abstract	
			<p>4. Training of board of directors: Training courses for authority (shown in the following table).</p> <p>5. Execution condition of risk management policy and risk measurement standard: Except for strict internal control system and audit carried out by internal auditing personnel, relative insurances are set to avoid risks.</p> <p>6. Execution condition of customer policy: This company adheres to credit management and pays attention to customer rights, and this company has set internal regulations for employees according to relative laws.</p> <p>7. Insurance bought for directors: Bought liability insurance for directors both in 2018 and 2019, and the 2019 annual insurance amount, coverage and insurance rate were reported to the board of directors on January 17, 2019.</p>	
9. Please describe the improvement in the results of the recent corporate management review issued by the Corporate Governance Center of the Taiwan Stock Exchange, and give priority to strengthening measures for those matters which have not been improved.				

Evaluation Item		Operation Condition		Corrective action or countermeasures
		Yes	No	
		Abstract		
Business Operation Review No.	Business Operation Review Item	Improvement and execution condition		
2.9	Whether this company has disclosed the opinion of Independent Directors on important proposals of the board of directors in the annual report, and whether these opinions have been dealt with?	Have been disclosed in others of operation condition of the board of directors in 2018 annual report: Matters listed in item 3 of Article 14 of the securities exchange law, other decision matters disagreed by Independent Directors with recorded opinions and written statements, all opinions of Independent Directors, and the company's processing to the opinions of Independent Director shall be described in tables.		
2.11	Whether this company has disclosed the decision results made by the audit committee for important proposals, and whether the opinions of the audit committee have been dealt with?	Have been disclosed in others of operation condition of audit committee in 2018 annual report: Matters listed in item 5 of Article 14 of the securities exchange law, other decision matters which are not passed by the audit committee but agreed by 2/3 of all directors, the date of meeting of directors, proposal contents, decision results of audit committee and company's processing to the opinions of the audit committee shall be described in tables.		

Evaluation Item				Operation Condition			Corrective action or countermeasures		
				Yes	No	Abstract			
Note 1: Multiple composition of board of directors and condition									
	Gender	Operation Judgment Ability	Accountant and Financial Analysis Ability	Operation Management Ability	Crisis Management Ability	Professional Expertise	View of World	Leadership	Decision-making Ability
Michael Chao-Juei Chiang	M	✓		✓	✓	✓	✓	✓	✓
Foster Chiang	M	✓	✓	✓	✓	✓	✓	✓	✓
Li-Chien Hsieh	M	✓	✓	✓	✓	✓	✓	✓	✓
Heng-Yao Chang	M	✓		✓	✓	✓	✓	✓	✓
Tsung-Liang Tsai	M	✓		✓	✓	✓	✓	✓	✓
Shih-Ming Liu	M	✓		✓	✓	✓	✓	✓	✓
Horng-Yan Chang	M	✓	✓	✓	✓		✓	✓	✓
Fong-Nien Chiang	M	✓		✓	✓		✓	✓	✓
Ming-Jeng Weng	M	✓	✓	✓	✓		✓	✓	✓
Note 2: Communication channel and operation condition of interested party									

Evaluation Item				Operation Condition			Corrective action or countermeasures	
				Yes	No	Abstract		
	Interested Party	Material topic for discussion	Communication Channel		Operation Condition			
	Investor	Company operation and financial information Business operation	<ul style="list-style-type: none">● Annual report● Investor relation on company website● Board of shareholders● Investor’s e-mail: IR@tpk.com● Public information observation website		<ul style="list-style-type: none">● Regularly disclose financial report, and make annual report● Regularly update financial and important information to company’s investor relation website● Regularly convene meeting for juridical person and board of shareholders, describe and report company’s operation and financial condition to investors			
	Employee	Employee welfare Employee maintain plan	<ul style="list-style-type: none">● Employee welfare commission● Employee website● Employee forum● Employee appeal hotline: 886-2-7727-1012● Employee appeal e-mail: SOS@tpk.com		<ul style="list-style-type: none">● This company gives reasonable treatment and encouragement to employees according to labor regulations, relevant employee appointments and dismissals, remuneration management, incentives and welfare systems● Company has set employee appeal hotline and e-mail● Irregularly hold various education and training			
	Customer	Maintain customer relation	<ul style="list-style-type: none">● Customer feedback questionnaire● Forum		<ul style="list-style-type: none">● Provide customers with questionnaire to know their demands according to market change● Regularly hold forum to communicate with customers			
	Supplier	Management of supply chain Product innovation	<ul style="list-style-type: none">● Procurement agreement● Visit suppliers		<ul style="list-style-type: none">● Fully communicate with suppliers and sign procurement framework agreement● Visit suppliers, observe them on site and know their demands			
	Media	Company operation and financial information	<ul style="list-style-type: none">● Company website/E-mail		<ul style="list-style-type: none">● Publish operation information every month, and publish operation results every quarter● Irregularly publish relative operation development direction			

Evaluation Item			Operation Condition			Corrective action or countermeasures
			Yes	No	Abstract	
District	Environmental topics for discussion District feedback	• Company website/E-mail			• Actively take part in district or public welfare activity	

Attached Table:

(1) Director and Supervisor (Supervisor is not set in this company) select proper training courses according to their time management and project background, training courses are shown as follows:

Position	Name	Sponsor Unit	Training Course	Training Date	Training Hours	Whether training can accord with regulation (Note1)
Chairman	Michael Chao-Juei Chiang	Juridical association Corporate Governance Association	Company law update description and new taxation regulation for mainland foreigners	October 9, 2018	3	Yes
			Impact on enterprise by development of block-chain		3	Yes
Director	Foster Chiang	Juridical association Corporate Governance Association	Company law update description and new taxation regulation for mainland foreigners	October 9, 2018	3	Yes
			Impact on enterprise by development of block-chain		3	Yes
Director	Li-Chien Hsieh	Juridical Person Securities and Futures Market Development Fund	Corporate financial statements fraud discussion and responsibility of supervisors under false financial report	November 22, 2018	3	No (Note 2)
Director	Heng-Yao Chang	Juridical association Corporate Governance Association	Company law update description and new taxation regulation for mainland foreigners	October 9, 2018	3	Yes
			Impact on enterprise by development of block-chain		3	Yes
Director	Tsung-Liang Tsai	Juridical association Corporate Governance Association	Company law update description and new taxation regulation for mainland foreigners	October 9, 2018	3	Yes
			Impact on enterprise by development of block-chain		3	Yes
Director	Shih-Ming Liu	Juridical association Corporate Governance Association	Company law update description and new taxation regulation for mainland foreigners	October 9, 2018	3	Yes
			Impact on enterprise by development of block-chain		3	Yes
Independent Director	Horng-Yan Chang	Juridical association Corporate Governance Association	Function and efficiency evaluation of board of directors	August 8, 2018	3	Yes
		Juridical Person Securities and Futures Market Development Fund	See the direction of business operation and impact on board of supervisors from the revision of company law.	August 13, 2018	3	Yes
Independent Director	Fong-Nien Chiang	Juridical association Corporate Governance Association	Company law update description and new taxation regulation for mainland foreigners	October 9, 2018	3	Yes
			Impact on enterprise by development of block-chain		3	Yes

Independent Director	Ming-Jeng Weng	Juridical association Corporate Governance Association	Development trend and important regulations of money laundering and fear prevention	August 7, 2018	3	Yes
		Juridical Person Securities and Futures Market Development Fund	Director and Supervisor (including independent Supervisor) practice seminar [FIT Global Development Competition Strategy]	October 4, 2018	3	Yes

Note1: Means whether it can accord with the training hours, training scope, training system, training arrangements and information disclosure as stipulated in the “Implementation of the Directors of SE/OTC and the implementation of the Supervisor training”.

Note2: New director Li-Chien Hsieh took office on November 16, while his training hours in 2018 are 3 hours since the date of his taking office is near the end of year.

(3) Main manager and audit supervisor of this company will select suitable courses according to the project, and their participation in the training is shown as follows:

Position	Name	Sponsor Unit	Training Course	Training Date	Training Hours
President	Li-Chien Hsieh	Juridical Person Securities and Futures Market Development Fund	Corporate financial statements fraud discussion and responsibility of supervisors under false financial report	November 22, 2018	3
Chief Strategy Officer	Freddie Liu	Juridical Person Securities and Futures Market Development Fund	Director and Supervisor (include independent Supervisor) practice seminar-Prevention of money laundering and discussion on law	December 20, 2018	3
			Director and Supervisor (include independent Supervisor) practice seminar-Legal liability of supervisors under false financial statements		3
Financial Executive	JONG-YIH CHEN	Juridical association Corporate Governance Association	Company law update description and new taxation regulation for mainland foreigners	October 9, 2018	3
			Impact on enterprise by development of block-chain		3
Accountant Officer	HU-YAO LIN	Juridical Person Accounting Research and Development Fund	Continuous training for issuer of securities	December 24, 2018 ~ December 25, 2018	12
Audit Supervisor	PEI-CHI WANG	Internal Auditing Committee	See the financial crime prevention by whistle-blower protection system from the perspective of corporate governance and internal auditing.	July 27, 2018	6
		Internal Auditing Committee	See the direction of business operation and impact on board of supervisors from the revision of company law.	November 30, 2018	6

(4) Operation condition of salaries and remuneration commission

1. Information of members of salaries and remuneration commission

Position	Condition	Whether having hands-on experience for a minimum of five years?			Detachment (note)								Number of companies where the person also acts as a member of Salaries and Remuneration Commission	Notes
		At least a lecture from a private or public college or university in the discipline of business, law, finance, accounting or other subjects in demand by this company	Passed the examination and licensed in a special profession and technology, like that of a judge, public prosecutor, attorney, accountant or others as in demand by this company	Required experience in business, law, finance, accounting and others as in demand by this company	1	2	3	4	5	6	7	8		
Independent Director	Horng-Yan Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent Director	Fong-Nien Chiang			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent Director	Ming-Jeng Weng			✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-

Note: If the member can meet the following conditions during the two years prior to the election and during the term of office, please type “✓” in the blank.

- (1) Not This company’s employee, or employee of this company’s associated party.
- (2) Not the Director or Supervisor of company’s associated party (while the Independent Director set by this company or its parent company or its subsidiary according to security exchange law or local laws is not included).
- (3) Not a natural person shareholder of a company where the person, spouse or underage child holding more than 1% of the outstanding shares or among the top 10 shareholders or holding such shares under the Position of a third party.
- (4) Not a spouse of a relative at the 2nd level as stated in the Civil Code, or the next of kin within the 3rd level as stated in the Civil code to any of the parties mentioned in the previous 3 paragraphs.
- (5) Not a Director, Supervisor or employee of a judicial person shareholder holding directly up to 5% of the total shares or a director, watch or employee of a judicial person shareholder ranking among the top five.
- (6) Not a Director, Supervisor (Supervisor), manager of a specified corporation or organization or business connection with this company or a shareholder holding up to 5% of the total issued shares.
- (7) Not a professional, sole proprietor, partner, corporation or organization rendering financial, business, legal service, consultation, or as a proprietor, partner, Director, Supervisor (Supervisor), manager or spouse thereof.

(8) No situation under Article 30 of the Company Law..

2. Operation condition of Salaries and Remuneration Commission

(1) There are three members in the Salaries and Remuneration Commission.

(2) Tenure of members of committee: From June 7, 2016 to May 26, 2019, there are 5 meetings of the salaries and remuneration commission from recent year (2018) to March 31, 2019, attendance condition is shown as follows:

Position	Name	Actual attendance (B)	Attendance through proxy	Actual attendance ratio (%) (B/A)	Notes (function and power)
Convener	Horng-Yan Chang	4	1	80%	(1) Regularly review organization regulation and put forward corrective suggestions. (2) Plan and regularly review annual and long-term performance objective as well as policy, system, standard and structure of remuneration for directors and managers. (3) Regularly evaluate the realization condition of performance objective for directors and managers, and plan the content and amount for individual remuneration.
Commission Member	Fong-Nien Chiang	3	2	60%	
Commission Member	Ming-Jeng Weng	5	0	100%	

Others:

- If the board of directors does not adopt or revise the opinions of the salaries and remuneration commission, the date, stage, proposal contents, decision results of the board of directors, and company's processing to the opinions of the salaries and remuneration commission (if the remuneration passed by the board of directors is better than the remuneration proposal made by the salaries and remuneration commission) shall be described: Nil.
- If any members do not agree with the decision of the salaries and remuneration commission with record or written statement, the date, stage, proposal contents, opinions of all members and processing to opinions of the salaries and remunerations shall be described:

Salaries and Remuneration Commission	Proposal Contents and Follow-up Processing	Decision Results	Company's processing to the opinions of salaries and remuneration commission
Third congress of the 7th meeting May 4, 2018	1. Decide to pass the bonus plan of senior manager.	All commission members agree	Submit to board of directors and all directors present agree to pass
Third congress of the 8th meeting June 22, 2018	1. Decide to pass remuneration distribution plan of Director for annual surplus in 2017.	All commission members agree	Submit to board of directors and all directors present agree to pass
	2. Decide to pass annual salary adjustment plan for internal managers.	All commission	Submit to board of directors and all

		members agree	directors present agree to pass
Third congress of the 9th meeting October 9, 2018	1. Decide to pass the promotion and salary adjustment plan for senior managers.	All commission members agree	Submit to board of directors and all directors present agree to pass
Third congress of the 10th meeting November 16, 2018	1. Appointment plan for President and CEO and spokesperson.	All commission members agree	Submit to board of directors and all directors present agree to pass
	2. Decide to pass the remuneration plan for senior managers.	All commission members agree	Submit to board of directors and all directors present agree to pass
Third congress of the 11st meeting January 17, 2019	1. Decide to pass the year-end bonus plan for senior managers.	All commission members agree	Submit to board of directors and all directors present agree to pass

(5) Performance of social responsibility: System and measure and execution condition to environmental protection, district participation, social contribution, social service, social public benefit, consumer's right, human rights, safety and other social responsibilities

Evaluation Items	Operation Condition			Difference of code of practice for enterprise social responsibility of SE/OTC and the reason
	Yes	No	Abstract	
1. Implement business operation				
(1).Whether this company has set enterprise social responsibility policy or system, and whether it has reviewed its execution efficiency?	✓		(1). This company has set completed enterprise social responsibility policy and procedure, relative documents include: “TPK Corporate Social Responsibility Management Manual”, “Social Responsibility and Ethics Policy”, “Administrative Measures for Employee Appeal Handling”, “Anti-Discrimination Management Measures”, “Anti-Harassment and Abuse Management Measures”, “Information Release Management Measures”, “Measures for the Prevention of Child Labor and Juvenile Employment Management”, “Intern Management Measures”, “TPK Company’s Measures for the Management of Integrity of Persons”, “Promise Book of Integrity and Self-discipline”, “TPK’s Supplier Social Responsibility Management Standard”, and “TPK’s Measures for the Management of Integrity of Merchants” and “Measures for the Administration of Business Secret Protection”.	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.
(2).Whether this company has held regular enterprise social responsibility education and training?	✓		(2). This company has regularly promoted enterprise social responsibility education and training.	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.
(3).Whether this company has set full-time (part-time) units to promote enterprise social	✓		(3). The board of directors of this company has authorized the Chairman’s office to promote the establishment of units	Comply with code of practice for enterprise social

Evaluation Items	Operation Condition			Difference of code of practice for enterprise social responsibility of SE/OTC and the reason
	Yes	No	Abstract	
<p>responsibility, whether top management is authorized by the board of directors to handle it and report execution conditions to the board of directors?</p> <p>(4).Whether this company has formulated proper remuneration policy and combined the employee performance assessment system with enterprise social responsibility, and set a clear and efficient award and punishment system?</p>	✓		<p>responsible for enterprise social responsibility, and assigned top management to take part-time jobs in coordinating relative affairs; departments shall perform enterprise social responsibility according to its business scope and labor distribution, and relative execution conditions shall be reported to the board of directors irregularly.</p> <p>(4). This company has set employee rules and awards as well as punishment method for remuneration; lets the salaries of colleagues grow together with company development, and can accord with social responsibility.</p>	responsibility of SE/OTC, and there is no big difference.
<p>2. Develop sustainable environment</p> <p>(1) Whether this company strives to improve use efficiency of various resources, and used recycled materials which are environment-friendly?</p>	✓		<p>(1)</p> <p>1. This company promotes e-paper processing, and has gradually used the document management system to fully standardize documents with the hope to reduce paper volume, and thus to reduce environmental pollution.</p> <p>2. This company implemented energy conservation and efficient resources; each subsidiary: (1) Since 2011, the investment in water recovery is RMB 9,778,000, and the amount of recycled water in 2017 is 36,700 tons, and the water saving fee is RMB 135,000; (2) Since 2011, the investment in air compressor heat recovery is RMB 34,672,000, the electricity consumption in 2017 is 2,481,000 KWH, and the fee of electricity saving is RMB</p>	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.

Evaluation Items	Operation Condition			Difference of code of practice for enterprise social responsibility of SE/OTC and the reason
	Yes	No	Abstract	
(2) Whether this company has set up a suitable environment management system according to its industry feature?	✓		<p>1,497,000; (3) Since 2010, the investment in RO concentrated water is RMB 33,462,000, the water saving capacity in 2017 was 470,000 tons, and the fee of water saving was RMB 1,746,000; (4) Since May 2018, the investment in pure water energy saving was RMB 840,000, and the electricity saving in 2018 was 38,000 KWH; with a total saving amount of RMB 82,000.</p> <p>3. This company got the highest level of UL zero-filled platinum in waste management in 2018 (waste conversion rate reached 100%), becoming the first company in the touch industry to obtain this certification.</p> <p>4. This company has implemented a hazardous waste reduction program to achieve recycling of the original empty barrels since 2016, and the waste production has been reduced by approximately 173 tons up to now.</p> <p>(2) This company has planned a suitable environment management system, with the following highlights:</p> <p>1. This company provides a safe and healthy work environment, takes effective measures to reduce potential hazards in the work environment, so as to avoid health hazard during work or caused by work or related to work.</p> <p>2. This company has established occupational health, OHS and EMS to ensure effective planning, operation and control of health, safety, environmental hazards and risks,</p>	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.

Evaluation Items	Operation Condition			Difference of code of practice for enterprise social responsibility of SE/OTC and the reason
	Yes	No	Abstract	
			<p>and this company has passed OHSAS18001, ISO14001, ISO 14064, ISO 50001 and other management systems required by international recognized standards.</p> <p>This company has formulated the Environment, Occupational Health and Safety Management Manual, and introduced the OHSAS18001 & ISO14001 management system which covers regular health, safety, environment audit, improvement objectives, plans, staff training and communication. This company encourages employees to provide feedback on OHS and EMS, and establishes an EHS committee of which the top executive of the factory will serve as the chairman. The safety committee is organized every two months to review and improve the EHS work, and to review the applicability of the system.</p> <p>3. This company has formulated the “Environmental Safety, Hazard Identification, Risk Assessment and Control Procedures” to identify potential hazard factors in the working environment, carried out the JHA risk assessment for medium and high risks; formulated the “Occupational Health Management Regulations” and “Personal Protective Equipment Management Regulations”; reasonably planned occupational hazard positions; carries out pre-job, post-in-the-job and off-the-job physical examinations for employees; uses E-way system</p>	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.

Evaluation Items	Operation Condition			Difference of code of practice for enterprise social responsibility of SE/OTC and the reason
	Yes	No	Abstract	
(3) Whether this company pays attention to the impact of climate change on operation activities, and implements greenhouse gas inventory, formulates strategies of corporate energy conservation and carbon reduction and greenhouse gas reduction?	√		<p>monitoring for maintenance management and makes clear of the PPE wearing requirements for hazardous positions, ensuring the safety and health of employees in the work environment.</p> <p>(3)</p> <p>1. This company's total electricity consumption in 2017 was 603,582,000 KWH, and the total electricity consumption in 2018 was 531,729,000 KWH; the annual greenhouse gas emission in 2017 was 557,000 tons, and the annual greenhouse gas emission in 2018 was 490,000 tons.</p> <p>TPK Touch Solutions (Xiamen) Inc. obtained the ISO 14064-1 Greenhouse Gas Verification Statement from SGS certification; direct and indirect energy emissions in 2017 were equivalent to 158,000 metric tons of carbon dioxide according to the verification result.</p> <p>TPK Advanced Solutions Inc. obtained the ISO 14064-1 Greenhouse Gas Verification Statement from SGS certification; direct and indirect energy emissions in 2017 were equivalent to 134,000 metric tons of carbon dioxide according to the verification result.</p> <p>2. This company implements greenhouse gas review according to international standards, formulates "Energy Management Plan and Implementation Procedures" and "Energy Management Manual", formulates greenhouse</p>	

Evaluation Items	Operation Condition			Difference of code of practice for enterprise social responsibility of SE/OTC and the reason
	Yes	No	Abstract	
			<p>gas reduction strategies for products and processes, cooperates with customers and suppliers to achieve the objectives of continuous improvement, and carries out air conditioning temperature control in the summer based on daily management, and thus achieves the goal of energy saving and carbon reduction by efficient use of energy.</p> <p>3. This company aims to save 32,700 tons of greenhouse gas emissions by using 48 main energy-saving measures in 2018, and the objective of carbon reduction is 10% each year and 30% for three years.</p>	
<p>3. Maintain public benefit</p> <p>(1) Whether this company formulates relevant management policies and procedures according to relevant regulations and international human rights conventions?</p>	✓		<p>(1). This company implemented the protection of employees' basic rights and interests according to relevant labor regulations, regulations of staff appointments and dismissals, and regulations of remuneration management. This company also formulated a policy for human rights in the "TPK Group Corporate Social Responsibility Management Manual".</p>	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.
<p>(2) Whether this company has set an employee appeal mechanism and channel, and dealt with it properly?</p>	✓		<p>(2). This company has set appeal channels for employees to appeal at the HR office. Appeal hotline: (886)2-7727-1012, (86)592-573-8999#388585; Appeal fax: (886)2-7727-1000, Appeal e-mail: SOS@tpk.com, help@tpk.com.</p>	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.
<p>(3) Whether this company has provided a safe and healthy work environment for employees, and</p>	✓		<p>(3). This company thinks that only employees of sound body and good mind can create efficient and high-quality work</p>	Comply with code of practice for enterprise social

Evaluation Items	Operation Condition			Difference of code of practice for enterprise social responsibility of SE/OTC and the reason
	Yes	No	Abstract	
regularly carried out safety and health education for employees?			performance, thus it strives to provide a sound work environment for employees. In terms of physical health, this company has a gym, regular staff health check and occasional outdoor activities for the relief of pressure of working on weekdays. In terms of work safety, This company develops employees' emergency response capabilities through continuous education and advocacy, strengthens the employee's safety concept and cognition, establishes a work injury prevention and tracking system, and creates a safe working environment with the aim to reduce the chance of accidents in the work environment and reduce the bad impact on the company's assets and employee safety.	responsibility of SE/OTC, and there is no big difference.
(4) Whether this company has set regular communication mechanisms for employees, and noticed operation change which will have a big impact on employees in a reasonable way?	✓		(4). 1. All departments will hold regular activities to unite employees. 2. Employees can appeal to the HR office through special appeal channel. Appeal hotline: 02-7727-1012, appeal fax: 02-7727-1000, appeal e-mail: SOS@tpk.com.	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.
(5) Whether this company has established an efficient career development plan for employees?	✓		(5). This company considers employees its important assets, pays attention to the talent cultivation, designs different career development courses according to functions, and company will hold irregular activities to unite employees, improve team work, and enhance the leadership of leaders.	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.

Evaluation Items	Operation Condition			Difference of code of practice for enterprise social responsibility of SE/OTC and the reason
	Yes	No	Abstract	
(6) Whether this company has planned customer rights protection policy and appeal policy for R&D, procurement, production, process, and service procedure?	✓		(6). This company puts forward completed technology service and tracing, evaluation, and improvement of after-sales service based on customer demands in order to serve customers.	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.
(7) Whether the marketing and mark of products and services have followed relative rules and international standards?	✓		(7). Marketing and marks of products and services are handled according to relative regulations.	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.
(8) Whether this company has evaluated the influence on the environment and society by suppliers before the transaction with them?	✓		(8). This company has set up the supplier management method to encourage suppliers to follow the company's business objectives of sustainable operation, environmental protection and energy conservation, credit management and social responsibility, and the company will regularly check and evaluate suppliers with the aim to fulfill social responsibility together.	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.
(9) Whether the agreement between this company and its major suppliers includes that this agreement may be terminated at any time if suppliers violate their corporate social responsibility policies and have significant environmental and social impacts?	✓		(9). This company has formulated the "Supplier Social Responsibility Standards Manual" and "Supplier Social Responsibility and Ethics Commitment Letter", and these manuals will be included in the agreement with the supplier; the agreement will be terminated if this company's social responsibility requirements are violated.	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.
4. Strengthen information disclosure (1).Whether this company has disclosed important and reliable information of enterprise social responsibility on its website and public information website?	✓		This company has published the information of enterprise social responsibility on its website for the reference of relative employees.	Comply with code of practice for enterprise social responsibility of SE/OTC, and there is no big difference.

Evaluation Items	Operation Condition			Difference of code of practice for enterprise social responsibility of SE/OTC and the reason
	Yes	No	Abstract	
5.	If this company has formulated its own social responsibility rule according to “SE/OTE Social Responsibility Practice Code”, please describe the difference between the operation and formulated rules: This company’s social responsibility is carried out fully according to relative rules.			
6.	<p>Other important information to facilitate the understanding of the operation condition of enterprise social responsibility:</p> <p>1.Scholarship sponsorship: The Found sets up scholarships to reward students who are not afraid of environmental difficulties and strive to study. Each student will get NT\$ 50,000, and 100 students will be sponsored in the upper and lower school years.</p> <p>2.Sponsor the poor students of God Drum Foundation, help them to complete study.</p> <p>3.Sponsor poor students in High School, help them to complete study.</p> <p>4.Sponsored “Enchanté SANYU Exhibition for Public Benefit through Cultural Creativity Project” public welfare cultural and creative activities, and cooperated with the National History Museum, TVBS Foundation, 10 Taiwan famous artists, Aijia Foundation and other units to enhance the production technology of public welfare groups and promote the original artistic creation in Taiwan.</p> <p>5.Sponsored the production of domestic film “High Flash”, and held public movie appreciation and post-show symposium to deepen the communication link between the audience and the producers and actors, and promote the flourishing of the national film market. The film is the closing film of the 2018 Taipei Film Festival and is invited to participate in many film and exhibition events at home and abroad.</p> <p>6.Sponsored independent production TV movies “Mermaid Whispering” which won the Best Photography Award in 2018 and was invited to the Taipei Film Festival and a number of film festivals at home and abroad. It successfully promoted aboriginal culture, marine conservation, and underwater photography technology of Taiwan to the international community.</p> <p>7.Subsidiary of this company in Xiamen cooperates with Xiamen University of Technology to provide learning and employment opportunities for students.</p> <p>8.Fully play social responsibilities and actively participate in various social activities. On October 12, 2018, this company participated in the charity donation activities held by the blood donation station in downtown Xiamen. The company’s colleagues donated a total of 51,770 ml of blood (a total of 188 colleagues). This is the fifth time for this company to convene its employees to support the donation activities.</p> <p>9.Subsidiary of this company in Xiamen provides employment opportunities for the blind which can reflect its social responsibility, it has recruited 47 blind masseurs; and all colleagues of this company organized a donation for the blind masseurs in December 2018.</p> <p>10.In September 2018, representatives from the General Affairs Office of the Group went to Xindian Town, Xiang’an District to visit the students and teachers of the special education supplementary class of Xindian Central Primary School, donated white rice, drinks, special Mid-Autumn Festival gift and other materials to them, and function as the representatives of the repair team to provide facilities and maintenance service for the school in order to express TPK’s condolences to the teachers and</p>			

Evaluation Items	Operation Condition			Difference of code of practice for enterprise social responsibility of SE/OTC and the reason
	Yes	No	Abstract	
<p>students; in December 2018, the representative of the General Staff of Xiang'an Plant went to Xiang'an Special Education School to volunteer and send gifts, increasing the chances for children from special education schools to have contact with the outside world.</p> <p>11.In order to reflect the company's concern for the difficult employees, we will offer condolences to 51 employees on the occasion of the Spring Festival in 2019 through the family condolences and symposiums, giving condolences to 15 people.</p> <p>Employee who is difficult with left-behind children at home can apply to the Bank Public Welfare Fund for transportation fees.</p> <p>12.In order to protect the physical and mental health of the company's female employees, a health knowledge lecture and an activity of cervical cancer and breast cancer "two cancer screening" were held with a total of 570 employees participating in the inspection; and a nursing room was set up to create a convenient and hygienic breastfeeding environment.</p> <p>13.Organize environmental protection activities such as tree planting and garbage classification contests to enhance employees' awareness of protecting the factory area and environment.</p> <p>14.Hosting the Mid-Autumn Evening Party and the Talent Show Finals, let the employees show their special talents through the talent show, and provide them with a stage to show their talent; set junior and intermediate yoga classes/cheer leading/jazz dance/breaststroke training class to promote employee health management and run a sports meeting to enhance employees' awareness of sports, fitness and team assistance; launch the group's Mid-Autumn Festival cake activity and inherit folk culture.</p> <p>15.Through the parent-child carnival event, this company will continue to convey the spirit of a "people-oriented" corporate culture, enhance the connectivity and joy of employees and family members to the TPK family, and increase opportunities for sharing and communication among colleagues in different departments.</p> <p>16.Hold dating activities to enhance colleague friendship and communication.</p> <p>17.In response to environment protection, the employee restaurant will not use disposable tableware.</p> <p>18.In the subsidiary of Xiamen, the security team is set to regularly patrol the surrounding communities and roads to ensure social security and reduce sudden safety incidents to maintain the personal safety of colleagues.</p>				
7. Describe the enterprise social responsibility reports which pass the examination standard of related audit institutions: Nil.				

(6) Execution condition and measures of credit management:

Evaluation Items	Operation Condition			Difference of code of credit management of SE/OTC and the reason
	Yes	No	Abstract	
<p>1. Formulate credit management policy and plan</p> <p>(1) Whether this company has shown policy and method as well as the commitment made by the board of directors and top management of credit management?</p> <p>(2) Whether this company has formulated a plan to prevent dishonesty, and whether this company has specified operating procedures, behavior guidelines, disciplinary violations and grievance systems in each program, and implemented them?</p> <p>(3) Whether this company has prevention measures for the business activities with high risk according to item 2 of article 7 of “SE/OTC Credit Management Rule” or other business scope?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) This company has formulated the “Code of Credit Management”, and the legal unit will be responsible for the formulation of the credit management policy and prevention plan, while it is implemented by the personnel unit.</p> <p>(2) This company has formulated “Guidelines for Credit Operating Procedures and Conduct” and “Prohibition of Commercial Bribery Agreements”, which will specify the relevant operating procedures and implement them accordingly.</p> <p>(3) In order to ensure the implementation of credit management, this company has formulated a valid accounting and internal audit system, and internal auditing personnel will regularly review the execution condition of the above rules.</p>	<p>Comply with code of credit management of SE/OTC, and there is no big difference.</p> <p>Comply with code of credit management of SE/OTC, and there is no big difference.</p> <p>Comply with code of credit management of SE/OTC, and there is no big difference.</p>
<p>2. Implement credit management</p> <p>(1) Whether this company has evaluated the integrity record of business partners, and specified their credit behaviors in the agreement signed with business partners?</p>	<p>✓</p>		<p>(1) This company has formulated “Integrity Operating Procedures and Conduct Guidelines” and “Prevention of Commercial Bribery Agreement”, which clearly stipulates that all suppliers shall not accept gifts or recover deductions, or cooperate with interested parties, and this company will stop cooperation with the supplier if the above violation is found, in order to get the most reasonable quotation, best quality and</p>	<p>Comply with code of credit management of SE/OTC, and there is no big difference.</p>

Evaluation Items	Operation Condition			Difference of code of credit management of SE/OTC and the reason
	Yes	No	Abstract	
(2) Whether this company has set full-time (part-time) unit affiliated to the board of directors to promote the credit management, and regularly reports its execution condition to the board of directors?	✓		<p>best service. It shall be implemented according to relevant operating procedures.</p> <p>(2) The Company's internal auditing personnel will review and evaluate execution results according to enterprise credit management policy and relevant procedures, and it shall report the audit results to the audit committee and board of directors at least once of each quarter.</p> <p>The Chairman's office has set the department of discipline to handle the report, investigation and processing of dishonest behavior within company, and strives to promote the credit system and culture.</p>	<p>Comply with code of credit management of SE/OTC, and there is no big difference.</p>
(3) Whether this company has formulated avoidance of conflicts of interest policy, provided proper appeal channels, and implemented it?	✓		<p>(3) Employees shall sign the "Credit Management Code of Rule" and "Credit Operation Procedure and Behavior Guideline"; employees with honesty and integrity shall not recover the commission , and employees shall not sacrifice the company's rights and interests for personal gain.</p>	<p>Comply with code of credit management of SE/OTC, and there is no big difference.</p>
(4) Whether this company has established an efficient accounting system and internal control system to implement credit management, and carried out audit by the auditing unit or CPA?	✓		<p>(4) In order to ensure the implementation of credit management, this company has established a valid accounting and internal control system, and internal audit personnel shall carry out the audits according to the annual audit plan based on risk evaluation results.</p>	<p>Comply with code of credit management of SE/OTC, and there is no big difference.</p>
(5) Whether this company has regularly held internal and external training for credit management?	✓		<p>(5) All employees shall sign the "Integrity and Self-discipline Commitment", and promise not to have any dishonest behavior; and the company will regularly</p>	

Evaluation Items	Operation Condition			Difference of code of credit management of SE/OTC and the reason
	Yes	No	Abstract	
			hold training and education to promote the principle of employee integrity. In 2018, the number of trainees was 49,963, with a total of 25,636 training hours, which includes the participation of new employees, and the theme of training is “Strictly abide by the principle of good faith and build integrity”. In addition, we have set a credit e-mail, and we will push a letter of honesty and theme promotion every week to build a corporate culture of honesty.	
3. Operation condition of company’s impeachment system				
(1). Whether this company sets a specific reporting and reward system, established a convenient reporting pipeline, and assigns special personnel to handle reporting?	✓		(1) The Company has set an appeal letter box (7777@tpk.com), which is handled by the special unit according to relative regulations.	Comply with code of credit management of SE/OTC, and there is no big difference.
(2). Whether this company has formulated investigation standard procedure and relative confidentiality mechanisms for the processing of reported matters?	✓		(2) This company has reporting investigation procedure, and the supervisor and HR office have the responsibility to protect the information of the prosecutor.	Comply with code of credit management of SE/OTC, and there is no big difference.
(3). Whether this company has taken measures to protect prosecutors?	✓		(3) This company will keep secret the information of prosecutor to avoid improper disposition of the prosecutor.	Comply with code of credit management of SE/OTC, and there is no big difference.
4. Strengthen information disclosure				
(1). Whether this company has disclosed credit management rules and execution efficiency on the public information observation website?	✓		This company has set the website to disclose enterprise culture and operation policy.	Comply with code of credit management of SE/OTC.

Evaluation Items	Operation Condition			Difference of code of credit management of SE/OTC and the reason
	Yes	No	Abstract	
5.	If This company has formulated its own credit management rule according to “SE/OTC Credit Management Rule”, please describe the difference between operation and rules formulated: Nil.			
6.	Other important information for the learning of the execution condition of the company’s credit management: (such as the review and revision of credit management rule) (1). This Company’s “Rules of the Board of Directors” has a system for avoidance of directors’ interests, the directors shall not take part in the decision if the cases listed in the board of directors have a relation with him or the juridical person represented by him, which will impair the company’s interest, and shall not represent other directors to exercise voting rights. (2). The Company has formulated “Preventing Internal Line Trading Management Operation”, which specifies that directors, managers and servants must not disclose important internal information that they know to others, and must not inquire or collect personal information from those who know important information within the company, and shall not disclose undocumented internal information to others if the information is got rather than business execution.			

(7). If the company has formulated company rules and relative regulations, the query method of rules and regulations shall be disclosed:

This company has formulated the business operation rule and released it on the public information observation website. The company has operated and implemented related rules according to the company’s operation spirit, and it will promote business operation by formulation of the relative management method and strengthening of transparent function of board of directors.

(8). Other important information which can facilitate the understanding of business operations:

Execution condition of internal control system

TPK Holding Co., Ltd.
Management's Reports on Internal Control

Date: February 20, 2019

We hereby declare the results of the self-assessment of our internal control system in 2018 as below:

1. We acknowledge that it is the responsibility of the Company's Board of Directors and managers to establish, implement, and maintain the internal control system. We have established said system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including revenue, performance, and asset safety) and reporting are reliable, timely and transparent, as well as to ensure compliance with relevant regulations and laws.
2. Due to the inherent limitations of the internal control system, an effective internal control system can only provide reasonable assurance about the achievements of the three goals above, no matter how completely it is designed. Also, the effectiveness of an internal control system may vary when environment and circumstances change. However, our internal control system contains a self-supervision mechanism. We will immediately take corrective action towards any deficiency identified therefrom.
3. We determine the effectiveness of the design and implementation of our internal control system based on the criteria set forth in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called the "Regulations"). The Regulations specify five elements during the management and control process that constitute the internal control system: a. control environment, b. risk assessment, c. control activities, d. information and communications, e. supervision activities. Each constituent element may include several topics. The foregoing elements are as described in the Regulations.
4. We have adopted the above criteria of the internal control system to assess the effectiveness of the design and implementation of our internal control system.
5. Based on the results of said assessment, we determined that our internal control system (including the supervision and management of subsidiaries) as of December 31, 2018 have provided an effective design and implementation to reasonably ensure the achievement of goals, including the understanding of the achievement level of our effectiveness and efficiency goals, the reliability, timeliness, and transparency of reporting, as well as compliance with relevant regulations and laws.
6. This Report will form the major part of our annual report and prospectus, and will be disclosed to the public. Any misrepresentation, concealment and other illegal conduct will result in liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Report has been passed by the Board of Directors on February 20, 2019. Among the nine directors present at the meeting, zero members had objections, and the rest agreed to the statement herein.

TPK Holding Co., Ltd.
Chairman: Michael Chao-Juei Chiang
General Manager: Li-Chien Hsieh

2. If an accountant is entrusted to review internal audit control, the accountant review report shall be disclosed: Nil.

(10) Punishment of this company and its internal personnel according to law, and the company's punishment for violation of internal control system, main missing and improvement conditions from past year to this report's printing: Nil.

(11) Important decisions of the board of shareholders and board of directors:

1. Important decisions of the board of shareholders in 2018:

Meeting Date	Important Decisions		Execution Condition
May 29, 2018	Admit	1. Admit business operation report and consolidated financial report in 2017	Implement according to the resolution and release important information.
		2. Admit distribution plan of earnings surplus in 2017	Implement according to the resolution and release important information.
	Discuss	1. Revise memorandum and articles of association	Passed according to the decision of the board of directors and announced after the meeting of the board of shareholders, began to implement relative operation according to new articles of association.
		2. Revise some articles of "election method of directors"	Passed according to the decision of the board of directors and announced after the meeting of the board of shareholders, began to implement the election of board of directors according to new methods.
		3. Revise some articles of "Acquisition or Disposition of Asset Processing Procedures"	Passed according to the decision of the board of directors and announced after the meeting of the board of shareholders, began to implement acquisition or disposition of asset processing procedures according to new methods.
		4. Revise some articles of "Operation Procedures for Loans to Others"	Passed according to the decision of the board of directors and announced after the meeting of the board of shareholders, began to implement operation procedure for loans to others according to new methods.

2. Important decision contents of board of directors from April 12, 2018 to March 31, 2019:

Meeting Date	Important Decisions	Execution Condition
April 12, 2018	1. Plan memorandum and article of company	Passed according to the decision of the board of directors and announced after the meeting of the board of shareholders, began to implement relative operation according to new articles of association.
	2. Decide to revise some articles of "election method of directors"	Passed according to the decision of the board of directors and announced after the meeting of the board of shareholders, began to implement

Meeting Date	Important Decisions	Execution Condition
		the election of board of directors according to new methods.
	3. Revise some articles of “Acquisition or Disposition of Asset Processing Procedures”	Passed according to the decision of the board of directors and announced after the meeting of the board of shareholders, began to implement acquisition or disposition of asset processing procedures according to new methods.
	4. Revise some articles of “Operation Procedures for Loans to Others”	Passed according to the decision of the board of directors and announced after the meeting of the board of shareholders, began to implement operation procedure for loans to others according to new methods.
	5. Decide to supplement the meeting reason for the board of shareholders	Announced important information on March 12, 2018 and April 12, 2018; and listed in discussion proposals of 2018 ordinary meetings of the board of shareholders.
	6. Plan to handle approval of bank joint loan quota	Implement according to the resolution.
	7. Authorization of supervisor for trade of derivatives	Implement according to the resolution.
	8. Subsidiary XiaMen Jan Jia Optoelectronics Co., Ltd. planned to transfer 100% share equity of Jin Tong suzhou Optoelectronics Co., Ltd.	All shares of Jin Tong suzhou Optoelectronics Co., Ltd. held by this company had been sold in May 2018.
	9. Operation equipment obtained by interested party of this company	Implement according to the resolution.
	10. Propose board of directors to lift the restriction on the prohibition of managerial competition	The company manager has been approved to implement business scope which is equivalent or the same to the business of this company for himself or others passed by the decision of the board of directors.
May 4, 2018	1. Development of G105 land held by subsidiary TPK Touch Solutions (Pingtan) Inc.	The Pingtan G015 plot construction project is expected to complete the structural engineering of the basement in the first half of 2019, and the relevant progress will be carried out during the planning period.
	2. TPK Advanced Solutions Inc. plans to get operation equipment from TPK Touch Solutions (Xiamen) Inc.	Implement according to the resolution.
	3. TPK Advanced Solutions Inc. plans to get operation equipment from TPK Touch Solutions Inc.	Implement according to the resolution.
	4. Plan to handle the loans of TPK Touch Solutions (Xiamen) Inc. to TPK Film Solutions (Xiamen) Inc.	Implement according to the resolution.
	5. Plan to handle the loans of TPK Touch Solutions (Xiamen) Inc. to TPK Touch Solutions (Pingtan) Inc.	Implement according to the resolution.
	6. Plan to handle the loans of TPK Touch Systems (Xiamen) Inc. to TPK Touch Solutions (Xiamen) Inc.	Implement according to the resolution.
	7. Plan to handle the approval of bank quota	Implement according to the resolution.
	8. Plan to handle the ratification of bank quota	Implement according to the resolution.
	9. Plan to pass the distribution plan of remuneration for senior managers	Implement according to the resolution.
June 22, 2018	1. Set the ex-dividend date for this company to distribute 2017 cash dividend	Set July 16, 2018 as the ex-dividend date and implement it.
	2. Ray-Star System Solutions Limited plans to sell	Signed agreement on July 13, 2018, and sold

Meeting Date	Important Decisions	Execution Condition
	the equity right of TPK Glass Solutions (Xiamen) Inc. to TPK Universal Solutions Limited, and handle dissolving and liquidation	the equity right of TPK Glass Solutions (Xiamen) Inc. to TPK Universal Solutions Limited. Dissolving and liquidation will clear all claims and debts, and it is expected to begin in the end of April 2019.
	3. TPK Advanced Solutions Inc. plans to get operation equipment from Shenzhen Liande Automatic Equipment Co., Ltd.	Implement according to the resolution.
	4. TPK Advanced Solutions Inc. plans to get operation equipment from Shenzhen Xinsanli Automation Equipment Co., Ltd.	Implement according to the resolution.
	5. Plan to handle the capital loan and canceling of quota of XiaMen Jan Jia Optoelectronics Co., Ltd. to Jin Tong suzhou Optoelectronics Co., Ltd.	Implement according to the resolution.
	6. Decide the distribution plan of director remuneration of earnings surplus in 2017	Implement according to the resolution, distribute on July 26, 2018.
	7. Decide to pass the adjustment plan for the annual salaries of internal managers	Implement according to the resolution, trace back to June 1, 2018.
	8. Plan to handle the approval of bank quota	Implement according to the resolution.
	9. Plan to handle the ratification of bank quota	Implement according to the resolution.
August 7, 2018	1. Plan to handle the SPO of this company to Ray-Star Universal Solutions Limited	Implement according to the resolution.
	2. Plan to handle the SPO of Ray-Star Universal Solutions Limited to TPK Universal Solutions Limited	Implement according to the resolution.
	3. Plan to handle the increment of operation capital from TPK Universal Solutions Limited to TPK Universal Solutions Limited Taiwan Branch	Implement according to the resolution.
	4. Plan to handle the SPO of Upper Year Holdings Limited to TPK Lens Solutions Inc.	The registration of local capital increase has been completed, and part of the capital injection has been completed on October 24, 2018. (Note: Since TPKL originally retained about US\$700,000, the actual amount of capital will be lower than previously expected, and the difference will be canceled by the dissolution of TPKL.
	5. Plan to handle the capital loan of this company to TPK Universal Solutions Limited	Implement according to the resolution.
	6. Plan to apply for quota of non-hazardous foreign exchange derivatives	Not implemented yet.
October 9, 2018	1. Decide to pass the promotion and salary adjustment plan of senior managers	The effective date of promotion is October 9, 2018. The salary adjustment was reflected in October 2018.
	2. Plan to handle the establishment of subsidiary in mainland China by subsidiary TPK Universal Solutions Limited	The company established and obtained a business license in the middle of October 2018.
	3. Plan to handle approval of bank quota	Implement according to the resolution.
November 8, 2018	1. Plan to handle approval of bank quota for this company	Implement according to the resolution.
	2. Plan to handle the loans of TPK Touch Solutions (Xiamen) Inc. to this company	Not implemented.
	3. Plan to handle the loans of TPK Universal	Not implemented.

Meeting Date	Important Decisions	Execution Condition
	Solutions Limited to this company	
	4. Plan to handle the increment of cash of TPK Universal Solutions Limited to TPK Glass Solutions (Xiamen) Inc.	Implement according to the resolution.
	5. Plan to handle the increment of cash of TPK Universal Solutions Limited to TPK Touch Solutions (Pingtan) Inc.	Implement according to the resolution.
	6. Plan to handle the increment of cash of TPK Universal Solutions Limited to TPK MasTouch Solutions(Xiamen) Inc.	Implement according to the resolution.
	7. Plan to handle the transfer of surplus to increment for TPK Touch Solutions (Xiamen) Inc.	It has completed the registration on November 15, 2018, and relevant accounting affairs have been completed on November 30, 2018
	8. Plan to formulate 2019 “Annual Auditing Plan”	It has been announced according to the law
November 16, 2018	1. Appointment plan of President and CEO and spokesperson	Took office on December 1, 2018
	2. Decide to pass the remuneration plan of senior managers	Take effect on December 1, 2018.
January 17, 2019	1. Plan to handle approval of bank quota for this company	Implement according to the resolution.
	2. Annual operation plan in 2019	Implement according to its contents.
	3. Decide to pass the year-end bonus plan of senior managers	Distribute on January 31, 2019
February 20, 2019	1. 2018 consolidated financial statements and operation report	It has been announced on March 29, 2019 and submitted to authority on April 1, 2019; it has been listed in the admission matters of the 2019 board of shareholders.
	2. Distribution plan of director and employee remuneration in 2018	It has been announced on February 20, 2019; and it has been listed in the report of the 2019 board of shareholders.
	3. Decide the distribution plan of earnings surplus in 2018	Important information has been released on February 20, 2019; and it has been listed in the admission matters of the 2019 board of shareholders.
	4. Plan to pass 2018 internal control system validity assessment and issue statement	Compiled in the annual report according to regulations.
	5. Independent assessment plan of certifying CPA in 2018	According to the evaluation results, Deloitte Touche Tohmatsu Limited in 2018, Tzu-Jung Kuo Accountant and Cheng-Hung Kuo Accountant can accord with the company’s independence and eligibility evaluation criteria.
	6. Decide to change the certifying CPA of financial report	Important information has been released on February 20, 2019.
	7. Decide to revise some articles of memorandum and articles of association	It has been passed according to the board of directors; and it will take effect after passed by the 2019 board of shareholders.
	8. Revise some articles of the Company’s “Acquisition or Disposal of Assets Handling Procedures”	It has been passed according to the board of directors; and it will take effect after passed by the 2019 board of shareholders.
	9. Revise some articles of “Procedures for Derivatives Transaction Process”	It has been passed according to the board of directors; and it will take effect after passed by the 2019 board of shareholders.
	10. Reelection of directors	It has been passed according to the board of directors; and it has been listed in the election

Meeting Date	Important Decisions	Execution Condition
		matters of the 2019 board of shareholders.
	11. Nomination and review plan of directors and Independent Directors	It has been passed according to the board of directors; and the name list of nomination has been announced.
	12. Relive the restriction on non-competition of new directors and their representatives	It has been passed according to the board of directors; and it has been listed in the discussion matters of the 2019 board of shareholders.
	13. Convene the 2019 meeting of the board of shareholders, the date, location and reason for the meeting	Released important information on February 20, 2019.
	14. Affairs related to nominated directors/Independent Director by the 2019 board of shareholders	Released important information on February 20, 2019.
	15. Handle the matters related to the shareholders' proposal for the 2019 shareholders' meeting	Released important information on February 20, 2019.
	16. Handle the profit and loss and capital reserve of TPK Touch Solutions Inc.	Carry it out after the decision of the board of shareholders of subsidiary.
	17. Plan to handle the clearance of TPK Asia Pacific Sdn. Bhd.	Implement it after the clearance of all claims and debts.
	18. Plan to handle the registration cancellation of Upper Year Holdings Limited Hong Kong Branch	Implement it after the clearance of all claims and debts.
	19. Endorsement of TPK Touch Solutions (Xiamen) Inc. to TPK Universal Solutions Limited	Not implemented yet.

(12) From the past year to this report's printing, important decisions of the board of directors disagreed by directors or Supervisors with record or written statement, the main contents: Nil.

(13) From the past year to this report's printing, resignation of company related parties (include Chairman, President, accounting supervisor, internal audit supervisor and R&D supervisor):

POSITION	NAME	DATE OF ENTERING OFFICE	DATE OF ASSUMPTION OF DUTY	RESIGNATION DATE	RESIGNATION REASON
President	Hwai-Hai Chiang	2017.09.01	2017.09.01	2018.11.30	Individual career plan

4. Information Regarding the Company's Audit Fee

Audit Fees

CPA Firm Name	Accountant Name		Audit Period	Notes
Deloitte Touche Tohmatsu Limited	Kuo, Tzu-Jung	Kuo, Cheng-Hung	2018.01.01-2018.12.31	—

Unit: NT\$1000

Range	Items	Audit fees	Non-audit Fees	Total
1	Below NT\$ 2,000,000	—	—	—

2	NT\$ 2,000,000 (include)~4,000,000	—	—	—
3	NT\$ 4,000,000 (include)~6,000,000	—	—	—
4	NT\$ 6,000,000 (include)~8,000,000	—	—	—
5	NT\$ 8,000,000 (include)~10,000,000	—	—	—
6	About NT\$10,000,000 (include)	13,200	2,364	15,564

Audit fees shall be disclosed if any one of the following conditions occurs:

- (1). When non-audit fees paid to the CPA, to the accounting firm, and/or to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid thereto:

Information on Audit fees

Amount Unit: NT\$1000

CPA Firm Name	Accountant Name	Audit Fees	No.					CPA Audit Period	Notes
			System Design	Business Registration	Human Resource	Other	Subtotal		
Deloitte Touche Tohmatsu Limited	Kuo, Tzu-Jung	13,200	—	584	—	1,780	2,364	2018.01.01-2018.12.31	Non-audit fees - Refer to other public fees such as transfer pricing, tax reporting and replacement fees.

- (2). Change accounting firm and audit fees paid for the fiscal year in which such changes took place are lower than those for the previous year, the reduction in the amount of audit fees: N/A

- (3). When the audit fees paid for the current year are lower than those for the previous fiscal year by 15 percent or more: N/A

5. Information on replacement of CPA: N/A:

- (1). Former CPAs: Nil.
- (2). Successor CPAs: Nil.
- (3). Response of previous CPA to the matters specified in paragraph 6, sub-paragraph 1 of article 10 and item 3 of sub-paragraph 2: Nil.

6. Company's chairman, CEO, or any managers in charge of finance or accounting has held a position at the accounting firm of its CPA or at the accounting firm's affiliated companies in the most recent year: N/A

7. Changes in shareholding and/or pledge of directors, Supervisors, managers, and major shareholders with more than 10 percent shareholding during the most recent year or as of the annual report printing date:

(1) Change in shareholding of directors, Supervisors, managers, and major shareholders with more than 10 percent shareholding.

Position	Name	2018		Current year (2019) as of March 31, 2019	
		Increase (decrease) of shareholding	Increase (decrease) of shares pledged	Increase (decrease) of shareholding	Increase (decrease) of shares pledged
Chairman	Michael Chao-Juei Chiang	—	—	—	—
Director	Capable Way Investments Limited Representative: Li-Chien Hsieh Representative: Hwai-Hai Chiang (Note1)	—	—	—	—
Director	Max Gain Management Limited Representative: Heng-Yao Chang	—	—	—	—
Director	High Focus Holdings Limited Representative: Tsung-Liang Tsai	—	—	—	—
Director	Global Yield International Co., Ltd. Representative: Shih-Ming Liu	—	—	—	—
Vice Chairman	Foster Chiang	—	—	—	—
Independent Director	Horng-Yan Chang	—	—	—	—
Independent Director	Ming-Jeng Weng	—	—	—	—
Independent Director	Fong-Nien Chiang	—	—	—	—
President	Li-Chien Hsieh (Note 2)	—	—	—	—
President	Hwai-Hai Chiang (Note 2)	—	—	—	—
Senior Vice President	Heng-Yao Chang	—	—	—	—
Senior Vice President	Tsung-Liang Tsai	(75,000)	—	—	—
Senior Vice President	Shih-Ming Liu	(60,000)	—	—	—
Senior Vice President	Freddie Liu	(85,000)	—	—	—
Senior Vice President	MING-CHUNG CHUANG (Note 3)	—	—	—	—
Vice President	JEN-I TAI	(90,000)	—	—	—
Vice President	YU-SHENG KAI	(30,000)	—	—	—
Financial Executive	JONG-YIH CHEN	—	—	—	—
Accountant Officer	HU-YAO LIN	—	—	—	—

Note 1: Li-Chien Hsieh took office on November 16, 2018; Hwai-Hai Chiang resigned on November 16, 2018.

Note 2: Li-Chien Hsieh took office on December 1, 2018; Hwai-Hai Chiang resigned on November 30, 2018.

Note 3: MING-CHUNG CHUANG took office on October 9, 2018.

(2) Relative person of equity transfer or equity pledge of related party: Not applicable.

8. Information on relationships among the Top 10 Shareholders

March 31, 2019; Unit: Shares; %

Name	Shareholding		Present shareholdings of spouse and minor children		Shares held in another's name		Name and relationship between the company's top ten shareholders, or spouses or relatives within two degrees	
	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Name	Relation
Max Gain Management Limited Representative: Michael Chao-Juei Chiang	25,222,643	6.20%	—	—	—	—	(1) Capable Way Investments Limited (2) High Focus Holdings Limited	Same shareholder
Capable Way Investments Limited Representative: Michael Chao-Juei Chiang	23,139,855	5.69%	—	—	—	—	(1) Max Gain Management Limited (2) High Focus Holdings Limited	Same shareholder
Michael Chao-Juei Chiang	17,720,401	4.36%	—	—	100,000	0.02%		
High Focus Holdings Limited Representative: Michael Chao-Juei Chiang	13,273,610	3.26%	—	—	—	—	(1) Capable Way Investments Limited (2) Max Gain Management Limited	Same shareholder
Government of Singapore	8,139,881	2.00%	—	—	—	—	—	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	5,135,513	1.26%						
VANGUARD EMERGING MARKETS STOCK INDEX FUND A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	4,874,018	1.20%	—	—	—	—	—	—
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool	3,848,000	0.95%	—	—	—	—	—	—
Norges Bank	3,390,806	0.83%	—	—	—	—	—	—
MAS - GIC Private Limited	2,873,751	0.71%	—	—	—	—	—	—

9. The total number of shares and shareholding percentage of this company's investing companies held by the directors, supervisors, managers, and any companies controlled either directly or indirectly by this company

As of December 31, 2018; Unit: Share; %

Re-investment business (Note 1)	Company's Investments		Directly or indirectly controlled investment by Director, Supervisor, and manager		Comprehensive Investments	
	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding
TPK Touch Solutions Inc.	50,717,000	100.00%	—	—	50,717,000	100.00%
TPK Cando Solutions Inc.	Note 2	—	—	—	Note 2	—
CANDO CORPORATION	77,124,591	19.78%	—	—	77,124,591	19.78%
TPK Touch Solutions (Xiamen) Inc.	Note 3	100.00%	—	—	Note 3	100.00%
TPK Lens Solutions Inc.	Note 3	100.00%	—	—	Note 3	100.00%
TPK Touch Systems (Xiamen) Inc.	Note 3	100.00%	—	—	Note 3	100.00%
Ray-Star Optical Solutions (Xiamen) Inc.	Note 3	100.00%	—	—	Note 3	100.00%
TPK Glass Solutions (Xiamen) Inc.	Note 3	100.00%	—	—	Note 3	100.00%
XiaMen Jan Jia Optoelectronics Co., Ltd.	Note 3	51.00%	—	—	Note 3	51.00%
Jin Tong suzhou Optoelectronics Co., Ltd.	Note 4	—	—	—	Note 4	—
TPK Film Solutions (Xiamen) Inc.	Note 3 and Note 5	100.00%	—	—	Note 3 and Note 5	100.00%
TPK MasTouch Solutions(Xiamen) Inc.	Note 3	100.00%	—	—	Note 3	100.00%
TPK Touch Solutions (Pingtan) Inc.	Note 3	100.00%	—	—	Note 3	100.00%
TPK Material Solutions Inc.	Note 3	100.00%	—	—	Note 3	100.00%
TPK Advanced Solutions Inc.	Note 3	100.00%	—	—	Note 3	100.00%
TPK Advanced Solutions Inc.	Note 3	100.00%	—	—	Note 3	100.00%
Upper Year Holdings Limited	196,250,000	100.00%	—	—	196,250,000	100.00%
Improve Idea Investments Ltd.	154,490,000	100.00%	—	—	154,490,000	100.00%
Optera TPK Holding Pte. Ltd.	31,000	100.00%	—	—	31,000	100.00%
TPK Technology International Inc.	500,000	100.00%	—	—	500,000	100.00%
TPK America, LLC	Note 3	100.00%	—	—	Note 3	100.00%
Ray-Star Universal Solutions Limited	469,498,000	100.00%	—	—	469,498,000	100.00%
TPK Universal Solutions Limited	467,498,000	100.00%	—	—	467,498,000	100.00%
TPK Asia Pacific Sdn.Bhd	632,187	100.00%	—	—	632,187	100.00%
Ray-Star System Solutions Limited	13,310,000	100.00%	—	—	13,310,000	100.00%
TPK Film Solutions Limited	18,000,000 (Note 5)	100.00%	—	—	18,000,000 (Note 5)	100.00%
Jan Jia Trading Company Limited	500,000 (Note 6)	51.00%	—	—	500,000 (Note 6)	51.00%

Note 1: The investment of the company by the use of equity method.

Note 2: TPK Cando Solutions Inc. has been cleared in November 2018.

Note 3: Limited company with no shares.

Note 4: This Company had sold all equity rights of Jin Tong Suzhou Optoelectronics Co., Ltd. in May 2018.

Note 5: This Company had got the left 19.98% equity right of TPK Film Solutions Limited from external shareholders in March 2018, and the shares held increased from 80.2% to 100%; and the shares held of TPK Film Solutions (Xiamen) Inc. are increased from 80.02% to 100%.

Note 6: This company has set the subsidiary Jan Jia Trading Company Limited of XiaMen Jan Jia Optoelectronics Co., Ltd In January 2018.

IV. Capital Overview

1. Capital and Shares

(1). Source of share capital

1. Capital formation

Unit: NT\$1000/One thousand shares

Date/Month	Issuing Price	Authorized Capital Stock		Issued Capital Stock		Notes		
		Shares	Amount	Shares	Amount	Source of share capital	Written off with property other than cash	Other
November 2005	USD 0.1	500,000	USD50,000	250,000	USD25,000	Increment of cash	—	—
August 2006	USD 0.1	500,000	USD50,000	308,261	USD30,826	Increment of cash	—	—
February 2010	NT\$10	300,000	3,000,000	180,000	1,800,000	(1) Authorized equity changes from USD50,000,000 to NT\$3,000,000,000 (2) Issued equity changes from USD30,826,000 to NT\$1,000,000,000 (3) Handle Stock Div-Cpl Reserve NT\$800,000,000	—	Note 1
July 2010	NT\$10	300,000	3,000,000	196,068	1,960,675	Handle stock issuance of 9,000,000 options and 7,067,522 employee stock options	—	Note 2
October 2010	NT\$10	300,000	3,000,000	224,068	2,240,675	Cash increase 28,000,000	—	Note 3
August 2011	NT\$10	400,000	4,000,000	235,271	2,352,709	Surplus to increment 11,203,376	—	Note 4
May 2012	NT\$10	600,000	6,000,000	236,961	2,369,609	1,690,000 employee stock options	—	
June 2012	NT\$10	600,000	6,000,000	238,550	2,385,499	1,589,000 employee stock options	—	
July 2012	NT\$10	600,000	6,000,000	309,131	3,091,312	Surplus to increment 70,581,269	—	Note 5
August 2012	NT\$10	600,000	6,000,000	309,320	3,093,202	189,000 employee stock options	—	
September 2012	NT\$10	600,000	6,000,000	309,357	3,093,572	37,000 employee stock options	—	
October 2012	NT\$10	600,000	6,000,000	326,980	3,269,802	23,000 employee stock options Overseas Depository Receipts 17,600,000	—	
November 2012	NT\$10	600,000	6,000,000	326,996	3,269,962	16,000 employee stock options	—	
December 2012	NT\$10	600,000	6,000,000	327,135	3,271,352	139,000 employee stock options	—	
January 2013	NT\$10	600,000	6,000,000	327,140	3,271,402	5,000 employee stock options	—	
February 2013	NT\$10	600,000	6,000,000	327,152	3,271,522	12,000 employee stock options	—	
March 2013	NT\$10	600,000	6,000,000	327,180	3,271,802	28,000 employee stock options	—	
May 2013	NT\$10	600,000	6,000,000	328,508	3,285,078	1,198,000 employee stock options Foreign Convertible Bonds 129,592	—	
June 2013	NT\$10	600,000	6,000,000	328,600	3,286,008	93,000 employee stock options	—	
July 2013	NT\$10	600,000	6,000,000	328,854	3,288,538	253,000 employee stock options	—	
August 2013	NT\$10	600,000	6,000,000	329,015	3,290,148	161,000 employee stock options	—	
September 2013	NT\$10	600,000	6,000,000	329,102	3,291,018	87,000 employee stock options	—	
October 2013	NT\$10	600,000	6,000,000	329,105	3,291,048	3,000 employee stock options	—	
November 2013	NT\$10	600,000	6,000,000	329,110	3,291,098	5,000 employee stock options	—	
December 2013	NT\$10	600,000	6,000,000	329,289	3,292,888	179,000 employee stock options	—	
January 2014	NT\$10	600,000	6,000,000	329,295	3,292,948	6,000 employee stock options	—	
February 2014	NT\$10	600,000	6,000,000	329,310	3,293,098	15,000 employee stock options	—	
March 2014	NT\$10	600,000	6,000,000	329,535	3,295,348	225,000 employee stock options	—	

Date/Month	Issuing Price	Authorized Capital Stock		Issued Capital Stock		Notes		
		Shares	Amount	Shares	Amount	Source of share capital	Written off with property other than cash	Other
May 2014	NT\$10	600,000	6,000,000	329,743	3,297,428	208,000 employee stock options	—	
June 2014	NT\$10	600,000	6,000,000	330,736	3,307,358	993,000 employee stock options	—	
July 2014	NT\$10	600,000	6,000,000	330,938	3,309,378	202,000 employee stock options	—	
August 2014	NT\$10	600,000	6,000,000	330,956	3,309,558	18,000 employee stock options	—	
September 2014	NT\$10	600,000	6,000,000	331,136	3,311,358	180,000 employee stock options	—	
October 2014	NT\$10	600,000	6,000,000	331,152	3,311,518	16,000 employee stock options	—	
November 2014	NT\$10	600,000	6,000,000	331,273	3,312,728	121,000 employee stock options	—	
December 2014	NT\$10	600,000	6,000,000	331,295	3,312,948	22,000 employee stock options	—	
January 2015	NT\$10	600,000	6,000,000	331,383	3,313,828	88,000 employee stock options	—	
February 2015	NT\$10	600,000	6,000,000	331,387	3,313,868	4,000 employee stock options	—	
April 2015	NT\$10	600,000	6,000,000	351,387	3,513,868	Overseas Depository Receipts 20,000,000	—	
June 2015	NT\$10	600,000	6,000,000	351,604	3,516,038	217,000 employee stock options	—	
July 2015	NT\$10	600,000	6,000,000	351,618	3,516,178	14,000 employee stock options	—	
August 2015	NT\$10	600,000	6,000,000	351,631	3,516,318	14,000 employee stock options	—	
March 2016	NT\$10	600,000	6,000,000	346,634	3,466,338	Cancel the treasury stock 4,998,000	—	Note 6
September 2017	NT\$10	600,000	6,000,000	406,634	4,066,338	Overseas Depository Receipts 59,820,000, 180,000 employee stock options total issuance of 60,000,000 stocks	—	
November 2017	NT\$10	600,000	6,000,000	406,664	4,066,638	30,000 employee stock options	—	

Note 1: Passed by the board of shareholders on January 8, 2010, took effect on February 25, 2010.

Note 2: Passed by the board of directors on June 23, 2010, took effect on July 1, 2010.

Note 3: Passed by the board of directors on August 23, 2010, took effect on September 28, 2010.

Note 4: Passed by the board of directors on June 28, 2011, took effect on August 23, 2011.

Note 5: Passed by the board of directors on June 11, 2012, took effect on July 20, 2012.

Note 6: Passed by the board of directors on February 26, 2016, took effect on March 16, 2016.

2. Listed Stocks

Unit: share

Stocks	Authorized capital stock			Notes
	Outstanding Shares	Unissued Shares	Total	
Common stock	406,663,759	193,336,241	600,000,000	As of March 31, 2019

3. Summarize relative information of declaration system: Not applicable.

(2) Composition of shareholders

March 31, 2019; share; %

Composition of shareholders Number	Government entity	Financial institutions	Other judicial persons	Foreign entities and individuals	Individuals	Total
Shareholders	2	0	108	309	49,357	49,776
No. of shares held	292,000	0	6,187,720	156,367,404	243,816,635	406,663,759
Ratio of shareholding	0.07%	0%	1.52%	38.45%	59.96%	100.00%

Note 1: Shareholder structure is the data of book closure day.

Note 2: Shares held by mainland China is 0.01%.

(3) Distribution Profile of Share Ownership

1. Common Share: NT\$10 par value

March 31, 2019; Unit: share/NT\$10 par value

Shareholding scale	No. of shareholders	No. of shares held	Percentage of shareholding
1~999	2,108	449,781	0.11%
1,000~5,000	38,418	78,757,814	19.37%
5,001~10,000	5,029	39,635,881	9.75%
10,001~15,000	1,483	19,217,641	4.73%
15,001~20,000	942	17,474,339	4.3%
20,001~30,000	722	18,634,947	4.58%
30,001~40,000	296	10,691,428	2.63%
40,001~50,000	191	8,876,799	2.18%
50,001~100,000	337	24,032,912	5.91%
100,001~200,000	135	18,603,389	4.57%
200,001~400,000	50	14,524,445	3.57%
400,001~600,000	25	12,484,814	3.07%
600,001~800,000	7	4,742,000	1.17%
800,001~1,000,000	9	8,217,722	2.02%
More than 1,000,001	24	130,319,847	32.04%
Total	49,776	406,663,759	100.00%

Note: Equity dispersion condition is the data of book closure day.

2. Preferred stock: This Company is no issuing of preferred stock

- (4) Major shareholders: the shareholders with more than 5% of the outstanding shares, or top 10 shareholders

March 31, 2019; shares

No. of shares	No. of shares held	Percentage of shareholding
Names of major shareholders		
Yuanta Commercial Bank Co., Ltd. is entrusted to manage the investment account for Max Gain Management Limited.	25,222,643	6.20%
CTBC Bank Co., Ltd. is entrusted to manage the investment account for Capable Way Investments Limited.	23,139,855	5.69%

Note: Name of main shareholders is the data of book closure day.

- (5) Share price, Net Worth, Earnings and Dividends for the recent two years

Unit: NT\$/thousand shares

Item	Year	2017	2018
Share price	Maximum	136.50	105.00
	Minimum	56.30	43.50
	Average	95.82	62.97
Net worth per shares	Before appropriation	90.86	90.72
	After appropriation	87.86	90.72 (Note 1)
Earnings per shares	Weighted average stock shares	389,224	406,720
	Diluted surplus per share	6.63	0.55
Dividends per shares (Note 6)	Cash dividend	3.00	— (Note 1)
	Stock dividend	Resulted from earnings	— (Note 1)
		Resulted from surplus	— (Note 1)
	Accumulated unpaid dividend (Note 2)		—
Return on Investment	Share price to earnings per share (Note 3)	14.45	114.49
	Share price to cash dividends per share (Note 4)	31.94	(Note 1)
	Cash dividends to Share Price (Note 5)	3.13	(Note 1)

Note 1: The surplus distribution plan of 2018 has not been passed by board of shareholders.

Note 2: If the dividends issued in the current year are accrued in the year in which the dividends are not issued, accumulated unpaid dividends until the end of the year shall be disclosed.

Note 3: Share price to earnings per share = Average closing share price of the year/earnings per share.

Note 4: Share price to cash dividends per share = Average closing share price of the year/cash dividends per share.

Note 5: Cash dividends to Share Price = Cash dividends per share/ Average closing share price of the year

Note 6: Dividends per share are included in the number of earnings allocations approved by the annual shareholders' meeting.

(6) Dividend policy and execution of this company

1. Dividend policy in articles of the company:

Dividend policy defined in article 34.1 of the company is as follows: This Company shall distribute profits according to the profit distribution plan made by the board of directors and passed by the shareholders in ordinary resolution. The board of directors shall formulate a profit distribution plan in the following way: The Company shall make up for the loss of the previous year by the annual net profit after tax, and allocate 10% of the balance as the statutory surplus reserve until the accumulated statutory surplus reserve can equal the paid-up capital of this company; in addition, it shall provide a special surplus reserve according to the company law or requirements of the competent authority; the rest (hereinafter referred to as "the current year's distributed surplus") plus the accumulated undistributed surplus in the previous year, which shall be handled according to the Company Law in the Cayman Islands and company rules, shall be distributed as dividends (including cash or stocks) after considering the financial, business, and operation factors. The total amount of dividends distributed shall not be less than 10% of the distributed surplus for the year; and the total amount of cash dividends will not be less than 10% of the total dividends paid in the current year; if the total amount of dividends per share for the year is less than 1 NTD, it is not applicable, and this company can decide to distribute some of them by shares of cash. If the company's annual distributed surplus is less than 10% of the paid-up capital at the end of financial year, the company may decide not to distribute dividends (including cash or stocks) in the current year.

According to the revision of company law in May 2015, distribution of dividend and bonus is limited to shareholders but not to employees. This company had passed a distribution plan of earning surplus at the meeting of the board of directors on May 29, 2018, and the distribution policy of employee remuneration is formulated in this article.

2. Dividend allocation shall be resolved in the current shareholders' meeting:

There is no distribution surplus in the resolution of the board of directors on February 20, 2019, and this resolution of the board of shareholders will be submitted.

(7) The impact of stock dividend on the company's business performance, earnings per share, and shareholder's return on investment:

There is no need for this company to compile 2019 financial expectation and stock grants; it is not decided in this meeting of the board of shareholders, thus it is not applicable.

(8) Remuneration distribution condition of employees, directors and Supervisor: (Supervisor is not set in this company, thus only directors will be disclosed)

1. The percentage or scope of bonus to employees and remuneration to directors, Supervisors according to company regulations: This company will promote the remuneration of employees and directors after deducting interest before tax by not less than 0.1% and not more than 1%; however, if this company still has accumulated profits and losses, it shall retain the amount for loss in advance.
2. In this period, the estimated basis of the employee, director and Supervisor

compensation amount, and the remuneration of employees distributed by shares processing of CPA if calculation basis and actual assigned amount is different from the estimated amount:

- (1) The basis to estimate the remuneration of employees, directors, and Supervisor:

Estimation basis of remuneration of employees: Refers to the undistributed surplus after considering statutory surplus reserve, estimated by a certain ratio within the scope specified in the articles of association.

Estimation basis of remuneration of directors: No distribution, it is not applicable.

- (2) Calculation basis of the shares if the remuneration of employees is distributed by shares: No distribution, it is not applicable.
- (3) Processing of CPA if the actual distribution amount is different from the estimated number: If it still changes after the announcement of the annual consolidated financial report, then it will be handled according to the estimation by the CPA, and it will enter into the accountant book in next year.

3. Remuneration distribution plan passed by the board of directors:

- (1) Remunerations of employees and directors in 2018 are shown as follows:

Remuneration of employees: 100,000 Dollars distributed by cash.

Remuneration of directors: Nil (Supervisor is not set in this company).

- (2) The ratio of employee's remuneration distributed by shares to net income after tax and total amount of employee's remuneration in this term: Not applicable.

4. Actual remuneration distribution (includes shares, amount and share price) for employees, directors, and Supervisor in the past year; describe its difference, reason and processing condition if it is different from the estimated remuneration distribution of employees, directors and Supervisor:

- (1) Remuneration distribution of employees, directors and Supervisor:

No remuneration distribution for employees.

Remuneration distribution of 594,000 dollars to directors (Supervisor is not set in this company).

- (2) If the above amount is different from the remunerations of employees, directors and Supervisor, please describe the difference, reasons and processing conditions:

This Company's original account amount is US\$713,753; the amount approved by the Board of Directors is US\$594,000 after considering operation status and the contribution of the directors; and the amount of decision is 0.83% of the current year's surplus, which can accord with the upper limit 1% set in the article. The difference between the distribution amount of the board of directors and the estimated number of items on the account is equivalent to the estimation of the CPA, and it is considered as the profit or loss in 2018.

- (9). Company shares purchased by this company itself: Nil.

2. Issuance of corporate bonds (includes overseas bonds):

- (1) This company is no issuing of domestic corporate bond.

- (2) Overseas corporate bond:

The first overseas unsecured convertible corporate bond in 2012 had been returned on October 30, 2015.

The first overseas unsecured convertible corporate bond in 2015 had been returned on April 8, 2018.

(3) Convertible Bond

The first overseas unsecured convertible corporate bond in 2012 had been returned on October 30, 2015.

The first overseas unsecured convertible corporate bond in 2015 had been returned on April 8, 2018.

3. Issuance of preferred shares:

N/A.

4. Issuance of GDR:

Issuing (handling) date	October 1, 2012	April 8, 2015	September 8, 2017
Items			
Issuing (handling) date	October 1, 2012	April 8, 2015	September 8, 2017
Issuance and trade location	Luxembourg Stock Exchange	Luxembourg Stock Exchange	Luxembourg Stock Exchange
Total issuance amount	USD236,192,000	USD133,600,000	USD237,000,000
Issuance price per unit	\$13.42 per unit	\$6.68 per unit	\$3.95 per unit
Total No. of Issuance Units	17,600,000 Overseas Depository Receipts manifest 17,600,000 ordinary shares	20,000,000 Overseas Depository Receipts manifest 20,000,000 ordinary shares	59,820,000 Overseas Depository Receipts manifest 59,820,000 ordinary shares, plus 180,000 employee stock options, the total amount of ordinary shares is 60,000,000
Manifest the Source of Securities	The source of securities in this depository is from the cash increment of 17,600,000 shares	The source of securities in this depository is from the cash increment of 20,000,000 shares	The source of securities in this depository is from the cash increment of 60,000,000 shares
Manifest the No. of Securities	Per depository receipt will manifest 1 TPK ordinary share	Per depository receipt will manifest 1 TPK ordinary share	Per depository receipt will manifest 1 TPK ordinary share
Right and obligation of the owner of depository receipt	<p>1. Voting right: Otherwise stipulated in the regulation, holders of depository receipts may exercise their voting rights of TPK ordinary shares manifested by depository receipt according to the relevant provisions of the R.O.C and the British Cayman Islands as well as relevant provisions of the depository deeds.</p> <p>2. Dividend distribution, pre-emptive rights of new stock and other interests: Otherwise stipulated in the depository deed, the holder of a depository certificate can enjoy the same dividend distribution and other rights of allotment as the ordinary shareholders of TPK. If TPK issues stock dividends or handles other share distribution issued in the future, the depository institution may issue corresponding amount to holders of deposit certificate</p>		

		<p>based on the original units held according to depository deeds and relevant laws; or the institution can increase the number of ordinary shares manifested by each unit of depository receipts, or the institution can sell the stock dividends on behalf of the holder of the depository certificate, and shall give the incomes (after deduction of tax and relevant expenses) by a certain proportion to holders of the depository receipt within the scope of law.</p> <p>When TPK handles cash increment or other stock options, holders of depository receipts shall enjoy the same rights as the common stock shareholders; the depository institution shall provide relevant rights to the holder of the depository receipt, or sell the rights on behalf of the holder of the depository receipt, and shall give the incomes (after deduction of tax and relevant expenses) by a certain proportion to holders of the depository receipt based on the depository deed according to the regulations and laws of R.O.C and British Cayman Islands.</p>	
Assignee		N/A	N/A
Depository institution		Citibank, N.A.	Citibank, N.A.
Custodian		Citibank Taiwan Limited	Citibank Taiwan Limited
Un-reconvertible Balance		2,000	
Allocation way of expenses during issuing and duration period		<p>1. Fees related to the issuance of overseas depository receipts: The issuance expenses incurred in relation to the issuance of overseas depository receipts, including legal fees, listing fees, financial advisory fees and any other related expenses, etc. shall be undertaken by the issuing company and the selling shareholders otherwise stipulated in the regulation or agreed by the company and sponsored underwriter and custodian institution.</p> <p>2. Fees in duration: Fees in duration which include information disclosure and other expenses shall be undertaken by the issuing company otherwise stipulated in the regulation or agreed by the company and sponsored underwriter and custodian institution.</p>	
Important items of depository contract and custodian contract		Refer to depository contract and custodian contract for details	
Market price per unit (dollar)	2018	M a x i m u m	3.56
		M i n i m u m	1.43
		A v e r a g e	2.051
	From this year (2019)	M a x i m u m	1.96

	to March 31, 2019	M i n i m u m	1.51
		A v e r a g e	1.723

5. Employees stock options:

(1) Information of employee stock option

March 31, 2019; unit: Share/NT\$

Type of employee stock option certificate	First employee stock option in 2010	First employee stock option in 2012	First employee stock option in 2013			First employee stock option in 2014
Approval date of declaration	July 27, 2010 (Note 1)	March 9, 2012	December 31, 2013			December 1, 2014
Issuance Date	May 1, 2010	June 4, 2012	April 23, 2014	December 2, 2014	December 16, 2014	November 5, 2015
Duration	10	7	5			5
No. of issuing units	9,000 units	2,808 units	6,000 units	6,200 units	100 units	10,000 units
Ratio of subscribed shares to the total amount of issued shares (%)	2.21%	0.69%	1.48%	1.52%	0.02%	2.46%
Subscription period	The stockholder expires 2 years after the expiration of the employee stock option certificate	The stockholder expires 2 years after the expiration of the employee stock option certificate	The stockholder expires 2 years after the expiration of the employee stock option certificate			The stockholder expires 2 years after the expiration of the employee stock option certificate
Method of performance	Issuance of new shares	Issuance of new shares	Issuance of new shares			Issuance of new shares
Restricted subscription period and ratio (%)	Implement 50% after expiration of 2 years Implement 75% after expiration of 3 years Implement 100% after expiration of 4 years	Implement 50% after expiration of 2 years Implement 75% after expiration of 3 years Implement 100% after expiration of 4 years	Implement 50% after expiration of 2 years, Implement 75% after expiration of 3 years, Implement 100% after expiration of 4 years			Implement 50% after expiration of 2 years, Implement 75% after expiration of 3 years, Implement 100% after expiration of 4 years
Implemented subscription No.	8,050	0	0	0	0	30
Implemented	912,343	0	0	0	0	3,000

subscription amount						
Number of shares not executed	93	932	2,766	1,892	100	6,507
Subscription price per share for those who do not implement subscription	94.2	242	206.4	184.2	203.9	100
Ratio of non-subscribed shares to total issued shares (%)	0.02%	0.23%	0.68%	0.47%	0.02%	1.60%
Impact on shareholder's equity	Small impact on the dilution of the original common stockholders' equity	Small impact on the dilution of the original common stockholders' equity	Small impact on the dilution of the original common stockholders' equity	Small impact on the dilution of the original common stockholders' equity	Small impact on the dilution of the original common stockholders' equity	Small impact on the dilution of the original common stockholders' equity

Note 1: Public release day of this company.

Note 2: The second employee stock option certificate in 2010: Since the revision method can't meet the requirements of the competent authority, this certificate has thus been canceled.

Note 3: Non-subscribed shares have been deducted from resigned employees.

(2) Execution condition of employee private stock option from last year to this report's printing: Nil.

(3) Manager who gets employee stock options and the name, acquisition and purchase condition of the top ten employees with stock options

March 31, 2019; unit: Share/NT\$

	Position	Name	Subscription No.	% of subscription No. to total issued capital stock	Implemented				Unimplemented			
					Subscription No.	Subscription Price	Subscription Amount	% of subscription No. to total issued stock capital stock	Subscription No.	Subscription Price	Subscription Amount	% of subscription No. to total issued stock capital stock
Manager	Vice Chairman	Foster Chiang	3,328	0.82%	1,412	136.2 96.7 94.8	155,709	0.35%	1,916	242 206.4 184.2 203.9 100	241,531	0.47%
	President (Note 2)	Li-Chien Hsieh										
	Senior Vice President	Heng-Yao Chang										
	Senior Vice President	Tsung-Liang Tsai										

	Position	Name	Subscription No.	% of subscription No. to total issued capital stock	Implemented				Unimplemented			
					Subscription No.	Subscription Price	Subscription Amount	% of subscription No. to total issued stock capital stock	Subscription No.	Subscription Price	Subscription Amount	% of subscription No. to total issued stock capital stock
	Senior Vice President	Shih-Ming Liu										
	Senior Vice President	Freddie Liu										
	Senior Vice President (Note 2)	MING-CHUNG CHUAN G										
	Vice President	JEN-I TAI										
	Vice President	YU-SHENG KAI										
	Vice President	JONG-YIH CHEN										
	Accountant Officer	HU-YAO LIN										
	President (Note 2)	Hwai-Hai Chiang										
Employee (Note 1)	Employee	JIEN-HSUN WANG	2,948	0.72%	1,138	136.2 100.2 96.7 94.8	129,734	0.28%	1,810	94.2 242 206.4 184.2 100	263,176	0.45%
		TE-CHUAN YEH										
		KUANG-TA HUANG										
		CHUN-MIN HU										
		CHUN-AN WEI										

	Position	Name	Subscription No.	% of subscription No. to total issued capital stock	Implemented				Unimplemented			
					Subscription No.	Subscription Price	Subscription Amount	% of subscription No. to total issued stock capital stock	Subscription No.	Subscription Price	Subscription Amount	% of subscription No. to total issued stock capital stock
		SHUN-TA CHEN (dimission)										
		CHUNG-CHEN HSIEH										
		WEN-YU WU (dimission)										
		PEI-CHING TSAI										
		SHENG-PIN SU										

Note 1: The top ten employees with employee stock options are not managers.

Note 2: Li-Chien Hsieh took office as Senior Vice President on October 9, 2018, took office as President on December 1, 2018; MING-CHUNG CHUANG took office on October 9, 2018; Hwai-Hai Chiang resigned on November 30, 2018.

Note 3: The number of shares acquired is the total amount accumulated since the first employee stock option in 2010.

6. Restriction on employee's issuance of new shares: Nil.
7. Merger or issuance of new shares from other companies: Nil.
8. Execution of financing plans:

(1) Plan Contents

1. Previous issue or private placement of securities have not been completed:

(1) On May 16, 2017, the resolution of the shareholders' general meeting show that private equity of cash increment shall not exceed 50,000,000 shares, or the total amount of privately-traded overseas convertible corporate bonds shall not exceed US\$100,000,000, since the total amount limit of common shares issued for overseas depository receipt, common shares from cash increment or shares from overseas convertible corporate bonds is 85,000,000 shares, this case expired on May 16, 2018.

(2) Since the conditions can't be satisfied, and the subscription time is near expiration, this company has signed the share subscription termination and joint venture agreement with O-Film Tech Co., Ltd. on April 23, 2018, but both parties still hope to cooperate with each other in future.

2. Completed in past three years while the plan benefit does not appear:

Issuance of 2017 overseas depository receipts

- (1) Authorized date and document No. of competent authority for purpose of business:

No. 1060033942 issued on September 5, 2017 by the Financial Supervisory Commission.

(2) Total capital needed in this plan: US\$237,000,000

(3) Source of capital: Issue 2017 overseas depository receipt of 60,000 units, other conditions can be seen in the issuing method.

(4) This plan has been completed on September 8, 2017, and relative information has been input to the public information observation website.

(2) Execution :

Unit: US\$ Thousand

Unit: US\$ Thousand				
Planned Items	Execution (note)			As of December 31, 2018
Raw materials purchasing overseas	Amount of use	Expected	\$	237,000
		Actual	\$	237,000
	Progress (%)	Expected		100.00
		Actual		100.00

Note: It is expected to be finished in the second quarter of 2018, while it has been finished in the fourth quarter of 2017.

Expected possible benefits: Focus on medium and long-term operation capital, and save interest expenses to increase operating profitability.

- (1) Above plan of securities insurance which includes merger or acquisition or transfer of other companies, expansion or new fixed assets should be compared in terms of

fixed estates, factory and equipment, operating income, operating costs and operating interests: Not applicable.

- (2) If the above issuing plan of securities is for re-investment of other companies, the operation condition of re-investment business and its impact on the company's investment profit and loss shall be described: Not applicable.
- (3) The above insurance plan of securities which is for the purpose of enriching working capital and repaying debts should explain the current assets, current liabilities and total liabilities, interest expenses, operating income and other items and earnings per share, and analyze Financial structure:

The functional currency of this company is US dollar with US dollar debt, while the current average borrowing rate of US dollar purchases is not much different from the original estimated interest rate. Therefore, there is no significant difference between the expected benefit of interest savings and the actual achievement.

V. Overview of Operations

1. Company Operation

(1) Business Content

1. Business Scope

(1) Main contents of business operation

Main business of this company and its subsidiaries is development, production and sale of touch module, touch module solutions, and ITO glass.

(2) Main products and percentage of business

Unit: NT\$1000; %

Main Products	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
Touch module	85,746,062	96.11	105,542,553	98.45	110,569,755	97.43
Others	3,470,222	3.89	1,665,929	1.55	2,911,753	2.57
Total	89,216,284	100.00	107,208,482	100.00	113,481,508	100.00

(3) Products of this company

The main product is to provide solutions of touch module applications and lamination service. The major end-products of the company's touch solutions are as follows:

1. Below 7-inch: Wearable devices, eBook, smart phone, digital cameras.
2. Above 7-inch (include) and below 11-inch: Tablet computer.
3. Above 11-inch (include) and below 16-inch: Large-sized tablet computer, 2-in-1 PC, notebook.
4. Above 16-inch (include): All-in-One PC, automotive display, interactive electronic whiteboard.

(4) New products and services planned to develop in future:

1. Provide customers with next generation high-end touch solutions possessing more functions with better and lighter designs.
2. Expand touch solutions to more diversified scopes of applications and enter into brand-new end-product markets.
3. Lead the trend, provide customer with more advanced lamination service.
4. Develop innovative touch materials for flexible and larger-sized touch solutions.

Evolve new business models to enhance the company's value in the supply chain.

2. Industry highlight

(1) Current status and development of touch industry

1. Touch industry development steps into stable growth period.

Touch technology went through explosive growth in the last decade with many manufacturers in its development; however, the excessive capacity of the market occurred in the following years since the decreased demands of smart phones and tablet as well as the saturation of touch product permeability, and many manufactures quit the touch industry faced with this hard market environment during the integration period; overall supply and demand of touch industry

gradually goes back to stable and sound status.

2. Continue expansion of touch product application

In recent years, touch products are widely applied in mobile electronic devices such as smart phones, eBooks, tablet and wearable products; customers have become accustomed to the operation method of touch connection, and touch products will continue to penetrate to multiple product applications, such as automobile screens, interactive whiteboards used for commerce or education, and domestic electronics.

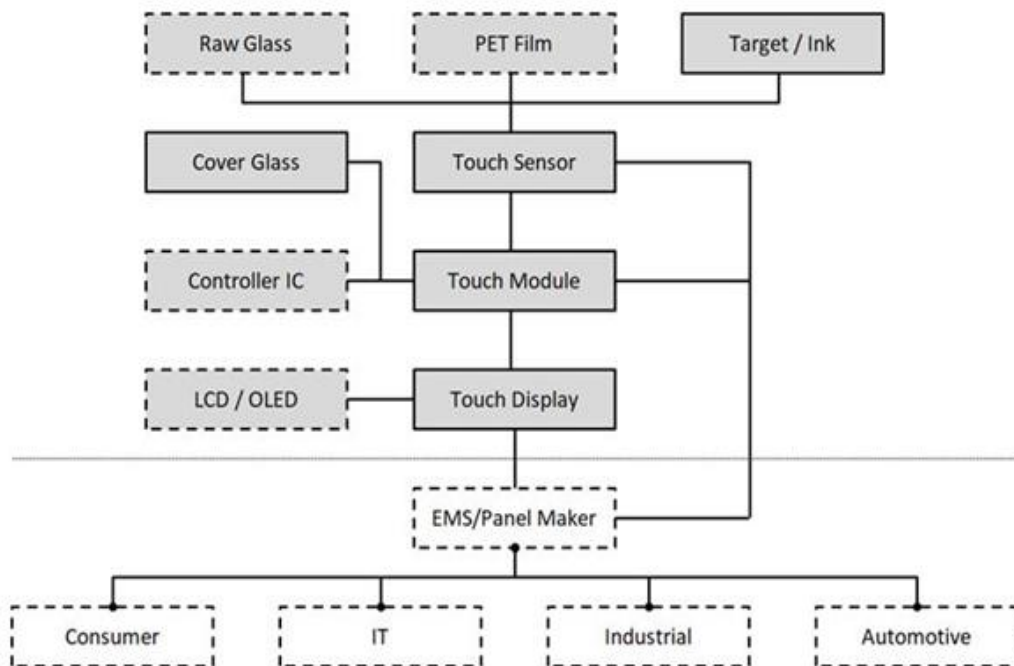
3. Flexible touch products will become a new trend in the next generation

Up to now, the development of consumer electronics, especially smart phones, is stable; in order to enhance demands and push forward growth, global main brands all find the breakthroughs in surface design, specifications and use habit. In the trend, flexible touch products may lead the touch industry to step into a new stage.

(2) Industry supply chain

Our company provides completed projected capacitive touch solutions, and ranks middle and lower in the whole industry chain. Upstream manufacturers include material suppliers, (glass substrate, chemical material and PET film), suppliers of ITO film, ITO glass, soft board, glue and control IC in the middle industry. Suppliers of LCD panels, OLED panels and protective covers are also in the middle parts; and industry integration manufacture in the lower industry.

The company has ITO coating technology, yellow etching, glass cutting, press bonding between soft board and protective cover and LCD panel bonding, as well as strengthening, surface treatment and cutting services for protective glass. By the integration of up-stream and downstream, this company can provide completed technology for customers thus to enhance production efficiency, shorten the time between design and mass production, and thus satisfy the rapid change and short life cycle in the 3C industry. The industry chain of touch is shown as follows:



(3) Various trends of products

By the stable development of various touch technologies such as G/G, P/F/F, G/F/F, G1F, G/F, OGS, TOL and ITO materials, along with the technology integration in the market, this company has relocated touch technology and updated structure, set different market divisions according to features of electronics, provides each product with customized touch-technology and specifications, integrated and developed all-level main touch technology, structure and materials to reach the most optimized market price and production efficiency.

In the near future, the screen touching product will lead the development of the industry into a new evolution. All the manufacturers in the supply chains put in all sorts of material, skills for research and development. Different types of consumable electronic product manufacturers demonstrate their interest in these touch screen product. It is certain that once these screen touching products are launching to the market, it can create a new trends to the industry.

(4) Competition Condition

After rapid growth and market integration, the touch industry steps into stable development in recent years. The balance of supply and demands has been broken since the input of competition and capacity expansion due to explosive market demands; however, by the saturation of demands on mobile device termination and touch permeability, many competitors quit the market, and thus the balance of supply and demands has been improved.

Moreover, these manufacturers tends to form a partnership with each others when developing new technologies and expanding the productive amount. It totally shifts the strategy of the industry from competing on the price by increasing the production amount. On the other hand, due to the changing customer focus on the product integration, some of the manufacturers will be acquired by the majors company or the sales of their products are eventually dropped. “Winner takes all with last man standing” will become the end result on the development of these screens touching product

Our company is known for leading technology and excellent touch production integration ability in this industry. By the stable development of the touch industry, this company will continue to concentrate on the development and promotion of new materials (nano silver) and new technology, optimization of customer service, product development, technology innovation, and production surface to maintain its leading position in the touch industry and improve overall benefits.

3. Overview on technology and research

(1) Technology level and research development overview of business operation

Our company locates at professional touch technology application manufacture when established and main product of this company is the application of projected capacitive technology. Projected capacitive is the most difficult technology with the highest technology level in touch technology. This company mainly concentrates on

development of self-owned technology, and at the same time, continues to cooperate with global consumer electronics factories and suppliers of relative materials in technology development which include technology research, material development, process improvement, and yield promotion. Since established, the development and manufacturing technology in the touch industry of this company have been praised and certified by all customers.

The company concentrates on various touch technology and applications, which include the surface processing technology of various materials (glass, plastics, metal). Application sizes range from 1~100, of which include wearable devices, smart phones, DSC, PND, PMP, hand-held game machines, eBooks, tablet, personal computers, AIO, automobile screens and interactive whiteboards.

- (2) This company set the R&D department to concentrate on the development and research of touch technology, and we collect market dynamics and product development trends by the Marketing Department and Business Department in order to make research results that can satisfy market demands and trends. Since the hand-held electronic device is still the mainstream of touch panel applications, the company continues to invest in ultra-thin substrate process development and technology for integration of cover glass and touch panels in order to meet the design trend of light, thin and narrow bezels, and in addition, this company actively invests in R&D resources in the development of flexible and tortuous touch panel technology and innovative materials to meet the needs in future.

- (3) R&D costs of recent year (2018) and year 2019 as of March 31, 2019

Unit: NT\$1000

Year	2018	March 31, 2019
R&D Expenditure	978,503	272,623
Net revenue	113,381,508	31,156,143
% to net revenue (%)	0.86%	0.88%

- (2) Developed technology or product

Developed technology or product	Important Application	Manufacturing Process
1. Process of double-sided ITO projection capacitive touch sensor double-sided yellow light	Smart phone, GPS, and eBook	Double ITO coating, double-sided ITO sensing, circuit structure etching, conductive metal coating, metal wire etching, protective layer coating and yellow light forming, laser cutting
2. Process of single ITO projection capacitive touch sensor double-sided yellow light	Smart phone, GPS, and eBook	Single ITO coating, ITO sensing circuit structure etching, insulating layer coating and yellow light forming, conductive metal coating, metal wire etching, protective layer coating and yellow light forming, laser cutting

3. Pressing technology of Capacitive touch sensor double-sided flexible circuit board (FPC)	Smart phone, GPS, and eBook	Positive anisotropic conductive adhesive (ACF) attachment, front FPC fit, back ACF attachment, back FPC fit, double-sided hot pressing
4. Bonding technology of Capacitive touch module	The same, it is applicable to products with 3.5-32 inch screens	Touch glass bonding optical double-sided adhesive (OCA), glass protective cover, LCD bonding
5. High-strength glass processing technology A. Development of glass chemical strengthening formula B. Development of glass cleaner formulation C. Cutting technology after reinforced high-strength glass	Manufacturing of the protective cover of electronic devices such as smart phones, GPS, and PMP: Strengthen the depth of glass, shorten the strengthening time, increase the activation energy of the surface of the glass protective cover (reduce the contact angle), improve the bonding strength of the module, and cut the depth after the glass is strengthened	Process of glass protection cover: Glass touch grinding and polishing, cleaning polishing powder and crushing, chemical strengthening, cleaning and residual, and then decorative ink printing
6. Full-surface resistive touch module	Smart phone with Windows system has a more beautiful and flexible surface compared with traditional resistance-type products	The optical adhesive is bonded to the ITO film, the double-sided adhesive is applied to the two layers of ITO film, the die-cut molding, and the flexible circuit board is pressed.
7. OGS	Two-glass touch module is simplified into a single piece of glass, thin and lightweight mobile phone tablet computer	The large glass is made of the existing yellow light equipment and the manufacturing process of the touch circuit and the cut is completed, and the secondary reinforcement of the edge is performed.
8. STOL	Two-glass touch module is simplified into a single piece of glass, thinner and lighter for smart phones	The large piece of glass is used as a substrate to arrange a single piece of six-sided tempered glass cover plate, and the touch circuit is formed according to the existing yellow light equipment and the process. After completion, the single piece of six-sided reinforced touch glass is removed.
9. Nano silver borderless touch module	Borderless design of hand-held human-machine touch interface	Nano silver bendable signal line, curved surface bonding technology, higher wire width and line spacing resolution, up to 12/12um, and can hide the signal line to the back

10. Writable nano silver touch module	In addition to the original finger-sensing capacitive sensing, the sensor has developed a more sensitive pen-writing sensor to meet the user's habits.	Low-resistance nano-silver transparent wire for higher touch resolution, from centimeters (cm) to millimeters (mm)
11. Process technology of high resolution, low visibility nano silver yellow process technology	Smart phones, tablets, e-books, etc.	Nano silver patterning process. Improve the nano silver spacing pattern through the yellow light process, while matching the pattern design to reduce the visibility of the pattern
12. Thin film capacitive nano silver touch module	Hand-held human touch interface with light and short requirements	The two-film touch module is upgraded into a single-layer double-sided nano-silver projected capacitive touch sensor structure, and the thickness is reduced by more than 65%.
13. Production technology of Nano silver wire film capacitive single-sided roll-to-roll	Highly productive thin film capacitive touch module	Roll-to-roll sputtering, coating, printing, and patterning processes increase productivity and reduce production costs
14. Ultra-thin ITO single-sided bridge type projected capacitive touch sensor	Hand-held devices such as smart phone and tablet computer, automobile application	Ultra-thin substrate coating, single-sided ITO coating, bridging, circuit structure etching, conductive metal coating, metal wire etching, protective layer coating and yellow light forming, sensor/glass substrate separation, ultra-thin sensor bonding
15. Bonding technology of 3D glass and film touch sensor	Hand-held devices such as smart phone and tablet computer	Film touch sensor surface preforming, 3D shape/sensor automatically distinguishes alignment, vacuum automatic fit
16. Multi-layer anti-reflective coating technology for 3D curved surface	VR, hand-held devices	3D surface sputtering, multi-layer optical film low reflectivity design
17. Manufacturing technology of ITO narrow frame touch sensor	Hand-held devices such as smart phones and tablet, automobile applications	Narrow line and wide line distance design, yellow light process technology, shortened length Bonding pad pressing technology
18. 3D modeling touch glass substrate optical grade glass protective cover	Protection cover for the touch glass of hand-held devices such as smart phones, tablet and personal computers, GPS and eBooks	2D planar profile cutting, 3D hot bend forming, 3D profile grinding and polishing, chemical strengthening compensation
19. Bonding technology of artificial intelligence non-planar high precision bonding technology	Smart phone, GPS, and eBook	OCA automatic tear film system, high precision sensor placement system, glass cover plate and plastic sensor one-time alignment system

20. Bonding process of large-size curved water glue bonding process	Vehicle surface display equipment, curved TV, etc.	For the display module of thick iron frame and curved surface, the dam glue and the edge banding glue are glued and solidified, and the flat or curved touch module is pressed on the curved display module, and then the glue, solidification and edge sealing are completed, and the curved surface is completed bonding.
21. Oversized automatic nano silver touch module	Interactive education whiteboard, electronic whiteboard of meeting room, public displayer	The full-surface surface-treated glass cover and the nano-silver film are patterned to form a sensing layer that fits perfectly into the oversized display. Coupled with a controller that supports 4 active pens.
22. Ultra-thin and narrow-neck large-size touch display module	AIO, touch displayer	The highly wear-resistant Decoration film and the double-sided patterned sensing layer and the liquid crystal display glass are combined to form a fully-fitted touch display module.
23. Touch film is folded back to the back of the display to achieve an ultra-narrow bezel touch module	Tablet computer, personal computer	After the touch module is attached to the display, the touch signal line is bent and attached to the back of the display.
24. SNW touch module (support pen)	Tablet computer, personal computer	PET double-coated SNW, sensing circuit structure etching, conductive metal printing, molding, FPC Bonding, Display bonding

4. Long-term and short-term business development plans

(1) Short-term business development plan

1. Operation Strategy

Collect resources to help important customers, cooperate with them to develop better, more flexible products whose designed surface can better comply with the requirements of customers' mature products. Furthermore, this company also pursues the innovative development of new touch materials in the hope of providing products with better conductivity and price advantages for customers, thus expanding touch applications into oversized screens.

2. Production Strategy

Continue improving the automation of the production line, optimize production processes, enhance capacity, reduce production costs, and increase competition ability by improving economic scale and process, maintaining the leading position in the industry, and pursuing cooperation with suppliers of main materials to get material price advantages.

3. Marketing Strategy

Actively develop new technologies to adapt to market trends, review current

products and their development trends in a timely manner to keep pace with the market and develop a product supply-chain with high growth.

(2) Long-term business development plan

1. Operation Strategy

Products of our company shall continue to have a high technology and capital threshold. Regarding technology, continue to independently develop new touch technology, especially in flexible touch products, ensure its leading position in the touch market through patent strategies, and improve company mechanisms with multiple customers, technologies, and products.

As for the development of new materials, in addition to developing lower price products with good performance in the short term, it is hoped that the new material nano silver developed by our company can gradually replace previous materials and become a major technology in the touch market.

2. Production Strategy

Continue to strengthen such core technologies as production management, process development, and equipment development to improve yield, efficiency, and production ability, thus reducing costs, maintaining competitiveness, and providing the corresponding capacity according to market demands.

3. Marketing Strategy

Based on the advanced technology owned by our company, provide customers with leading and multiple touch solutions to consolidate customer relations and assist customers in understanding the future market demands in the initial design of new products through comprehension of market trends.

2. Market and business overview

(1). Market analysis

1. Sale locations of main products

Unit: NT\$1000

Area	2017		2018	
	Amount	(%)	Amount	(%)
America	66,778,752	62.29	50,306,792	44.33
Asia	21,848,795	20.38	26,503,807	23.36
Other	18,580,935	17.33	36,670,909	32.31
Total	107,208,482	100.00	113,481,508	100.00

2. Future supply and demand of market and growth

Following industry integration and natural elimination in the touch industry, current touch manufacturers in the market will adopt conservative strategies on capacity establishment; therefore, the excess supply in the market caused by manufacturers' active expansion of capacity will not occur.

With regard to demands, since e-readers, smart phones, and tablets have already adopted touch solutions and saturated market demands, the market sales are growing slowly, while current touch technology occurs naturally without innovation. However, the innovation of new smart phones and tablet will be criticized for bad

design, so manufacturers try their best to develop next-generation products, with the expectation of putting forward brand-new designed products that can attract customers with new looks and functions.

As for current technology development, manufacturers related to the supply chain of flexible products have begun to develop relative products along with the OLED panel technology of flexible product; many manufacturers are publishing the innovative design and application of flexible products. The market for flexible products is growing rapidly, while renowned global manufacturers and customers believe they should have more imagination for innovating flexible products. Flexible products will bring new motivation to the touch industry through the maturity of product technology in the supply chain of flexible products.

3. Competitive strength

- (1) Pioneer of transparent projected capacitive technology.
- (2) Professional touch manufacturer that is flexible to satisfy the demands of main customers with many upstream component suppliers.
- (3) Own self-developed, high-efficiency design production process and equipment.
- (4) Long-term development partnerships with world-class customers.
- (5) Actively strive to develop innovative touch materials and understand critical patent technology.

4. Strengths and weaknesses of development

(1) Strengths

1. Leading manufacture of projected capacitive touch technology with high customer independence

This company is the leading manufacturer of projected capacitive touch technology, and we cooperate with customers to develop updated products that sync with market technology upgrades and evolving design trends. Since this company can process materials, manufacture touch sensors and glass protection covers, and press and fit soft panels, protection covers, and liquid crystal panels, this company has thus become an important partner for customers.

2. Projected capacitive touch function has become standard, and the terminal application market continues to expand

Through more than ten years of development, the projected capacitive screen has transferred from smart phones and PMPs into the applications of other mobile devices, such as e-readers and tablet, and the projected capacitive touch function has gradually become an expected feature of electronics. Meanwhile, more electronics, regardless of what they used before, have begun to import this technology; therefore, automobile screens and oversized whiteboards used for commerce or education are potential markets.

3. Own self-developed and designed production processes and equipment with high efficiency

This company independently develops the projected capacitive touch production process and is a pioneer of transparent glass projected capacitive touch technology with the ability to develop core equipment and provide

efficient manufacturing technology with good yield. Furthermore, it adjusts process procedures according to customers' special product specifications and can provide high-quality products that can reach the market in a timely manner.

4. Understand critical materials and technology for flexible next-generation touch products

According to market trend estimations, many manufacturers around the world put forward relative flexible innovative products that are expected to motivate the saturation and stable marketing of the smart phone and tablet computer market. This company developed flexible touch materials and technologies many years ago, grasped the critical technology of nano silver material, actively carried out development from materials to related processes, and now it hopes to design representative next-generation products together with customers and formulate specifications for the mainstream touch market.

(2) Weaknesses

1. High market concentration

Projected capacitive technology is mainly adopted in smart phones and tablet, so the market growth of smart phones and tablet, as well as the permeability of projected capacitive touch feature, will directly impact the company's operations.

Countermeasures:

Actively expand other market applications

Develop new applications: Automobile market, e-readers, wearable electronics, PND, DSC, remote controls, gaming machines, digital photo frames, personal computers, 2-in-1 PCs, All-in-One PCs, POS, and KIOSK to expand terminal applications and thus reduce market concentration.

2. High customer concentration

Transparent glass projected capacitive touch technology is an innovative application for electronics, so this company has decided to cooperate with the leading brand at the initial stage, thus concentrating on the promotion of projected capacitive touch electronics.

Countermeasures:

In addition to cooperation with main customers and material suppliers to develop advanced touch technologies and structures, the company shall also strive to find new customers.

3. Many big manufacturers are beginning to participate in potential touch applications

Since the development of the touch market with updated products using touch connections, this opportunity has attracted many manufacturers in other industries to occupy the market.

Countermeasures:

A. Continue to strengthen relations with both the up and downstream supply chain

This company is the leading manufacturer of touch technology; through close cooperation with up and downstream component suppliers, it can provide customers with comprehensive projected capacitive total solutions,

assist customers in developing new products, and become an indispensable partner for customers.

B. Excellent mass production yield

Our company has rich experience in mass production and equipment development. Therefore, we can quickly reach mass production yield for new products and their specifications and are praised and trusted by our customers. Our company will continue researching mass production procedures with the hope of providing better and more reliable products.

C. Advanced technology ability

Our company has leading projected capacitive touch technology and continues to develop new technology, materials, and process procedures for different usage environments and customer demands in order to provide customers with quick, multilateral, and customized projected capacitive touch solutions.

D. Strong internal management

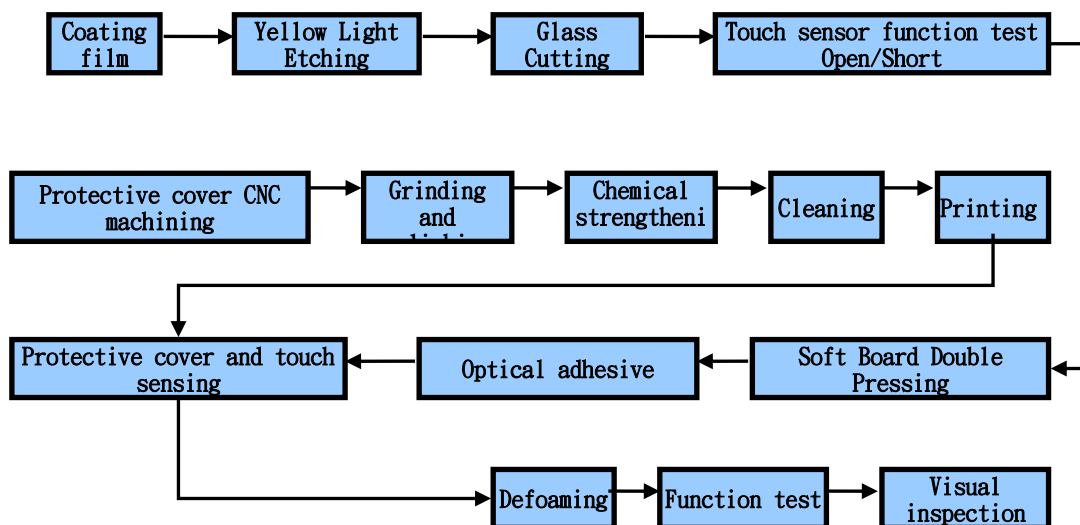
This company adopts Six Sigma management rules aimed at zero defective products, prevention of product responsibility risks, reduction of costs, improvement of production efficiency and market occupation rates, and promotion of customer satisfaction and loyalty. Based on Six Sigma management strategies, motivated by facts and data, spoken and written theories are transformed into actual action in order to improve management efficiency; furthermore, efficient management can save operation costs, prevent waste, achieve the objective of pursuing maximum profit, and improve customer satisfaction.

(2). Purpose and production process of main products

1. Important purpose of main products

Company's products mainly apply in senior smart phone, GPS, eBook, PMP, tablet computer, personal computer, AIO.

2. Manufacturing process of main products



(3). Supply of main materials

Raw materials include: glass substrate, metal target, flexible circuit board, protective cover, conductive adhesive, protective film, optical adhesive, liquid crystal panel, touch sensor.

Main Materials	Supplier	Supply Condition
FPC	B Company, Fujikura	Stable
LCD / LCM	LG, B Company, Prime	Stable
Cover / Raw Glass	B Company, Hon Hai, Corning	Stable

- (4) List of main stock and marketing customers: List the customer name and amount as well as ratio of who the stock (marketing) amount occupied over 10% of total amount and show the reason of changes. While if the customer name shall not be disclosed or the individual is not an interested party, it shall be shown by code.

1. Main suppliers in recent two years

Unit: NT\$1000

Item	2017				2018			
	Name	Amount	% to whole year net purchases (%)	Relation with issuer	Name	Amount	% to whole year net purchases (%)	Relation with issuer
1	B Company	34,856,836	42.59	N/A	B company	42,955,426	44.72	N/A
2	Other	46,988,807	57.41	N/A	Other	53,102,091	55.28	N/A
	Net purchases	81,845,643	100.00	—	Net purchases	96,057,517	100.00	—

Analysis of changes: Under the influence of both production demands and income growth in 2018, the stock from B Company increased.

2. Main sales customer data in past two years

Unit: NT\$1000

Item	2017				2018			
	Name	Amount	% to whole year net sales (%)	Relation with issuer	Name	Amount	% to whole year net sales (%)	Relation with issuer
1	B Company	67,273,920	62.75	N/A	B Company	65,745,659	57.94	N/A
2	C Company	14,458,479	13.49	N/A	C Company	18,025,433	15.88	N/A
3	Other	25,476,083	23.76	N/A	Other	29,710,416	26.18	N/A
	Net sales	107,208,482	100.00	—	Net sales	113,481,508	100.00	—

Analysis of changes: Along with the transfer to a new stage in 2018, development of new products with critical customers which cause the decrease of sales to B Company while increase of sales to C Company and other customers.

(5) Output volume & value during recent two years

Unit: NT\$1000/Thousand Pieces

Main Products	2017			2018		
	Capital	Volume	Value	Capital	Volume	Value
Touch module	327,465	165,459	103,993,532	290,471	151,858	111,765,900
Other	13,332	1,617	3,065,508	2,184	2,306	3,746,125
Total	340,797	167,076	107,059,040	292,655	154,164	115,512,025

Analysis of changes: The decrease of capacity in 2018 compared with that in 2017 is mainly caused by the adjustment of production line and products; the increase of production value in 2018 compared with that in 2017 is mainly caused by the change of product specifications.

Note 1: Capacity means the productivity by current equipment under normal operation after measuring necessary pause and holidays.

Note 2: If the production of products can be replaced, it shall be combined during the capacity calculation, and descriptions shall be attached.

(6) Sales unit & amount during recent two years

Unit: Thousand Pieces /NT\$1000

Main Products	2017				2018			
	Domestic		Export		Domestic		Export	
	Unit	Amount	Unit	Amount	Unit	Amount	Unit	Amount
Touch module	141	93,415	166,383	105,449,138	60	42,856	149,612	110,526,899
Other	—	—	517	1,665,929	—	—	927	2,911,753
Total	141	93,415	166,900	107,115,068	60	42,856	150,539	113,438,652

Analysis of changes: Sales value of touch module in 2018 is higher than that in 2017 mainly caused by this company's concentration on beneficial products.

3. Employee information from past two years to this report's printing

Year		2017	2018	This year up to March 20, 2019
No. of employees	Manager	308	338	342
	R&D Personnel	421	565	527
	General employee	25,448	23,039	22,709
	Total	26,177	23,942	23,578
Average age		26.31	28.48	28.75
Average Seniority		1.3	2.1	2.18
Educational background	Doctor	0.07%	0.11%	0.11%
	Master	0.9%	1.13%	1.10%
	College	15.06%	16.69%	15.85%

	High School	23.51%	28.29%	26.22%
	Below High School	60.46%	53.78%	56.74%

4. Information of environment-oriented expenditures:

- (1) Loss and punishment caused by environmental pollution from recent year to this annual report's printing: Nil.
- (2) Future countermeasures and possible expenditure: Carry out environmental protection according to government regulations, and expenditure shall be based on actual conditions.

5. Labor/Management relations:

(1) Execution condition of employee welfare

1. Employee welfare measures

This company also provides group insurance and annual health check for employees in addition to providing basic insurance according to the relevant government regulations of each subsidiary. In addition, the company's employee welfare measures include wedding and funeral support, employee travel, bonuses, employee dividends and subscriptions, and providing employees with various training and training opportunities to enhance their vision, work efficiency, and what's more, long-term bonus or prize is set.

2. Education and training

In order to improve employee quality and skills, strengthen work efficiency and quality, we irregularly carry out general training for all employees or professional skill training for special employees with the hope of cultivating talents and improving operation performance which can achieve the objective for sustainable operation.

3. Retirement system

Subsidiaries of this Company in Mainland China have an employee retirement plan according to the Labor Standards Law, and a retirement reserve is provided at 2% of the total salary paid based on Storage and support - old system. With effect from the implementation of Mainland China Labor Pensions Regulations (hereinafter referred to as the "New System") from July 1, 2005, the employees who originally applied the method should choose the applicable service years after the new system or the new employees who are employed after the new system. The service years are changed to determine the allocation system. The pension payment is paid by the company on the monthly salary of 6%, and is stored in the individual account of the labor pension. Subsidiaries outside the Mainland China are handled according to relevant local laws and regulations.

In addition, after the retirement insurance for employees of enterprises in China, the Company pays endowment insurance for employees according to local "Regulations on the Basic Endowment Insurance for Enterprise Employees in Xiamen". According to the local social insurance operation method, the endowment insurance is included in social insurance (including medical care, maternity, pension, work injury, unemployment). After the company handles the social insurance increase procedures for employees, it will begin to fulfill the obligation to pay pension insurance. The rates and standards for

insurance payment are as follows:

Rate of contribution Items	People in this city (Xiamen Account)		People from Outsiders (not Xiamen Account)	
	Individual	Enterprise	Individual	Unit
Endowment Insurance	8.0%	12.0%	8.0%	12.0%
Unemployment Insurance	0.5%	0.5%	—	0.5%
Employment Injury Insurance	—	0.35%	—	0.35%
Medical Insurance	2.0%	6.0%	2.0%	3.0%
Birth Insurance	—	0.7%	—	0.7%
Social insurance base	According to the employee's personal monthly average salary, Xiamen's employee contribution base is lower than the average social wage of 60% (RMB 3,772.8), and the average social wage is 60%; the payment base exceeds the average social wage by 300% (RMB 18,864); and the social average salary of 300% will be the base of payment.		According to Xiamen's minimum wage as the payment base (RMB 1,700), of which the lower limit of the medical insurance base is 60% of the average social wage (RMB 3,772.8)	

Note: Blank means individual shall not undertake.

Employees can enjoy the basic pension insurance if they reach the statutory retirement age, and the accumulated payment period (including the deemed payment period) is 15 years. Basic pension insurance is made of:

- (1) Insurance before June 30, 1997: basic pension + personal account pension + transitional pension + special zone subsidy.
- (2) Insurance after July 1, 1997: basic pension + personal account pension + special zone subsidy, description:
 1. Basic pension: The average monthly salary of employees in the city one year before personal retirement \times 20%.
 2. Personal Account Pension: Personal account deposit at retirement / 120
 3. Transitional pension: The average monthly salary of employees in the city during retirement at the time of retirement \times 1.3% \times (the average contribution index + 0.25) \times the cumulative payment period before June 30, 1997.
 4. Special zone subsidy: NTD 30.

4. Labor-management agreement condition

The labor-management relation of this company is harmonious; this company respects the

opinions of every employee, and employees can reflect opinions through meetings, e-mails, or letter box, and the communication of labor-management is free.

5. Measures to maintain employee rights and benefits

In order to maintain employee rights and benefits, except for the actual implementation of relative laws, top management will improve software and hardware devices required by employees.

(2) Labor-management dispute and damage in the most recent year until the day this report is in printing: Nil.

(3) Present and future possible estimated amount and countermeasures: Nil.

6. Important Agreement:

Item No.	Agreement Property	Client	Agreement Term	Main Contents	Restriction
1	Development and supply (Master Development and Supply Agreement)	B Company	From December 15, 2005 to the end of agreement	Our company will provide development service and sell products to B company to help B company to develop its terminal products.	Confidentiality obligation

VI. Financial Status

1. Condensed Balance Sheets, Income Statements and CPA Review Opinion for the last five years

(1) Condensed Balance Sheets

Unit: NT\$1000

<div style="display: flex; align-items: center;"> <div style="flex: 1; border-bottom: 1px solid black; margin-right: 5px;"></div> <div style="flex: 1; text-align: right;">Year</div> </div>		Condensed Balance Sheets for The Last Five Years (Note 1)				
		2014	2015	2016	2017	2018
Item						
Current assets		74,647,542	61,033,689	40,881,064	44,680,077	45,539,413
Real estate, factory and equipment		63,611,168	48,030,343	40,744,104	32,994,649	33,237,605
Intangible assets		1,129,662	177,116	129,151	92,372	111,225
Other assets		12,322,420	5,810,192	5,733,244	5,211,214	5,079,362
Total assets		152,722,770	115,227,724	87,683,387	82,978,312	83,967,605
Current liabilities	Before appropriation	95,305,599	68,417,205	48,471,877	39,907,817	34,368,726
	After appropriation	95,471,291	68,417,205	48,471,877	41,127,808	34,368,726 (Note 2)
Non-current liabilities		11,266,014	15,283,941	9,799,311	5,899,876	12,357,170
Total liabilities	Before appropriation	106,571,613	83,701,146	58,271,188	45,807,693	46,725,896
	After appropriation	106,737,305	83,701,146	58,271,188	47,027,684	46,725,896 (Note 2)
Equity belongs to parent company owner		45,333,170	31,103,486	29,172,763	36,947,695	36,891,602
Capital stock		3,312,948	3,516,318	3,466,338	4,066,638	4,066,638
Capital surplus		16,839,470	21,483,184	21,537,232	28,073,650	28,146,706
Retained earnings	Before appropriation	22,955,998	2,790,827	1,179,998	3,581,405	2,412,900
	After appropriation	22,790,306	2,790,827	1,179,998	2,361,414	2,412,900 (Note 2)
Other equity		2,224,754	3,746,515	3,232,790	1,226,002	2,265,358
Treasury stock		—	(433,358)	(243,595)	-	-
Non-controlling equity		817,987	423,092	239,436	222,924	350,107
Total equity	Before appropriation	46,151,157	31,526,578	29,412,199	37,170,619	37,241,709
	After appropriation	45,985,465	31,526,578	29,412,199	35,950,628	37,241,709 (Note 2)

Note 1: Financial reports of the last five years have been authorized by the CPA.

Note 2: Temporarily calculated by the surplus plan passed by the board of directors, and it will be decided after the meeting of the board of shareholders.

(2) Condensed Income Statements

Unit: NT\$1000

Item \ Year	Condensed Income Sheets for The Last Five Years (Note)				
	2014	2015	2016	2017	2018
Operating revenues	129,516,919	121,363,612	89,216,284	107,208,482	113,481,508
Gross profit (loss)	10,481,727	(6,561,215)	3,266,280	7,534,547	4,212,553
Operating profit and loss	144,571	(18,354,429)	(1,871,659)	2,610,969	(199,012)
Non-operating income and expenditure	430,526	(2,664,613)	628,560	664,942	895,019
Net profit before tax (loss)	575,097	(21,019,042)	(1,243,099)	3,275,911	696,007
Net profit in this term (loss)	566,721	(20,075,685)	(1,503,967)	2,386,036	364,734
Other comprehensive profit or loss in this term (net amount after tax)	2,413,877	1,579,802	(526,202)	(2,007,929)	1,039,260
Total comprehensive profit or loss in this term	2,980,598	(18,495,883)	(2,030,169)	378,107	1,403,994
Net profit (loss) belongs to parent company owner	276,806	(20,006,508)	(1,467,402)	2,404,390	223,832
Net profit (loss) belongs to non-controlling equity	289,915	(69,177)	(36,565)	(18,354)	140,902
Total comprehensive profit or loss belongs to parent company owner	2,644,369	(18,477,718)	(1,982,024)	394,619	1,264,724
Comprehensive profit or loss belongs to non-controlling equity	336,229	(18,165)	(48,145)	(16,512)	139,270
Surplus (loss) per share (NT\$)	0.84	(57.86)	(4.27)	6.63	0.55

Note: Financial reports in the last five years have been authorized by the CPA.

(3) Independent Auditor's report for the last five years

Year	CPA	CPA Firm	Audit Opinion
2014	Kuo, Tzu-Jung, Chen, Chun-Hung	Deloitte Touche Tohmatsu Limited	Unqualified opinion
2015	Chen, Chun-Hung, Kuo, Cheng-Hung (Note)	Deloitte Touche Tohmatsu Limited	Unqualified opinion
2016	Chen, Chun-Hung, Kuo, Cheng-Hung	Deloitte Touche Tohmatsu Limited	Unqualified opinion
2017	Chen, Chun-Hung, Kuo, Cheng-Hung	Deloitte Touche Tohmatsu Limited	Unqualified opinion
2018	Kuo, Tzu-Jung, Kuo, Cheng-Hung(Note)	Deloitte Touche Tohmatsu Limited	Unqualified opinion

Note: Deloitte Touche Tohmatsu Limited internally shifted CPA.

2. Condensed Financial Analysis for past five years

(Note 1) Item		Year	Financial analysis of last five years				
			2014	2015	2016	2017	2018
Financial structure (%)	% Liabilities of liabilities to assets		69.78	72.64	66.46	55.20	55.65
	% of long-term capitals to fixed assets, factories, and equipment		90.26	97.46	96.24	130.54	149.23
Solvency (%)	Current ratio		78.32	89.21	84.34	111.96	132.50
	Quick ratio		70.58	75.70	67.99	93.94	100.52
	Times interest earned ratio (Note 3)		1.40	(15.50)	(0.12)	4.40	1.98
Operating ability	Account receivable turnover (time)		9.05	9.31	8.96	16.52	14.38
	Days sales in account receivable		40	39	41	22	25
	Inventory turnover (time)		12.70	14.27	9.27	11.93	11.36
	Account payable turnovers (time)		5.80	7.21	6.35	6.51	5.76
	Average days in sales		29	26	39	31	32
	Real assets, factory, and equipment turnover ratio (time)		2.19	2.17	2.01	2.91	3.43
	Total assets turnover (time)		0.85	0.91	0.88	1.26	1.36
Profitability	Ratio of return on assets (%) (Note 3)		1.33	(14.03)	(0.62)	3.62	0.88
	Return on equity (%) (Note 3)		1.25	(51.69)	(4.94)	7.17	0.98
	% of net profit before tax to paid-in capital (%) (Note 3)		17.36	(597.76)	(35.86)	80.56	17.12
	Net Income Ratio (%) (Note 3)		0.44	(16.54)	(1.69)	2.23	0.32
	Earnings (loss) per share (NT\$)		0.84	(57.86)	(4.27)	6.63	0.55
Cash Flow	Cash flow ratio (%)		16.28	8.05	26.33	44.46	12.67
	Cash flow adequacy ratio (%)		(Note 2)	(Note 2)	0.84	1.18	1.35

	Cash reinvestment ratio (%)	16.27	5.27	13.15	17.57	2.72
Leverage	Operation Leverage	60.50	0.44	(3.91)	4.38	(38.04)
	Financial Leverage	(0.11)	0.94	0.63	1.59	0.22

Note 1: Financial reports of the last five years have been authorized by the CPA.

Note 2: Since financial information is not over 5 years, not applicable.

Note 3: The calculation of financial ratio is based on the consolidated total profit and loss.

Note 4: Formula of analysis items:

1. Financial Structure

(1) % of liabilities to assets=Total liabilities/Total assets.

(2) % of long-term funds to fixed assets, factories and equipment=(Net shareholder's equity+non-current liabilities)/Net fixed assets, factories and equipment.

2. Solvency

(1) Current ratio=current assets/current liabilities.

(2) Quick ratio=(current assets-inventory-prepaid expense)/current liabilities.

(3) No. of times of interest assurance=net profit before income tax and interest expenses/interest expenditures this term.

3. Manageability

(1) Accounts receivable (includes accounts receivable and notes receivable incurred by business) turnover rate=Net sales/Receivables averaged in various terms (including accounts receivable and notes receivable incurred by business).

(2) Average No. of cashing days=365/Turnover rate of receivable.

(3) Stock turnover rate=Sales costs/Average inventory value.

(4) Accounts payable (includes accounts payable and notes payable incurred by business) turnover rate=Sales costs/Payable averaged in various terms (including accounts payable and notes payable incurred by business).

(5) Average sales days=365/Inventory turnover rate.

(6) Fix assets, factories and equipment turnover rate=Net sales/Averaged net fixed assets, factories and equipment.

(7) Overall assets turnover=Net sales/Average total assets.

4. Profitability:

(1) Asset return rate=【(Profit (loss) after tax+Interest expenses× (1-Tax rate)】/Average total assets.

(2) Return rate on shareholder's equity=Profit (loss) after tax/Average.

(3) Net profit rate=Profit (loss) after tax/Net sales.

(4) Earnings per share (Loss)=(Profit (loss) belongs to parent company owner-Dividend of preferred shares)/Weighed average of outstanding shares.

5. Cash flow:

(1) Cash flow ratio=Net cash flow of operating activities/Current liabilities.

(2) Appropriateness of cash flow=Net cash flow of operating activities in the past five years/(Capital expenditures+Increased inventory+Cash dividend) of the past five years.

(3) Ratio of cash reinvestment=(Net cash flow of operating activities-Cash dividend)/(Gross fixed assets, factories and equipment+Long-term investment+Other non-current assets+Operating funds).

6. Leverage:

(1) Operation leverage=(Net operating revenues-Variable operating costs and expenses)/Operating profits.

(2) Financial leverage=Operating profit/(Operating profit-interest expense)

Reasons for the change of financial ratio in past two years (ratio change reaches over 20%):

1. The decrease of interest coverage ratio is mainly caused by the decrease of net profit in this term.
2. The decrease of return on assets, return on equity, ratio of net profit before tax to actual capital, net profit ratio and earnings per share is caused by the reduction of net profit in this term.
3. The decrease of cash flow ratio is mainly caused by the reduction of net profit which will lead to the reduction of cash flow in business activity.
4. The decrease of cash re-investment ratio is mainly caused by reduction of net profit which will lead to the reduction of cash flow in business activity and the increase of long-term loan to supplement operation funds.
5. The decrease of operation leverage and financial leverage is mainly caused by price competition and bad product portfolio which leads to the great reduction of operation profits.

3. Audit report of audit committee in financial report of last years

TPK Holding Co., Ltd. Audit Report of Audit Committee

The Board of Directors has formulated the 2018 annual business report, consolidated financial statements and surplus distribution proposal of this company, and there is no objection after the auditing of the audit committee. It is reported according to Item 4 in Article 14 of securities exchange law; please review it.

TPK Holding Co., Ltd.

Agent convener of audit committee: Ming-Jeng Weng

February, 20, 2019

4. Parent-subsiidiary's recent consolidated financial statements audited by CPA:
Please refer to page 141 to page 251.

5. Financial turnover of company and its affiliated enterprises:

Caused by lack of new funds, business austerity and financial difficulties, the related company TCS filed a lawsuit with the court on July 21, 2016, and declared bankruptcy on January 17, 2018. The Company has made impairment losses for all long-term equity investments of TCS in 2015. Therefore, the announcement of bankruptcy of TCS has not caused any significant impact on the Company.

VII. A review and analysis of the company's financial condition and performance

1. Analysis of Financial condition

Comparison and analysis table of financial condition

Unit: NT\$1000

Item	2017	2018	Change in equity	
			Amount	Change ratio %
Current assets	44,680,077	45,539,413	859,336	1.92%
Real estate, factory, and equipment	32,994,649	33,237,605	242,956	0.74%
Intangible assets	92,372	111,225	18,853	20.41%
Other assets	5,211,214	5,079,362	(131,852)	(2.53%)
Total assets	82,978,312	83,967,605	989,293	1.19%
Current liabilities	39,907,817	34,368,726	(5,539,091)	(13.88%)
Non-current liability	5,899,876	12,357,170	6,457,294	109.45%
Total liabilities	45,807,693	46,725,896	918,203	2.00%
Capital Stock	4,066,638	4,066,638	—	—
Capital surplus	28,073,650	28,146,706	73,056	0.26%
Retained earnings	3,581,405	2,412,900	(1,168,505)	(32.63%)
Other items of shareholder rights	1,226,002	2,265,358	1,039,356	84.78%
Shareholder rights (belong to shareholder of parent company)	36,947,695	36,891,602	(56,093)	(0.15%)

Description on the change of important items

1. Decrease of current liability is mainly caused by the redemption of corporate bonds.
2. Increase of non-current liability is mainly caused by long-term loan.
3. Decrease of retained earnings is mainly caused by the distribution of cash dividend in 2017.
4. The increase of other items of shareholder rights is mainly caused by the increase of exchange amount in financial statement of foreign operation institutions.

2. Financial Performance

Operation result analysis table

Unit: NT\$1000

Item	2017	2018	The change in increase/decrease	
			Amount	Change ratio (%)
Operating revenues	107,208,482	113,481,508	6,273,026	5.85%
Gross profit	7,534,547	4,212,553	(3,321,994)	(44.09%)
Operation profit and loss	2,610,969	(199,012)	(2,809,981)	(107.62%)
Non-operating income and expenses	664,942	895,019	230,077	34.60%
Profit before tax	3,275,911	696,007	(2,579,904)	(78.75%)
Net profit of the term	2,386,036	364,734	(2,021,302)	(84.71%)
Net profit belongs to parent company owner	2,404,390	223,832	(2,180,558)	(90.69%)
Diluted surplus per share (NT\$)	6.63	0.55	(6.08)	(91.70%)

Description on the change of important items:

1. Influenced by price competition and defective product portfolio, thus net business profit, business profit and loss, net profit before tax, net profit in this term and earnings surplus per share are reduced in 2018 compared with last year.
2. The increase of non-operating income is mainly caused by the increase of foreign exchange benefits.

3. Analysis of the Cash Flow

(1). Analysis of cash flow changes

Unit: NT\$1000; %

Item \ Year	2017	2018	Increase (decrease) amount	Increase (decrease) ratio (%)
Operating activities	17,743,724	4,354,367	(13,389,357)	(75.46%)
Investing activities	(5,251,573)	(4,279,281)	972,292	18.51%
Financial activities	(13,380,815)	(2,609,302)	10,771,513	80.50%

Analysis of changes:

1. Net cash flow decrease in business activity is mainly caused by decrease of net profit before tax and increase on the stock of production materials.
2. Cash flow decrease in fund-raising activity is mainly caused by the repayment of bank loan in 2017.

(2) Cash flow analysis and improvement plan for insufficient cash flow in next one year:

Unit: NT\$1000

Initial cash surplus	Annual net cash flow from business activity	Annual cash flow	Cash Surplus (insufficient)	Remedy measures for insufficient cash	
				Investment Plan	Financial Plan
17,063,897	8,051,110	8,843,410	16,271,597	—	—

1. 2019 cash flow analysis:

- (1) Business activity: Mainly due to business activity.
- (2) Investment activity: Mainly in equipment procurement.
- (3) Fund-raising activity: Mainly for the repayment of bank load.

2. Remedy measure for the insufficient cash and flexibility analysis: Nil.

4. Impact on financial business caused by significant capital expenditure in recent years

(1). Execution condition and capital resources of significant capital expenditure:

Unit: NT\$1000

Planned Items	Capital Sources	Actual completion date	Total required fund	Fund application plan	
				2019	2020
Purchase machines	Owned funds and bank loan	4th quarter in 2019	4,000,000	3,400,000	600,000

(2) Expected benefits: Increase of the capacity of new process and improvement of production efficiency.

5. Policies of Investment, Main Reason of its Profit or Loss, Improvement Plan and Investment Plan Next Year

(1) Re-investment policy

Current re-investment policy of this company is mainly in long-term strategic investment and investment of main business, and it is implemented by relative departments according to “reinvestment recycling” and “capital acquisition and disposition handling procedure”; above methods or procedures shall be decided by the audit committee, board of directors, or board of shareholders.

(2) Main reason for the profit and loss of re-investment and improvement plan

Based on the company’s 2018 consolidated statements, the equity-based investment business is on CANDO CORPORATION which was originally the company’s upstream touch sensor manufacturer. With the change of touch application technology, the penetration rate of Win 8 and personal computers is far less than expected, and under the pressure of fierce price competition, TCS experienced operation difficulties and was declared bankrupt by the court in January 2018, and the performance of subsidiary Jin Tong suzhou Optoelectronics Co., Ltd. can’t meet expectations. In order to concentrate on the limited resources of the company, the board of directors decided to sell the shares of

Jingtong held by the company in April 2018, and the benefits will be disposed in May 2018.

Faced with excessive capacity in the touch industry, unbalanced supply and demand, and price competition, subsidiaries of this company have faced big challenges and profit loss. This company will continue to reorganize and optimize its structure, focus on important customers, and fully use the competitive advantage of core technology and manufacturing when considering future market trends and the actual application of the production line. In the future, this company will continue to improve its internal yield and efficiency and improve cost competition with strict investment strategies with the expectation of strengthening the competition and profit gaining ability of subsidiaries.

(3). Investment plan for the next year:

The company's investment for the next year will mainly concentrate on operation demands and cooperate with the company's middle and long-term strategy plan. In addition to cooperating with customer demands for capacity establishment, it also actively participates in improving automatic processes and equipment, while seeking proper investment objectives of related industries to reach the multiple strategy objectives of the industry layout.

6. Risks from last year up to the time of report publication:

(1). The impact of company losses caused by changes in the interest rate, exchange rate, and inflation and future countermeasures:

Unit: NT\$1000

Item	2017	2018
Interest Income (cost) (net amount)	(700,477)	(176,061)
Exchange Gains (loss) (net amount)	(419,903)	85,992

1. Interest rate

The Company's 2018 annual net interest expense amount is NT\$176,061,000 (the following currencies are subject to NT\$ unless otherwise specified) which is lower than the 2017 net interest expense NT\$700,477,000, it is mainly caused by the payment of debts, higher-yield deposits, and capital-guaranteed structured deposits of this company in the first three quarters of 2018.

2. Exchange rate

The functional currency of most of the Company's subsidiaries in mainland China is US dollars, and its major sales revenue and raw materials purchases are denominated in US dollars, while some assets (such as fixed deposits and capital-guaranteed structured deposits) and liabilities (such as operating expenses and RMB loans in Mainland China) are denominated in RMB and have exchange rate risk. The functional currency of the Company's subsidiary in Taiwan is NT\$. The main sales revenue and raw materials purchases are denominated in US dollars, and the sales revenue is greater than the purchase of raw materials, and there is an exchange rate risk. In addition, the local daily expenses of the Company's main operating locations in Mainland China and Taiwan are supported by RMB and NT\$. Although affected by exchange rate fluctuations, the involved areas are relatively small (the operating expenses in the last three years accounted for approximately 4.67% of the net revenue). Therefore, the impact is relatively low.

According to the above exchange rate risk, financial departments will take the following countermeasures:

- (1). The principle of natural write-off is adopted to handle foreign currency exchange rate risk. Since the main sales revenue and raw material purchases of subsidiaries are denominated in US dollars, the natural hedging effect generated by their mutual offsets is used to reduce the exchange demand, and we can use foreign exchange derivative financial hedging products or borrow foreign currency debts if necessary. In other words, reduce the risk of change on related exchange rates.
- (2). The financial personnel maintain the appropriate net position of foreign exchange based on the judgment of future exchange rate movements, so as to reduce the impact of exchange rate changes on the company's profit.
- (3). Keep close contact with main cooperation bank, and monitor the change of foreign exchange market at time, thus relative supervisors can grasp the director of exchange rate and handle with market emergency.
- (4). The "Procedures for Derivatives Transaction" of this Company according to "Guidelines for the Acquisition or Disposal of Assets by Public Offering Companies" was approved by the Audit Committee, the Board of Directors and the Shareholders' Meeting according to the law, and it revised and regulated the Company's participation in derivative financial products.

3. Inflation

Under the rapid change of overall economic environment, there is no big impact on this company caused by inflation or deflation, and the products and end application products will be sold all over the world, while by the grasp of world economic change, price fluctuation of material and terminal products, by the good relation with supplier and customer, and the adjustment of procurement and sale strategy, cost structure and transaction condition, this company will not be influenced.

4. Risk on the increase of loan rate

(1) Current loan rate

(1). Interest rate for a RMB loan

In recent years, the progress of China's interest rate marketization has attracted attention from all walks of life. The People's Bank of China has been reforming the interest rate market in recent years, including lowering the benchmark interest rates of financial institutions for RMB loans and deposits in many times, raising the floating range of deposit rates of financial institutions, and lifting financial institutions. The lower limit of the loan interest rate will accelerate the marketization of interest rates, and further promote financial and economic reforms. Recently, China has been affected by Sino-US trade wars and mitigation of economic growth rate. It has cut interest rates several times to stimulate economic growth, which may cause decline of interest rates. However, Chinese regulators have emphasized the prevention and control of financial risks and strengthened supervision, and introduced relevant policy requirements and Banks control non-performing assets and reaffirm that monetary policy is only to maintain liquidity stability rather than one-way easing monetary policy. Therefore, it is expected that the People's Bank of China will still carefully control the RMB interest rate to maintain a reasonable water level.

(2). Interest rate for a Dollar loan

In recent years, the US economic data and unemployment rate have improved a lot, it is expected that the US Federal Reserve will slow down the increase of interest rate in the next few years, and it is estimated that the interest rate of the US dollar loan will be fairly stable in 2019.

(2) Countermeasures

Since most of the sales and purchases of the Company and its major subsidiaries are denominated in US dollars, and the current US dollar loan cost is still slightly lower than that of RMB loans, bank loans of this company will mainly be US dollars, but if the RMB loan interest rate continues to decrease, the proportion of RMB loans will be appropriately increased to save interest expenses. The company will moderately assume higher-yield RMB deposits and capital-guaranteed structured deposits to reduce net interest expenses. Countermeasures include:

- (1). Accounting department shall carefully evaluate the funding demand and financing plan according to actual demands, thus reduce unnecessary loan interest costs;
- (2). Increase cooperation with banks based on its position in industry, increase bargaining power with banks, and try to obtain the optimal loan interest rate under the same market conditions;
- (3). Increase the financial channels of overseas banks, and introduce foreign low-cost dollar loans by means of external debts, thus replace some US dollar loans with higher loan costs in mainland China;
- (4). Increase the proportion of RMB loans to save interest expenses;
- (5). Avoid the risks of market interest rate fluctuations by using exchange rate instruments;
- (6). Appropriately carry out higher-yield RMB deposits and capital-guaranteed structured deposits in order to reduce net interest expenses.

5. Risk of appreciation of JPY

(1) Current exchange rate of JPY

- (1). The Bank of Japan proposed to stop the over-monetary easing policy at an appropriate time, and carried out withdrawal policy measures which include raising the excess reserve interest rate and narrowing the central bank's balance sheet, etc., prompting the yen to appreciate, but the global economic growth may slow down. The Japanese government will delay the timing of the exit of the ultra-loose policy, and the US dollar will fluctuate within the short-term.
- (2). The procurement of some materials and machines is calculated by JPY, thus with the risk of exchange rate, while the amount is little.

(2) Countermeasures

- (1). Keep close contact with main cooperation bank, monitor the change of foreign exchange market at time, thus relative supervisors can grasp the director of exchange rates and handle with market emergency.
- (2). Use foreign exchange derivatives according to actual demands, thus reduce the risk of the change or relative exchange rate.

6. Risk of appreciation of RMB:

(1) Current exchange rate of RMB

- (1). Recently, RMB depreciated against the US dollar in the short term affected by the

Sino-US trade war; as the trade war situation eases, the RMB exchanged against the US dollar will appreciate again. In the long run, the Chinese economy will also be hindered in the global economic slowdown. There is a possibility of depreciation against the US dollar. However, the Chinese government may resume economic growth through fiscal policy, and there is still room for appreciation of the RMB against the US dollar.

- (2). The Company's principal sales of goods and purchases of raw materials are denominated in US dollars; however, some of the assets (such as structured deposits and capital-guaranteed structured deposits) and liabilities (such as local operating expenses and RMB borrowings in mainland China) are denominated in RMB, so there is an exchange rate risk.

(2) Countermeasures

- (1). Keep close contact with main cooperation bank, monitor the change of foreign exchange market at time, thus relative supervisors can grasp the director of exchange rates and handle with market emergency.
- (2). Use foreign exchange derivatives according to actual demands, thus reduce the risk of the change or relative exchange rate.

7. Risk on the depreciation of Dollar (exchange for NT\$)

(1) Current exchange rate condition of dollars

- (1). Recently, the US economic growth rate has slowed down, and it is expected that the rate hike by the US Federal Reserve will slow down in 2019, which will make the dollar depreciate against the NT\$. However, funds may gradually flow out of Asian currencies caused by a global economic slowdown. It is not excluded that the USD/NT\$ will turn into appreciation.
- (2). The Company's main sales revenue and raw material purchases of subsidiaries in Taiwan are denominated in US dollars, and the amount of sales revenue is greater than the purchase of raw materials, however, its functional currency is NT\$ which faces exchange rate risk.

(2) Countermeasures

- (1). Keep close contact with main cooperation bank, monitor the change of foreign exchange market at time, thus relative supervisors can grasp the director of exchange rates and handle with market emergency.
- (2). Use foreign exchange derivatives according to actual demands, thus reduce the risk of the change or relative exchange rate.

- (2). The main reasons for the profit and loss of high-risk, high-leverage investment, capital loan and other endorsement guarantee and derivative commodity trading, and future countermeasures:

This company has established measures such as "Acquisition or Disposal of Assets Processing Procedures", "Measures for the Management of Funds and Others", "Management Measures for Endorsement Guarantees" and "Procedures for Dealing with Derivatives" for the basis of the Company and its subsidiaries. Up to this report's printing, this Company has not engaged in high-risk, high-leveraged investments, group loans and other external financial loans, others, endorsement guarantees, and high-risk derivatives transactions. In addition, This company has always focused on the operation of the touch

industry, and has not engaged in other high-risk industries, and the financial planning and operation policies will continue to adhere to the principle of “conservative and stable” and this company will not engage in high-risk and high-leveration. . Therefore, the associated risks are limited.

(3). Future R&D plan and expected expenses:

1. Future R&D plan

This company is dedicated to the principle of self-technology. In addition to independent R&D, this company also cooperates with research units, obtains new technology through techno authorization, and continues to input technology resources to improve mature touch technology and enhance market competition, as well as puts great efforts into developing innovative touch materials and application areas. Along with stable touch technology, this company imports many resources to develop next-generation flexible touch products by grasping critical technology, from materials to processes and even to end fittings. This company functions as the leading touch manufacturer and will lead this industry into a new stage.

2. Expected R&D expenses

The R&D investment of 2017 and 2018 was NT\$984,973,000 and NT\$978,503,000, respectively, the R&D investment in 2019 is expected to be NT\$991,725,000. In addition to the self-development of main touch technology and related materials, this company also cooperates with customers to enhance product efficiency and reduce costs. This company will continue to input development resources based on the product development plan in order to maintain competitive market strength.

(4). Impact on company’s business caused by changes in foreign and domestic policies and laws and countermeasures:

This company is registered in the Cayman Islands; its main operation location is mainland China, while its products are mainly sold to such developed countries as those in North America and Europe. The main economic activity in the Cayman Islands is financial services, and the United States and mainland China are the main economic systems in the world with stable economic development and political environment. The products developed and sold by this company belong to important consumer components in the non-franchised or restricted industry. The company’s business is mainly implemented according to important policies and laws, and attention is paid to development trends and law changes in order to adapt to environment changes and take proper measures. Changes of important policies and laws in mainland China and the United States had no impact on the company’s financial business.

(5). Impact on the company’s business caused by changes in scientific technology and industry and countermeasures:

The touch market has transformed into stable growth. In past years, the excessive expansion of touch capacity caused an imbalance in production and marketing, severe price competition, and reduction of manufacturers’ profits, especially in the price competition of low-end products, which caused manufacturers to suffer losses, and some even quit the market. Faced with the competition of the touch industry and unexpected terminal demands, this company has returned to the supply of smart phone components and develops next-

generation products with Silver Nanowires Technology Exchange and critical customers in the hope of creating more opportunities for touch technology.

This company is moving toward a transfer period, and the internal organization hopes to reach overall competition and reduce production costs through cost control, yield improvement, automatic equipment, efficiency promotion, responsibility division, clear awards and punishments, and proper resource distribution, thus increasing profit ability and creating better capital profit for shareholders.

With technology developments and updates and rampant hacking, the company is facing more challenges regarding information security. Therefore, the company carries out the protective encryption of sensitive data with multiple defense strategies, imports block chain technology, has established a business secret protection system to protect confidential data, ensures that company data e-mails do not leak, and reduces the risks to information safety. In addition to the existing information security protection mechanism, the company has also established ISO27001 information security management for specific regions and obtained ISO27001 certification successfully. We will continue to review and continuously strengthen information security protection and reduce information security risk threats in the future.

- (6). Impact on enterprise crisis management caused by changes to the enterprise image and countermeasures:

We stick to genuine operating principles and steadfast spirit. We actively strengthen internal management and enhance quality and efficiency based on the operating concept “innovation, efficiency, practical, simple, human-oriented”. We recruited numerous talents to work for us. We enhanced the strength of our operation team, contribute our operation achievement back to the shareholders and public, and fulfill our corporate social responsibility. We have a great corporate image. Nothing has happened to alter our corporate image and cause a crisis on the corporate.

- (7). Expected benefits, possible risks, and countermeasures after merger: Nil.

- (8). Expected benefits, possible risks, and countermeasures after expansion of factories:

The capacity demands of the industry are still excessive compared with corresponding factories, so this company has planned to redistribute capacity and actively develop new products to improve the utilization efficiency of capacity. This company still holds a strict, conservative, and serious attitude towards expanding its capacity.

- (9). Concentration of stock and sales and the related risks and countermeasures:

1. Stock concentration risk: No higher stock rate of a specific supplier has occurred, and the supplier rank will change according to customer demands, so no risk of stock concentration has occurred.
2. Sales concentration risk: This company focuses on developing innovative touch technology, materials, and processes, and its terminal customers are high-end consumer electronics factories. Influenced by the size-does-matter status of the high-end consumer electronics market, its customer concentration has been higher than other industries since its establishment; compared with its peers, this company is better than main competition companies on the dispersion of customer concentration.

This company further strives to promote touch technology applications, with the expectation of popularizing touch. Through many years of efforts, this company has

expanded touch technology to various consumer and commercial electronics, such as smart phones, wearable electronics, e-readers, hand-held gaming machines, tablet, 2-in-1 computers, personal computers, All-in-One computers, and automobile screens, achieving the objective of dispersing the concentration risk of terminal touch application products.

- (10). Substantial transfer or change of stock equity of directors, Supervisors, or shareholders who hold over 10% of company shares. The impact, risks, and countermeasures:

No substantial transfer or change of stock equity of directors or shareholders who hold over 10% of company shares has occurred, so there is no such risk.

- (11). Impact on the company caused by change of management rights and the risks and countermeasures:

From last year to the time of publication, the management rights of this company have not changed. This company has strengthened its company operation measures, brought in independent directors, and established an audit committee and salaries and remuneration commission with the hope of improving the protection of overall shareholder rights. While the daily operation of the company relies on professional managers, who have made great contributions to the business performance of this company, they will get shareholders' support in the future, and a change in management right will not negatively impact the company's management and business operation strength.

- (12). In the case of lawsuit or non-lawsuit events, determinations, or administrative disputes of the company and its directors, the Supervisor, President, virtual head, or shareholders who hold over 10% of company shares shall be listed; if the results will have a big impact on shareholder rights or securities price, then the disputed facts, target amount, lawsuit commencement date, main lawsuit party, and processing condition until as of the publication of this report shall be disclosed: Nil.

No disputes related to the company or its directors, Supervisor, President, virtual head, or shareholders who hold over 10% of company shares have been determined or ongoing in the last two years as of the publication of this report, so its results will not have a big impact on shareholder rights or securities price.

- (13). Other risks and countermeasures: Nil.

7. Other Events

Nil.

VIII. Special Events

1. Information of affiliate enterprises

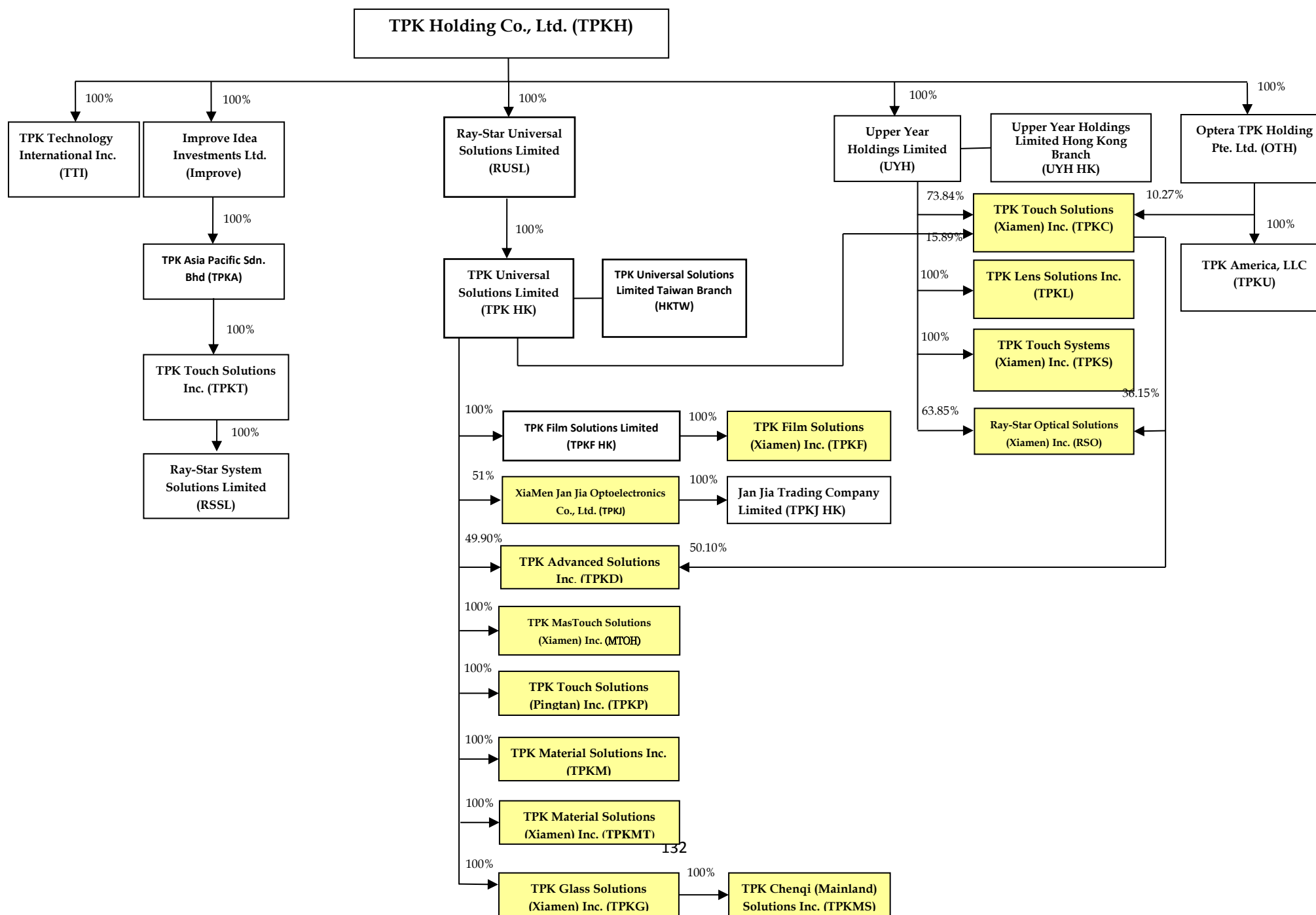
- (1). **Organization Chart of related Party:** Please refer to page 132.
- (2). Basic information of affiliated enterprises: Please refer to page 133 to page 135.
- (3). Same shareholder information presumed as controlled or affiliated company: Nil.
- (4). Information of directors, Supervisor, and President of affiliated enterprises: Please refer to page 136 to page 138.
- (5). Operation conditions of affiliated enterprises: Please refer to page 139 to page 140.
- (6). Consolidated financial statements of interested parties: Same as the consolidated financial statement of parent the company and its subsidiary, Please refer to page 141 to page 251.

2. Execution of private securities from last year to the publication of this report.

3. The company's shares held or disposed by subsidiaries from last year to the publication of this report: Nil.
4. Other necessary supplements: Nil.
5. Matters of big impact on shareholder rights or securities prices defined in paragraph 3 sub-paragraph 2 in Article 36 of the Securities Exchange Law.
6. Big differences in the shareholder right protection regulations in the R.O.C.:
Nil.

TPK Holding Co., Ltd. Organization Chart of related Party

Up to December 31, 2018



Basic information of affiliated enterprises

Up to December 31, 2018

Enterprise Name	Established Date	Address	Paid-in Capital (NT\$)	Main business or production items
TPK Touch Solutions Inc.	2003/05/09	6 F, No. 13-18, Sec. 6, Minquan E. Rd., Neihu Dist., Taipei City	NT\$ 507,170,000	Machine manufacturing and sale of touch related materials and modules
Upper Year Holdings Limited	2006/01/17	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 196,250,000	General investment business and international trade
Improve Idea Investments Ltd.	2006/01/17	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 154,490,000	General investment business
Optera TPK Holding Pte. Ltd.	2005/11/24	80 Robinson Road, #02-00, Singapore 068898	USD 24,800,000	General investment business
TPK Technology International Inc.	2007/01/08	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 500,000	International trade
TPK America, LLC	2010/04/16	160 Greentree Drive, Suite 101, Dover, Delaware, 19904, U.S.A.	USD 4,800,000	International trade
Ray-Star Universal Solutions Limited	2010/12/17	Rooms 2014-15, 20/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong	USD 469,498,000	General investment business
TPK Universal Solutions Limited	2010/12/23	Office No.43, 2/F., Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong	USD 467,498,000	Development of touch related products, general investment business and international trade
TPK Asia Pacific Sdn.Bhd.	2010/12/03	Unit 3(I), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan, F.T. Labuan, Malaysia.	USD 196,808	General investment business
Ray-Star System Solutions Limited	2011/04/01 (Note 1)	Rooms 2014-15, 20/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong	USD 13,310,000	General investment business
TPK Touch Solutions (Xiamen) Inc.	2004/08/26	199, Banshang Road, Information Photoelectric	USD 304,066,610	Machine manufacturing

Enterprise Name	Established Date	Address	Paid-in Capital (NT\$)	Main business or production items
		Park, Torch Development Zone For High Technology Industries, Xiamen, Fujian.		and sale of touch related materials and modules
TPK Lens Solutions Inc.	2006/05/30	40, Haijing Middle Road, Haicang, Xiamen EPZ, Fujian.	USD 55,790,000	Manufacturing and sale of optical glass
TPK Touch Systems (Xiamen) Inc.	2006/06/21	The Third, Fourth, Fifth And Eighth Floor, No. 190, Jimei Avenue, Jimei, Xiamen, Fujian.	USD 25,000,000	Development, production and sale of touch modules
Ray-Star Optical Solutions (Xiamen) Inc.	2010/04/15	Technology Center Building, No. 18, Xiafei Road, Xinyang Industrial Park, Haicang, Xiamen, Fujian.	USD 18,670,000	Manufacturing and sale of optical glass
TPK Glass Solutions (Xiamen) Inc.	2011/02/14	996, Minan Avenue, Xiangnan Industrial District, Torch Development Zone For High Technology Industries, Xiamen, Fujian.	USD 371,820,000	Manufacturing and sale of optical glass
XiaMen Jan Jia Optoelectronics Co., Ltd.	2012/04/01 (Note 1)	Middle Building, No. 1, Xiangming Road, Xiangnan Industrial District, Torch Development Zone For High Technology Industries, Xiamen, Fujian.	USD 3,600,000	Manufacturing and sale of electrical insulation products such as protective film and optical cement
Jin Tong suzhou Optoelectronics Co., Ltd. (Note 2)	2015/12/08 (Note 1)	89, Wangmi Street, High-tech Zone of Suzhou, Jiangsu.	USD 5,830,000	Manufacturing and sale of electrical insulation products such as protective film and optical cement
Jan Jia Trading Company Limited	2018/01/03 (Note 1)	Rooms 2014-15, 20/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong	USD 500,000	International trade
TPK Film Solutions Limited	2012/06/14	Rooms 2014-15, 20/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong	USD 18,000,000	General investment business
TPK Film Solutions (Xiamen) Inc.	2012/08/07	D Zone, The Fifth Floor Of Complex Building, No. 191, Banshang Road, Information Photoelectric Park, Torch Development Zone	USD 17,700,000	Development, production and sale of touch modules

Enterprise Name	Established Date	Address	Paid-in Capital (NT\$)	Main business or production items
		For High Technology Industries, Xiamen, Fujian.		
TPK MasTouch Solutions(Xiamen) Inc.	2013/02/04 (Note 1)	1, Haijing North Road, Haicang, Xiamen EPZ, Fujian	USD 85,997,320	Development, production and sale of touch modules
TPK Touch Solutions (Pingtan) Inc.	2013/02/18	1, Ruyi East Road, Beicuo Town, Pingtan County, Fujian.	USD 150,000,000	Development, production and sale of touch modules
TPK Cando Solutions Inc.(Note 3)	2013/04/03	No. 88-1, Houke S. Rd., Houli Dist., Taichung City Central Taiwan Science Park.	- (Note 3)	Manufacturing and sale of toughened glass
TPK Material Solutions Inc.	2013/08/01	19, Quanyuan Road, Jinjiang Economic Development Zone, Fujian.	USD 3,500,000	Production of electronic materials
TPK Advanced Solutions Inc.	2014/07/15	The Second, Third And Fourth Floor, No. 515, Qishan North Road, Information Photoelectric Park, Torch Development Zone For High Technology Industries, Xiamen, Fujian.	USD 127,931,460	Development, production and sale of touch modules
TPK Advanced Solutions Inc.	2014/07/31	E Zone, The Fifth Floor Of Complex Building, No. 191, Banshang Road, Information Photoelectric Park, Torch Development Zone For High Technology Industries, Xiamen, Fujian	RMB 1,500,000	General business
TPK Material Solutions (Xiamen) Inc.	2018/10/22	A Zone, The First Floor, No.3 Workshop Of Bathroom Ironmongery, No. 2168, Tongan Avenue, Tongan, Xiamen, Fujian.	- (Note 4)	Production of electronic materials

Note 1: It was the date when this company got the stock equity.

Note 2: Our company had sold all the stock equities of Jin Tong suzhou Optoelectronics Co., Ltd. in May 2018.

Note 3: TPK Cando Solutions Inc. had closed the liquidation in November 2018.

Note 4: TPK Material Solutions (Xiamen) Inc. had invested \$2,914,000 in January 2019.

Information of directors, Supervisor, and President of affiliated enterprises

Up to December 31, 2018

Enterprise Name	Position	Name/Representative	Shares Held	
			No. of Shares (Amount of contribution)	Ratio of Shareholding % (Ratio of contribution)
TPK Touch Solutions Inc.	Chairman	Michael Chao-Juei Chiang	—	—
	Director	Foster Chiang	—	—
	Director	Freddie Liu	—	—
	Supervisor	Shih-Ming Liu	—	—
Upper Year Holdings Limited (Samoa)	Director	Michael Chao-Juei Chiang	—	—
Improve Idea Investments Ltd. (Samoa)	Director	Michael Chao-Juei Chiang	—	—
Optera TPK Holding Pte. Ltd. (Singapore)	Director	Michael Chao-Juei Chiang	—	—
	Director	Tay Tuan Leng	—	—
	Director	Freddie Liu	—	—
TPK Technology International Inc. (Samoa)	Director	Michael Chao-Juei Chiang	—	—
TPK America, LLC	Manager	Michael Chao-Juei Chiang	—	—
	Manager	WEN-YU WU	—	—
Ray-Star Universal Solutions Limited (Hong Kong)	Director	Michael Chao-Juei Chiang	—	—
	Director	Freddie Liu	—	—
TPK Universal Solutions Limited (Hong Kong)	Director	Michael Chao-Juei Chiang	—	—
	Director	Freddie Liu	—	—
TPK Asia Pacific Sdn.Bhd (Malaysia)	Director	Michael Chao-Juei Chiang	—	—
	Director	Geoffrey Chang Tze Weng	—	—
	Director	Freddie Liu	—	—
Ray-Star System Solutions Limited (Hong Kong)	Director	Michael Chao-Juei Chiang	—	—
	Director	Freddie Liu	—	—
TPK Film Solutions Limited (Hong Kong)	Director	Michael Chao-Juei Chiang	—	—
	Director	Shih-Ming Liu	—	—

Enterprise Name	Position	Name/Representative	Shares Held	
			No. of Shares (Amount of contribution)	Ratio of Shareholding % (Ratio of contribution)
	Director	YU-SHENG KAI	—	—
TPK Touch Solutions (Xiamen) Inc.	Executive Director	Michael Chao-Juei Chiang	—	—
	Supervisor	Freddie Liu		
	Manager	Li-Chien Hsieh	—	—
TPK Lens Solutions Inc.	Executive Director	Michael Chao-Juei Chiang	—	—
	Supervisor	Freddie Liu	—	—
	Manager	Li-Chien Hsieh	—	—
TPK Touch Systems (Xiamen) Inc.	Executive Director	Michael Chao-Juei Chiang	—	—
	Supervisor	Freddie Liu	—	—
	Manager	Li-Chien Hsieh	—	—
Ray-Star Optical Solutions (Xiamen) Inc.	Chairman	Michael Chao-Juei Chiang	—	—
	Director	Shih-Ming Liu	—	—
	Director& Manager	Li-Chien Hsieh	—	—
	Supervisor	Freddie Liu	—	—
TPK Glass Solutions (Xiamen) Inc.	Executive Director	Michael Chao-Juei Chiang	—	—
	Supervisor	Freddie Liu	—	—
	Manager	Li-Chien Hsieh	—	—
XiaMen Jan Jia Optoelectronics Co., Ltd.	Director & Manager	Qing-Xiong Xiao	—	—
	Director	Heng-Yao Chang	—	—
	Director	Freddie Liu	—	—
	Supervisor	YU-SHENG KAI	—	—
TPK Film Solutions (Xiamen) Inc.	Executive Director	Michael Chao-Juei Chiang	—	—
	Manager	Shih-Ming Liu	—	—
	Supervisor	Freddie Liu		
TPK MasTouch Solutions (Xiamen) Inc.	Executive Director & Manager	Shih-Ming Liu	—	—
	Supervisor	Freddie Liu	—	—

Enterprise Name	Position	Name/Representative	Shares Held	
			No. of Shares (Amount of contribution)	Ratio of Shareholding % (Ratio of contribution)
TPK Touch Solutions (Pingtan) Inc.	Executive Director	Michael Chao-Juei Chiang	—	—
	Supervisor	Freddie Liu	—	—
	Manager	Shih-Ming Liu	—	—
TPK Material Solutions Inc.	Executive Director & Manager	CHUN-MIN HU	—	—
	Supervisor	Shih-Ming Liu	—	—
TPK Advanced Solutions Inc.	Chairman	Michael Chao-Juei Chiang	—	—
	Director & Manager	Li-Chien Hsieh	—	—
	Director	Shih-Ming Liu	—	—
	Supervisor	Freddie Liu	—	—
TPK Advanced Solutions Inc.	Executive Director	Michael Chao-Juei Chiang	—	—
	Supervisor	Freddie Liu	—	—
	Manager	Li-Chien Hsieh	—	—
JAN JIA Trading Company Limited	Executive Director	Shu-Yue Liao		
TPK Material Solutions (Xiamen) Inc.	Executive Director	CHUN-MIN HU	—	—
	Supervisor	JONG-YIH CHEN	—	—
	Manager	Shih-Ming Liu	—	—

Operation Conditions of Affiliated Enterprises

Up to December 31, 2018, Unit: NT\$1000

Company	Paid-in capital (NT\$)	Total assets	Total liabilities	Net Value	Operation revenue of the period	Gross Profit of the period	Net Income (after tax)	Earnings per share (after tax)
TPK Touch Solutions Inc.	NT\$ 507,170,000	2,898,349	128,271	2,770,078	1,485,024	(72,993)	11,715	0.23
Upper Year Holdings Limited	USD 196,250,000	32,807,471	2,595,287	30,212,184	-	(7,255)	1,702,413	8.67
Improve Idea Investments Ltd.	USD 154,490,000	4,057,772	-	4,057,772	-	(32)	18,323	0.12
Optera TPK Holding Pte. Ltd.	USD 24,800,000	2,004,435	237,697	1,766,738	-	(237)	155,965	5,031.13
TPK Technology International Inc.	USD 500,000	195,712	-	195,712	79,906	79,871	91,836	183.67
TPK America, LLC	USD 4,800,000	281,407	90,069	191,338	679,050	(6,045)	(5,944)	Note 1
Ray-Star Universal Solutions Limited	USD 469,498,000	8,980,289	136	8,980,153	-	(240)	(1,360,951)	(2.90)
TPK Universal Solutions Limited	USD 467,498,000	44,429,249	35,508,980	8,920,269	154,688,054	162,400	(1,360,802)	(2.91)
TPK Asia Pacific Sdn.Bhd.	USD 196,808	4,021,278	110	4,021,168	-	(483)	18,227	28.83
Ray-Star System Solutions Limited	USD 13,310,000	579,574	35	579,539	-	(233)	(38,905)	(2.92)
TPK Touch Solutions (Xiamen) Inc.	USD 304,066,610	46,963,381	11,945,688	35,017,693	43,606,351	(113,170)	1,514,051	Note 1
TPK Lens Solutions Inc.	USD 53,790,000	1,804	6,970	(5,166)	-	4,957	(10,029)	Note 1
TPK Touch Systems (Xiamen) Inc.	USD 25,000,000	5,535,082	3,875,560	1,659,522	8,641,990	562,970	602,054	Note 1
Ray-Star Optical Solutions (Xiamen) Inc.	USD 18,670,000	810	4,143	(3,333)	-	882	3,984	Note 1
TPK Glass Solutions (Xiamen) Inc.	USD 371,820,000	9,235,099	6,688,505	2,546,594	2,432,971	(1,420,606)	(1,495,110)	Note 1

Company	Paid-in capital (NT\$)	Total assets	Total liabilities	Net Value	Operation revenue of the period	Gross Profit of the period	Net Income (after tax)	Earnings per share (after tax)
XiaMen Jan Jia Optoelectronics Co., Ltd.	USD 3,600,000	2,051,443	1,365,309	686,134	3,178,189	251,615	300,545	Note 1
Jin Tong suzhou Optoelectronics Co., Ltd.	USD 5,830,000	-	-	-	76,929	13,980	11,520	Note 1 及 Note 2
Jan Jia Trading Company Limited	USD 500,000	21,729	6,106	15,623	42,034	225	259	0.52
TPK Film Solutions Limited	USD 18,000,000	(556,074)	90	(556,164)	-	(191)	(100,433)	(5.58)
TPK Film Solutions (Xiamen) Inc.	USD 17,700,000	127,303	689,630	(562,327)	-	(65,391)	(100,252)	Note 1
TPK MasTouch Solutions (Xiamen) Inc.	USD 85,997,320	3,300,698	2,164,653	1,136,045	2,764,633	(93,875)	(61,463)	Note 1
TPK Touch Solutions (Pingtan) Inc.	USD 150,000,000	4,890,571	8,763,722	(3,873,151)	437,372	(956,651)	(1,014,697)	Note 1
TPK Cando Solutions Inc.	-	-	-	-	-	(4,403)	(4,709)	Note 3
TPK Material Solutions Inc.	USD 3,500,000	388,763	90,446	298,317	268,718	17,567	10,441	Note 1
TPK Advanced Solutions Inc.	USD 127,931,460	35,834,724	21,104,990	14,729,734	61,538,529	850,867	1,803,653	Note 1
TPK Advanced Solutions Inc.	RMB 1,500,000	11,439	3,996	7,443	39,601	428	(469)	Note 1
TPK Material Solutions (Xiamen) Inc.	-(Note 4)	-	-	-	-	-	-	Note 1

Note 1: It is a limited company with no shares.

Note 2: Our Company had sold all stock equities of Jin Tong suzhou Optoelectronics Co., Ltd. in May 2018.

Note 3: TPK Cando Solutions Inc. had closed the liquidation in November 2018.

Note 4: TPK Material Solutions (Xiamen) Inc. had invested \$2,914,000 in January 2019.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
TPK Holding Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Property, Plant and Equipment Impairment Assessment

The description of key audit matter:

As of December 31, 2018, the carrying amount of property, plant and equipment (less the accumulated impairment loss of NT\$14,816,421 thousand) was NT\$33,237,605 thousand, accounting for 40% of the Group's total assets. According to IAS 36 "Impairment of Assets", at the end of each reporting period, the Group is required to assess whether there is any indication that an asset may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated. Since such assessment of impairment requires management to make judgments and assumptions, which are subjective and cannot be certain, the impairment assessment of property, plant and equipment has been identified as a key audit matter.

Refer to Notes 4 (i), 4 (m), 5(a), 16, 36 and 37 to the Group's consolidated financial statements for details of the related accounting policy and the relevant information about property, plant and equipment.

Corresponding audit procedures:

The Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets may be impaired. The review process normally relies on performing the control procedures to: (a) understand the Group's asset impairment assessment method and the design and implementation of the related internal control; (b) obtain an assessment of the asset impairment indicators which are assessed by the Group and based on each cash-generating unit; (c) assess the reasonability of the sales growth rate and profit margin which management used to estimate the recoverable amount of the cash-generating units to which the relevant assets belong; and (d) inspect whether the future cash flows are forecasted upon recent operating conditions, historical trends and industry overviews and whether the information and data used in the estimations are up to date.

Valuation of Inventory

The description of key audit matter:

As of December 31, 2018, the carrying amount of inventory was NT\$10,810,362 thousand (less the allowance for inventory valuation and obsolescence losses of NT\$638,914 thousand), which accounted for 13% of the Group's total assets. The Group is mainly engaged in the business of developing, manufacturing and selling touch modules and related products. As the touch modules industry is characterized by rapid change in technology, as well as short life cycles for the related products, in this regard, the risk surrounding the write-down of slow moving and obsolete inventory is higher. Based on the aging of inventories, the net realizable value of the Group's products, the related sales status and the changes in the market, the Group evaluated and recognized losses related to the write-down of slow moving and obsolete inventory monthly. Since such valuation of inventory requires significant judgment from management, the valuation of inventory has been identified as a key audit matter.

Refer to Notes 4 (g), 5 (f) and 13 to the Group's consolidated financial statements for details of the related accounting policy and the relevant information about inventory.

Corresponding audit procedures:

As for the evaluation of losses related to the write-down of slow moving and obsolete inventory, after first gaining familiarity with the industry characteristics to which the Group belongs, we obtained an understanding of the reasonability of the Group's policy for the provision for obsolete inventory and inventory whose carrying amount was lower than the net realizable value, and we randomly inspected inventory aging and performed our own calculation to verify whether the loss recognized adhered to the Group's provision policy.

In addition, at the end of the year, we performed an inventory observation and random counting to understand the inventory status and evaluate the appropriateness of the loss of obsolete and damaged inventory.

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, 2018 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 Tzu-Jung Kuo and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 20, 2019

Notice to Readers

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

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS (Note 4)				
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 17,063,897	20	\$ 19,402,405	23
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	44,275	-	1,569	-
Financial assets at fair value through other comprehensive income - current (Notes 3, 4 and 8)	100,000	-	-	-
Financial assets at amortized cost - current (Notes 3, 4, 9, 35 and 37)	4,128,958	5	-	-
Debt investments with no active market - current (Notes 3, 4, 11, 35 and 37)	-	-	5,534,570	7
Notes and trade receivable, net (Notes 3, 4, 5, 12, 35 and 36)	10,452,126	13	5,331,144	7
Other receivables, net (Notes 3, 4, 5, 12, 35 and 36)	2,752,599	3	6,971,326	8
Current tax assets (Notes 4 and 28)	6,025	-	7,849	-
Inventories (Notes 4, 5 and 13)	10,810,362	13	7,297,858	9
Other current assets (Notes 3, 4 and 19)	181,171	-	133,356	-
Total current assets	45,539,413	54	44,680,077	54
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4, 8, 14 and 31)	158,932	-	-	-
Financial assets measured at cost - non-current (Notes 3, 4, 10, 14 and 31)	-	-	255,545	-
Property, plant and equipment (Notes 4, 5, 16, 36 and 37)	33,237,605	40	32,994,649	40
Investment properties (Notes 4, 5 and 17)	121,281	-	474,172	1
Intangible assets (Notes 4, 5 and 18)	111,225	-	92,372	-
Deferred tax assets (Notes 4, 5 and 28)	2,455,497	3	1,979,654	2
Prepayments for equipment	1,149,996	2	1,216,469	2
Refundable deposits (Notes 3, 33 and 36)	153,839	-	168,335	-
Long-term prepayments for leases (Notes 3, 4 and 19)	1,039,450	1	1,116,519	1
Other non-current assets	367	-	520	-
Total non-current assets	38,428,192	46	38,298,235	46
TOTAL	\$ 83,967,605	100	\$ 82,978,312	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Short-term borrowings (Notes 20, 35 and 36)	\$ 5,208,695	6	\$ 6,459,342	8
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 21)	40,327	-	203,536	-
Notes and trade payable (Note 36)	19,418,432	23	18,513,499	22
Payables for purchase of equipment (Notes 22 and 36)	2,140,489	3	1,910,623	2
Other payables - others (Notes 22, 27 and 36)	2,664,452	3	2,916,009	4
Current tax liabilities (Notes 4 and 28)	128,734	-	372,887	-
Provisions - current (Notes 4, 5, 13 and 23)	1,749,927	2	1,223,299	2
Current portion of long-term borrowings and bonds payable (Notes 4, 20, 21 and 37)	2,822,862	4	7,586,853	9
Other current liabilities	194,808	-	721,769	1
Total current liabilities	34,368,726	41	39,907,817	48
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16, 20, 36 and 37)	9,239,237	11	3,500,312	4
Deferred tax liabilities (Notes 4 and 28)	2,768,936	3	2,220,373	3
Net defined benefit liabilities - non-current (Notes 4 and 24)	11,870	-	13,862	-
Guarantee deposits received (Note 33)	15,959	-	164,539	-
Other non-current liabilities (Note 19)	321,168	1	790	-
Total non-current liabilities	12,357,170	15	5,899,876	7
Total liabilities	46,725,896	56	45,807,693	55
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 14, 15, 21, 25, 30 and 32)				
Share capital				
Ordinary shares	4,066,638	5	4,066,638	5
Capital surplus	28,146,706	33	28,073,650	34
Retained earnings				
Legal reserve	3,246,461	4	3,007,586	3
Unappropriated earnings (accumulated deficits)	(833,561)	(1)	573,819	1
Total retained earnings	2,412,900	3	3,581,405	4
Other equity				
Exchange differences on translating foreign operations	2,265,358	3	1,226,002	2
Total equity attributable to owners of the Company	36,891,602	44	36,947,695	45
NON-CONTROLLING INTERESTS	350,107	-	222,924	-
Total equity	37,241,709	44	37,170,619	45
TOTAL	\$ 83,967,605	100	\$ 82,978,312	100

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4, 26 and 36)	\$ 113,481,508	100	\$ 107,208,482	100
OPERATING COSTS (Notes 13, 16, 18, 23, 24, 27, 30 and 36)	<u>109,268,955</u>	<u>96</u>	<u>99,673,935</u>	<u>93</u>
GROSS PROFIT	<u>4,212,553</u>	<u>4</u>	<u>7,534,547</u>	<u>7</u>
OPERATING EXPENSES (Notes 4, 12, 16, 18, 24, 27, 30 and 36)				
Selling and marketing expenses	639,589	1	824,372	1
General and administrative expenses	2,793,473	2	3,114,233	3
Research and development expenses	<u>978,503</u>	<u>1</u>	<u>984,973</u>	<u>1</u>
Total operating expenses	<u>4,411,565</u>	<u>4</u>	<u>4,923,578</u>	<u>5</u>
OPERATING INCOME (LOSS)	<u>(199,012)</u>	<u>-</u>	<u>2,610,969</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Government grant revenue (Note 4)	621,892	1	617,188	1
Interest income (Notes 4, 27 and 36)	535,529	-	264,257	-
Other income (Notes 27 and 36)	223,015	-	148,884	-
Gain on disposal of investments (Notes 4, 14, 15 and 31)	56,755	-	813,923	1
Gain on financial products at fair value through profit or loss (Notes 4, 7 and 35)	5,282	-	284,701	-
Finance costs (Notes 4, 20, 21 and 27)	(711,590)	(1)	(964,734)	(1)
Foreign exchange loss, net (Notes 4 and 39)	-	-	(419,903)	-
Foreign exchange gain, net (Notes 4 and 39)	85,992	-	-	-
Gain on disposal of financial products (Notes 4 and 21)	131,545	-	-	-
Other losses (Notes 4 and 17)	<u>(53,401)</u>	<u>-</u>	<u>(79,374)</u>	<u>-</u>
Total non-operating income and expenses	<u>895,019</u>	<u>-</u>	<u>664,942</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	696,007	-	3,275,911	3
INCOME TAX EXPENSE (Notes 4 and 28)	<u>331,273</u>	<u>-</u>	<u>889,875</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>364,734</u>	<u>-</u>	<u>2,386,036</u>	<u>2</u>

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 24)	\$ 1,536	-	\$ (2,802)	-
Exchange differences arising on translation to presentation currency (Notes 4 and 25)	1,144,623	1	(2,345,409)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 28)	-	-	(181)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 25)	(106,899)	-	343,006	-
Share of the other comprehensive loss of associates accounted for using the equity method (Notes 4, 15 and 25)	-	-	(9,715)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 25 and 28)	-	-	7,172	-
Other comprehensive income (loss) for the year, net of income tax	1,039,260	1	(2,007,929)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,403,994	1	\$ 378,107	-
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 223,832	-	\$ 2,404,390	2
Non-controlling interests	140,902	-	(18,354)	-
	\$ 364,734	-	\$ 2,386,036	2
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,264,724	1	\$ 394,619	-
Non-controlling interests	139,270	-	(16,512)	-
	\$ 1,403,994	1	\$ 378,107	-

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 0.55</u>		<u>\$ 6.64</u>	
Diluted	<u>\$ 0.55</u>		<u>\$ 6.63</u>	

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

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company							Non-controlling Interests (Notes 4, 14, 25 and 32)	Total Equity
	Share Capital (Notes 4 and 25)	Capital Surplus (Notes 4, 21, 25, 30 and 32)	Retained Earnings		Other Equity Exchange Differences on Translating Foreign Operations (Notes 4, 25 and 28)	Treasury Shares (Notes 4, 25 and 30)	Total		
			Legal Reserve (Note 25)	Unappropriated Earnings (Accumulated Deficits) (Notes 4, 25 and 32)					
BALANCE AT JANUARY 1, 2017	\$ 3,466,338	\$ 21,537,232	\$ 3,952,487	\$ (2,772,489)	\$ 3,232,790	\$ (243,595)	\$ 29,172,763	\$ 239,436	\$ 29,412,199
Legal reserve used to offset accumulated deficits	-	-	(944,901)	944,901	-	-	-	-	-
Issuance of ordinary shares in the form of global depositary receipts	598,200	6,403,732	-	-	-	-	7,001,932	-	7,001,932
Issuance of ordinary shares reserved for employee subscription	1,800	19,566	-	-	-	-	21,366	-	21,366
Net income (loss) for the year ended December 31, 2017	-	-	-	2,404,390	-	-	2,404,390	(18,354)	2,386,036
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	(2,983)	(2,006,788)	-	(2,009,771)	1,842	(2,007,929)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	2,401,407	(2,006,788)	-	394,619	(16,512)	378,107
Recognition of employee share options by the Company	-	54,459	-	-	-	-	54,459	-	54,459
Compensation costs of issuance of ordinary shares reserved for employee subscription	-	1,141	-	-	-	-	1,141	-	1,141
Compensation costs of treasury shares transferred to employees	-	90,776	-	-	-	-	90,776	-	90,776
Issuance of ordinary shares under employee share options	300	2,700	-	-	-	-	3,000	-	3,000
Treasury shares transferred to employees	-	(35,956)	-	-	-	243,595	207,639	-	207,639
BALANCE AT DECEMBER 31, 2017	4,066,638	28,073,650	3,007,586	573,819	1,226,002	-	36,947,695	222,924	37,170,619
Appropriation of 2017 earnings									
Legal reserve	-	-	238,875	(238,875)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,219,991)	-	-	(1,219,991)	-	(1,219,991)
Net income for the year ended December 31, 2018	-	-	-	223,832	-	-	223,832	140,902	364,734
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	1,536	1,039,356	-	1,040,892	(1,632)	1,039,260
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	225,368	1,039,356	-	1,264,724	139,270	1,403,994
Change in equity components of convertible bonds redeemed by the Company	-	(180)	-	-	-	-	(180)	-	(180)
Recognition of employee share options by the Company	-	78,713	-	-	-	-	78,713	-	78,713
Increase in non-controlling interests	-	(5,477)	-	(173,882)	-	-	(179,359)	91,730	(87,629)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	(93,141)	(93,141)
Liquidation and dissolution of subsidiaries	-	-	-	-	-	-	-	(10,676)	(10,676)
BALANCE AT DECEMBER 31, 2018	\$ 4,066,638	\$ 28,146,706	\$ 3,246,461	\$ (833,561)	\$ 2,265,358	\$ -	\$ 36,891,602	\$ 350,107	\$ 37,241,709

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 696,007	\$ 3,275,911
Adjustments for:		
Depreciation expenses	7,287,034	8,383,566
Amortization expenses	30,739	41,318
Impairment loss reversed on trade receivables	-	(17,377)
Expected credit loss recognized on trade receivables	9,275	-
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	90,656	693
Finance costs	711,590	964,734
Interest income	(535,529)	(264,257)
Compensation costs of employee share options	78,713	146,376
Loss (gain) on disposal of property, plant and equipment	57,484	(195,415)
Loss (gain) on disposal of intangible assets	387	(40)
Gain on disposal of investments	(56,755)	(443,476)
Gain on disposal of associates	-	(370,447)
Impairment loss recognized (reversed) on property, plant and equipment	2,444	(38,225)
(Reversal of) write-downs of inventories	165,218	(565,733)
Gain on redemption of bonds payable	(131,545)	-
Amortization of prepayments for leases	25,422	25,747
Recognition of provisions	860,263	639,198
Changes in operating assets and liabilities		
(Increase) decrease in trade and notes receivable	(5,186,889)	2,322,145
Decrease (increase) in other receivables	4,270,272	(3,705,559)
(Increase) decrease in inventories	(3,720,196)	1,150,587
Increase in other current assets	(54,817)	(24,396)
Increase in notes and trade payable	923,970	6,403,054
(Decrease) increase in other payables	(233,522)	346,863
Decrease in provisions	(377,848)	(442,021)
(Decrease) increase in other current liabilities	(520,301)	367,724
Decrease in net defined benefit liabilities	(456)	(709)
Cash generated from operations	4,391,616	18,000,261
Interest received	463,632	267,446
Income tax paid	(500,881)	(523,983)
Net cash generated from operating activities	4,354,367	17,743,724
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	1,405,612	-
Increase in debt investments with no active market	-	(4,147,713)
Net cash inflow on disposal of financial assets measured at cost	-	11
Net cash inflow on disposal of associates	-	567,529
Net cash inflow on disposal of subsidiaries	215,963	1,098,885
Net cash outflow on dissolution of subsidiaries	(10,671)	-

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

	2018	2017
Payments for property, plant and equipment	\$ (114,332)	\$ (202,688)
Proceeds from disposal of property, plant and equipment	127,359	1,075,686
Decrease (increase) in refundable deposits	1,432	(112,697)
Payments for intangible assets	(55,190)	(10,255)
Proceeds from disposal of intangible assets	28	488
Decrease (increase) in other assets	153	(375)
Increase in prepayments for equipment	(5,934,618)	(3,364,796)
Decrease (increase) in long-term prepayments for leases	<u>84,983</u>	<u>(155,648)</u>
Net cash used in investing activities	<u>(4,279,281)</u>	<u>(5,251,573)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(1,434,039)	(20,002,522)
Repayments of bond payables	(6,310,297)	(2,293,072)
Proceeds from long-term borrowings	10,696,246	4,772,501
Repayments of long-term borrowings	(3,648,266)	(2,424,602)
Proceeds from (refund of) guarantee deposits received	(148,579)	162,433
Increase (decrease) in other liabilities	321,058	(326)
Dividends paid to owners of the Company	(1,219,991)	-
Proceeds from issuance of ordinary shares	-	7,023,298
Proceeds from exercise of employee share options	-	3,000
Proceeds from treasury shares transferred to employees	-	207,639
Interest paid	(684,664)	(829,164)
Decrease in non-controlling interests	<u>(180,770)</u>	<u>-</u>
Net cash used in financing activities	<u>(2,609,302)</u>	<u>(13,380,815)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>195,708</u>	<u>(199,010)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(2,338,508)</u>	<u>(1,087,674)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>19,402,405</u>	<u>20,490,079</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 17,063,897</u>	<u>\$ 19,402,405</u>

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

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

TPK Holding Co., Ltd. (the “Company”) was incorporated as a limited company under the provisions of the Company Law of the Cayman Islands on November 21, 2005.

The Company and its subsidiaries (collectively referred to as the “Group”) are mainly engaged in the business of developing, manufacturing and selling touch modules, touch display and indium tin oxide (ITO) glass-related products.

The Company’s shares have been listed on the Taiwan Stock Exchange since October 29, 2010.

The functional currency of the Company is US dollars. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s shares are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 20, 2019.

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

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

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

IFRS 9 “Financial Instruments” and related amendments

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

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

Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 19,402,405	\$ 19,402,405	1)
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	1,569	1,569	
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	255,545	255,545	2)
Restricted bank deposits	Loans and receivables	Amortized cost	443	443	1)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	12,302,470	12,302,470	1)
Financial products	Loans and receivables	Amortized cost	5,534,127	5,534,127	3)
Refundable deposits	Loans and receivables	Amortized cost	168,335	168,335	1)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTPL</u>							
Derivatives	\$ 1,569	\$ -	\$ -	\$ 1,569	\$ -	\$ -	
<u>FVTOCI</u>	-	-	-	-	-	-	
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	255,545	-	255,545	-	-	2)
<u>Amortized cost</u>	-	255,545	-	255,545	-	-	
Add: Reclassification from loans and receivables (IAS 39)	-	37,407,780	-	37,407,780	-	-	1) and 3)
	-	37,407,780	-	37,407,780	-	-	
	<u>\$ -</u>	<u>\$ 37,664,894</u>	<u>\$ -</u>	<u>\$ 37,664,894</u>	<u>\$ -</u>	<u>\$ -</u>	

- 1) Cash and cash equivalents, restricted bank deposits, notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9.
- 2) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated at FVTOCI under IFRS 9 and were remeasured at fair value.

- 3) Financial products previously classified as debt investments with no active market under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

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

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

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

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

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

1) IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

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

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

Except for the leases of investment properties mentioned below, lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - non-current (recognized as long-term prepayments for leases)	\$ 1,039,450	\$ (1,039,450)	\$ -
Right-of-use assets	-	2,551,422	2,551,422
Investment properties	<u>121,281</u>	<u>9,668</u>	<u>130,949</u>
Total effect on assets	<u>\$ 1,160,731</u>	<u>\$ 1,521,640</u>	<u>\$ 2,682,371</u>
Lease liabilities - current	\$ -	\$ 253,322	\$ 253,322
Lease liabilities - non-current	<u>-</u>	<u>1,268,318</u>	<u>1,268,318</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 1,521,640</u>	<u>\$ 1,521,640</u>

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a significant influence on the Group's financial position and financial performance.

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

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

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

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

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a significant influence on the Group’s financial position and financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;

- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless an asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

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

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

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

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

Before 2018, the fair value of any investment retained in a former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of available-for-sale financial assets. Starting from 2018, the fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at fair value through other comprehensive income.

See Note 14, Table 6 and Table 7 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

Business combinations involving entities under common control are not accounted for by the acquisition method. In preparing the consolidated financial statements, the balance of the difference between the investment cost generated from the acquisition of the acquiree's interests and the net assets is analyzed and dealt with in the way which was initially performed at the acquisition date.

f. 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 reporting period.

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

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

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

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

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

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

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

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

Any excess of the cost of an acquisition over the Group's share of net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of net fair value of the identifiable assets and liabilities over the cost of the acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an 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 that associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates account for using the equity method. 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 using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an 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.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value at its initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

i. Property, plant and equipment

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

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

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

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

j. Investment properties

Investment properties are properties held to earn rentals and or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss

k. Goodwill (recognized as intangible assets)

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

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

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

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss.

l. 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 methods 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) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they 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.

m. 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 assets 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 the corresponding 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.

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 35.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. 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 as 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.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 35.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

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

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

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

iii. Loans and receivables

Loans and receivables (including trade receivables, other receivables, cash and cash equivalents and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, 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.

b) Impairment of financial assets and contract assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

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

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

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

2017

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

Financial assets at amortized cost, such as trade receivables and other receivables or debt investments with no active market, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liabilities. Fair value is determined in the manner described in Note 35.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (i.e. convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into derivative financial instruments, such as foreign exchange forward contracts, to manage its exposure to foreign currency exchange rate and interest rate risks.

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

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is 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 that is 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.

o. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1) Onerous contracts

Provisions for onerous contracts arise where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

2) Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

p. Revenue recognition

2018

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

Revenue from the sale of goods comes from sales of touch modules, touch display and ITO glass-related products. Sales of touch modules, touch display and ITO glass-related products are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of material ownership.

2017

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

1) Revenue from the sale of goods

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

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;

- d) It is probable that the economic benefits associated with the transaction will flow to the Group;
and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Revenue from rendering of services

Service income is recognized when services are provided.

3) Royalty revenue

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement and provided that it is probable that the economic benefits will flow to the Group and that the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement.

4) Interest income

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

q. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

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

r. Borrowing costs

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

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

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

s. Government grants

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

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

t. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services 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 liability are recognized as an 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

The net defined benefit liability represents the actual deficit in the Group's defined benefit plans.

u. Employee share options

Equity-settled share-based payment arrangements and employee share options granted to employees are measured at the fair value of the equity instruments at their grant dates.

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

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

v. Taxation

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

1) Current tax

For the subsidiaries incorporated in the territory of the Republic of China, 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 for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology and expenditures on research, development and personnel training to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income. Where current taxes or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment test for tangible assets and intangible assets (excluding goodwill)

In the process of evaluating impairment of assets, the management is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to specific asset groups while taking into consideration the nature of the industry. Furthermore, any changes in such estimations resulting from changes in economic conditions or the Company's strategy could possibly lead to a material impairment loss in future periods.

For the year ended December 31, 2018, the Group recognized an impairment loss on tangible and intangible assets in the amount of \$2,444 thousand. For the year ended December 31, 2017, the Group recognized a reversal of impairment loss on tangible and intangible assets in the amount of \$38,225 thousand.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of value in use requires management to estimate the future cash flows expected to arise from such cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill as of December 31, 2018 and 2017 was disclosed in Note 18.

c. Income tax

As of December 31, 2018 and 2017, no deferred tax asset has been recognized on the tax loss of \$24,323,588 thousand and \$22,504,102 thousand, respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

The details of unused tax losses as of December 31, 2018 and 2017 are described in Note 28.

d. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 12. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

The carrying amounts of accounts receivable and other receivables as of December 31, 2018 were disclosed in Note 12.

e. Estimated impairment of accounts receivables and other receivables - 2017

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

The carrying amounts of accounts receivable and other receivables as of December 31, 2017 were disclosed in Note 12.

f. Write-downs of inventories

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

The carrying amounts of inventories as of December 31, 2018 and 2017 are disclosed in Note 13.

g. Useful lives of property, plant and equipment

As described in Note 4(i), the Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date. No changes in the estimated useful lives of property, plant, and equipment occurred for the years ended December 31, 2018 and 2017.

h. Estimated provisions

Provisions are present obligations arising as a result of past events. Based on the past experience, the Group recognized the estimated expenditures for settling such obligations as provisions. The Group has a variety of provisions, including onerous contracts and warranties. The carrying amounts of provisions as of December 31, 2018 and 2017 are disclosed in Note 23.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 941	\$ 1,335
Checking accounts and demand deposits	8,292,372	12,001,439
Cash equivalents		
Time deposits with original maturities of less than three months	<u>8,770,584</u>	<u>7,399,631</u>
	<u>\$ 17,063,897</u>	<u>\$ 19,402,405</u>

Interest rates for deposits in the bank on the balance sheet date were as follows:

	December 31	
	2018	2017
Deposits	0%-3.70%	0%-2.50%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 44,275	\$ -
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	-	1,569
	<u>\$ 44,275</u>	<u>\$ 1,569</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange option contracts	\$ 40,327	\$ -
Redemption options and put options of convertible bonds	-	203,536
	<u>\$ 40,327</u>	<u>\$ 203,536</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
Sell USD/Buy RMB	USD/RMB	April 19, 2019	USD100,000/RMB700,700
<u>December 31, 2017</u>			
Sell USD/Buy RMB	USD/RMB	March 30, 2018	USD20,000/RMB131,800

At the end of the reporting period, outstanding foreign exchange option contracts not under hedge accounting were as follows (as of December 31, 2017: None):

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
Foreign exchange option portfolio		April 17, 2019	
Call option	USD/RMB		USD50,000/RMB349,000
Put option	RMB/USD		RMB348,900/USD50,000
Foreign exchange option portfolio		April 17, 2019	
Call option	USD/RMB		USD50,000/RMB349,350
Put option	RMB/USD		RMB349,250/USD50,000

The Group entered into foreign exchange forward contracts and foreign exchange option contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

Gains and losses on structured deposit, foreign exchange forward contracts, foreign exchange option contracts and redemption options and put options of convertible bonds for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Foreign exchange forward contracts gain	\$ 60,339	\$ 287,205
Foreign exchange option contracts gain	40,485	-
Redemption options and put options of convertible bonds loss	(95,542)	(2,559)
Structured deposit	<u>-</u>	<u>55</u>
	<u>\$ 5,282</u>	<u>\$ 284,701</u>

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

**December 31,
2018**

Investments in equity instruments at FVTOCI

Current

Domestic unlisted ordinary shares

Kingyoun Optronics Co., Ltd. Ordinary shares ("KYO") \$ 100,000

Non-current

Overseas unlisted ordinary shares

Kingyoun Optronics Co., Ltd. Ordinary shares ("KYO") \$ 50,000

Jin Shun Xin Development (Pingtan) Co., Ltd. ("JSX") 108,932

\$ 158,932

The Group acquired ordinary shares of KYO and JSX for medium to long-term strategic purposes. Therefore, the management elected to designate these investments in equity instruments as at FVTOCI.

In June 2014, the Group acquired 16.57% equity shares of KYO for \$150,000 thousand. According to the investment contract, if KYO cannot complete the initial public offering process in 5 years after the Group acquired the equity shares of KYO, the Group will request the original shareholder to buy back equity shares at the originally acquired price in June 2019, December 2019 and June 2020, separately. Hence, these investments in equity instruments are classified as financial assets at FVTOCI - current and non-current.

These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
<u>Current</u>	
Financial products	\$ 2,720,908
Restricted bank deposits	210,165
Time deposits with original maturity of more than 3 months	<u>1,197,885</u>
	<u>\$ 4,128,958</u>

Financial products were trade from the bank by subsidiaries. As of December 31, 2018 the relevant product details were as follows:

	December 31, 2018
Annual return rates	3.70%-5.53%
Maturity dates	January 10, 2019 - September 18, 2019

The Group's policy is to invest short-term financial products that have low credit risk. The Group assessed the impact of credit risk to principal and interest of financial products by understanding the final underlying asset of financial products and the value of collateral. After assessment, the credit risk of financial products is low, therefore, there is no allowance for impairment loss recognized on financial products.

The interest rates for time deposits with original maturity of more than 3 months were from 3.05763% to 3.089% as at the end of the reporting period. The interest rates for restricted bank deposits were from 0.05% to 0.35% as at the end of the reporting period. Restricted bank deposits are mainly in use as guarantees to banks and for payments of tariffs from importing raw materials.

Investments above were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 11 for information relating to their reclassification and comparative information for 2017.

Refer to Note 37 for information relating to investments in financial assets at amortized cost pledged as security.

10. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017
Domestic unlisted ordinary shares	\$ 150,000
Overseas unlisted ordinary shares	<u>105,545</u>
	<u>\$ 255,545</u>
Classified according to financial asset measurement categories	
Available-for-sale financial assets	<u>\$ 255,545</u>

Due to the fact that the demands of the market did not meet expectations and the cost structure was not competitive enough, the operations of Hallys Corporation (“Hallys”), a subsidiary of CIM Corporation (“CIM”), still had no improvement. On August 24, 2015, TPK Universal Solutions Limited (“TPK HK”), a subsidiary of the Company, sold its equity interest in CIM at the price of its initial acquisition cost, and the ownership percentage of TPK HK in CIM declined from 80% to 0.08%. Because the Group has lost control over this subsidiary, any investment retained in the former subsidiary was reclassified to financial assets measured at cost - non-current. In addition, the Company signed an agreement on claims and liabilities and a supplemental agreement with CIM and Hallys (collectively, the “Hallys Group”) to approve TPK HK selling its remaining 0.08% interest in CIM at the price of JPY41 thousand to Palladisio Capital Asia Limited (“Palladisio”) on May 12, 2017. The sale proceeds were received on June 14, 2017. Refer to Note 12 for more information.

As the industry of JSX is not the core business of the Company, at January 26, 2017, the Company’s board of directors resolved to sell its interest in JSX to Ruei-Shin Investment (Pingtan) Co., Ltd. in order to concentrate and utilize the Company’s limited resources. In March 2017, TPKP sold 91% of its interest in JSX at the price of RMB246,192 thousand, and TPKP’s percentage of ownership decreased from 100% to 9% aftermath. Since the Group has lost control over JSX, any investment retained in JSX was reclassified to financial assets measured at cost - non-current. Refer to Note 31 for information related to the disposal of the subsidiary.

Management believed that the fair values of the above unlisted equity investments held by the Group cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore, such fair values were measured at cost at the end of reporting period.

11. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
<u>Current</u>	
Financial products	\$ 5,534,127
Restricted bank deposits	<u>443</u>
	<u>\$ 5,534,570</u>

Financial products were trade from the bank by subsidiaries. As of December 31, 2017 the relevant product details were as follows:

	December 31, 2017
Annual return rates	2.00%-5.70%
Maturity dates	January 8, 2018 - August 13, 2018

As of December 31, 2017, the market interest rates of the time deposits with original maturities more than 3 months was 0.30%-0.96%. Restricted bank deposits are mainly in use as guarantees to banks and for payments of tariffs from importing raw materials. Refer to Note 37 for information relating to debt investments with no active market pledged as security.

12. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
<u>Notes and trade receivable (a)</u>		
At amortized cost		
Notes receivable	\$ 6,345	\$ 785
Trade receivables	<u>8,470,691</u>	<u>5,340,657</u>
	8,477,036	5,341,442
Less: Allowance for impairment loss	<u>(824)</u>	<u>(10,298)</u>
	8,476,212	5,331,144
At FVTOCI	<u>1,975,914</u>	<u>-</u>
	<u>\$ 10,452,126</u>	<u>\$ 5,331,144</u>
<u>Other receivables (b)</u>		
At amortized cost		
Tax refund receivable	\$ 336,926	\$ 530,977
Factored but unused receivables	-	6,294,573
Others	<u>255,089</u>	<u>208,508</u>
	592,015	7,034,058
Less: Allowance for impairment loss	<u>(83,327)</u>	<u>(62,732)</u>
	508,688	6,971,326
At FVTOCI	<u>2,243,911</u>	<u>-</u>
	<u>\$ 2,752,599</u>	<u>\$ 6,971,326</u>

a. Trade receivables

2018

1) At amortized cost

The average credit period on sales of goods is 45 to 60 days after the end of the month in which sales occur. No interest was charged on trade receivables.

In order to minimize credit risk, the management of the Company 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 to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

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. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2018

	Not Past Due and Less than 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 10,331,628	\$ 9,171	\$ 85,318	\$ 20,488	\$ 10,446,605
Loss allowance (Lifetime ECL)	-	-	-	(824)	(824)
Amortized cost	<u>\$ 10,331,628</u>	<u>\$ 9,171</u>	<u>\$ 85,318</u>	<u>\$ 19,664</u>	<u>\$ 10,445,781</u>

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

	2018
Balance at January 1, 2018	\$ 10,298
Less: Net remeasurement of loss allowance	(9,518)
Less: Disposal of subsidiaries (Note 31)	(19)
Foreign exchange gains and losses	<u>63</u>
Balance at December 31, 2018	<u>\$ 824</u>

2) At FVTOCI

For some trade receivables, the Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

2017

The Group applied the same credit policy in 2018 and 2017. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of reporting period. The Group assessed the allowance for impairment by reference to the collectability of receivables by considering an aging of receivables analysis, historical experience and the credit ratings of respective customers.

The aging of receivables was as follows:

	December 31, 2017
Less than 60 days	\$ 5,260,450
61-90 days	8,530
91-180 days	27,314
More than 180 days	<u>45,148</u>
	<u>\$ 5,341,442</u>

For the trade receivables balances that were past due at the end of the reporting period (refer to the below schedule), the Group did not recognize an allowance for impairment loss, because there was no significant change in the credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances. Moreover, the Group does not have the legal right to offset receivables and payables against the same counterparty.

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

	December 31, 2017
Less than 60 days	\$ 235,273
61-90 days	7,886
91-180 days	18,477
More than 180 days	<u>43,645</u>
	<u>\$ 305,281</u>

The aging of impaired trade receivables was as follows:

	December 31, 2017
Less than 60 days	\$ 686
61-90 days	644
91-180 days	8,837
More than 180 days	<u>1,503</u>
	<u>\$ 11,670</u>

The above aging schedule was based on the past-due date.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 22,498	\$ 21,416	\$ 43,914
Add: Impairment losses recognized on receivables	6,120	-	6,120
Less: Reversed impairment losses	-	(11,234)	(11,234)
Less: Amounts written off during the year as uncollectable	(21,131)	(5,433)	(26,564)
Foreign exchange gains and losses	<u>(1,395)</u>	<u>(543)</u>	<u>(1,938)</u>
Balance at December 31, 2017	<u>\$ 6,092</u>	<u>\$ 4,206</u>	<u>\$ 10,298</u>

b. Other receivables

As of December 31, 2018 and 2017, the Group's other receivables mainly consists of factored but unused receivables and tax refund receivable. Apart from tax refund receivable, the aging of the remaining receivables is less than 60 days (based on the invoice date).

2018

1) At amortized cost

Due to the consideration of the operating capital and the requirements of repayments for borrowings, Cando Corporation ("Cando") had issued its first secured domestic convertible bonds with a face value of \$500,000 thousand. The Group acquired these bonds with a face value of \$100,000 thousand and provided guarantees within the amount of \$520,200 thousand for the convertible bonds issued by Cando. However, the convertible bonds were delisted at December 1, 2015, since Cando applied to the court for reorganization and disposal on November 5, 2015. The Group had made the payment for the principal of these bonds in the amount of \$500,000 thousand on behalf of Cando and recognized as another receivable from Cando. Given that Cando and its subsidiaries, which had suffered huge financial difficulties, were unable to repay the debt, the Company has recognized an allowance for impairment losses on both trade receivables and other receivables from Cando after assessing the net amount of receivables and payables. Due to the indications showing that there was no improvement toward the recovery of the debt, the Group wrote off the receivables and the allowance for doubtful receivables in the amount of \$988,545 thousand from Cando and its subsidiaries in June 2017. Refer to Note 36 for more information.

On May 12, 2017, the Company decided to sell its other receivables from Hallys Group and its remaining interest in CIM to Palladisio in the amount of JPY100,041 thousand. The proceeds has been received on June 14, 2017.

The Group assessed an allowance for impairment loss on other receivables by reference to the recoverability of receivables. After evaluating the operations and recoverability of the receivables from debtors, the Group recognized an allowance for impairment loss of 100% against the other receivables.

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

	2018
Balance at January 1, 2018	\$ 62,732
Add: Net remeasurement of loss allowance	18,793
Foreign exchange gains and losses	<u>1,802</u>
Balance at December 31, 2018	<u>\$ 83,327</u>

2) At FVTOCI

For some other receivables, the Group will decide whether to sell these other receivables to banks without recourse based on its level of working capital. These other receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

2017

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 1,318,538	\$ 77,787	\$ 1,396,325
Less: Reversed impairment losses	(1,667)	(10,596)	(12,263)
Less: Amounts written off during the years as uncollectable	(1,228,537)	-	(1,228,537)
Foreign exchange gains and losses	<u>(88,334)</u>	<u>(4,459)</u>	<u>(92,793)</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 62,732</u>	<u>\$ 62,732</u>

13. INVENTORIES

	December 31	
	2018	2017
Finished goods	\$ 6,567,877	\$ 3,856,907
Work in progress	512,725	370,607
Raw materials	<u>3,729,760</u>	<u>3,070,344</u>
	<u>\$ 10,810,362</u>	<u>\$ 7,297,858</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was \$109,268,955 thousand and \$99,673,935 thousand, respectively.

The accounts listed below were included in cost of goods sold:

	For the Year Ended December 31	
	2018	2017
(Reversal of) inventory write-downs	\$ 165,218	\$ (565,733)
Provision for loss on purchase commitments	6,439	1,172
Loss on inventory scraps	<u>86,973</u>	<u>333,503</u>
	<u>\$ 258,630</u>	<u>\$ (231,058)</u>

The cost of goods sold for the year ended December 31, 2018 included inventory write-downs of \$165,218 thousand. For the year ended December 31, 2017, the cost of goods sold included reversals of inventory write-downs of \$565,733 thousand.

Because of the characteristics of the industry, the product life cycle is short. Therefore, there is an accrued allowance for losses on inventory with aging of over 360 days.

Due to the characteristics of the industry and market fluctuations, certain raw materials are no longer usable. For the years ended December 31, 2018 and 2017, the Group evaluated and recognized a loss on purchase commitments in the amount of \$6,439 thousand and \$1,172 thousand, respectively. As of December 31, 2018 and 2017, the Group estimated and recognized short-term provisions for purchase commitments (Note 23) in the amounts of \$14,247 thousand and \$10,207 thousand, respectively.

14. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2018	2017	
TPK Holding Co., Ltd. (“TPKH”)	TPK Technology International Inc. (“TTI”)	International trade	100.00	100.00	
	Improve Idea Investments Ltd. (“Improve”)	Holding company	100.00	100.00	
	Optera TPK Holding Pte. Ltd. (“OTH”)	Holding company	100.00	100.00	
	Upper Year Holdings Limited (“UYH”)	Holding company and international trade	100.00	100.00	14)
	Ray-Star Universal Solutions Limited (“RUSL”)	Holding company	100.00	100.00	
Improve TPKA	TPK Asia Pacific Sdn. Bhd. (“TPKA”)	Holding company	100.00	100.00	13)
	TPK Touch Solutions Inc. (“TPKT”)	Touch related material sales and machinery manufacture, wholesale and retail	100.00	100.00	
	TPK Cando Solutions Inc. (“TCS”)	Chemically strengthened glass processing and sales	-	55.00	7)
UYH	TPK Touch Solutions (Xiamen) Inc. (“TPKC”)	Touch related material sales and machinery manufacture, wholesale and retail	73.84	73.84	5)
	TPK Lens Solutions Inc. (“TPKL”)	Optical glass processing and sales	100.00	100.00	9)
	TPK Touch Systems (Xiamen) Inc. (“TPKS”)	Touch modules research, development, manufacture and sales	100.00	100.00	
	Ray-Star Optical Solutions (Xiamen) Inc. (“RSO”)	Optical glass processing and sales	63.85	55.00	9)
OTH	TPK America, LLC (“TPKU”)	International trade	100.00	100.00	
	TPK Touch Solutions (Xiamen) Inc. (“TPKC”)	Touch related material sales and machinery manufacture, wholesale and retail	10.27	10.27	5)
RUSL	TPK Universal Solutions Limited (“TPK HK”)	Touch module related product research; holding company and international trade	100.00	100.00	11)
TPK HK	TPK Glass Solutions (Xiamen) Inc. (“TPKG”)	Optical glass processing and sales	100.00	94.31	8) and 12)
	TPK Film Solutions Limited (“TPKF HK”)	Holding company	100.00	80.02	2)
	TPK MasTouch Solutions (Xiamen) Inc. (“MTOH”)	Touch modules research, development, manufacture and sales	100.00	100.00	12)
	TPK Touch Solutions (Pingtan) Inc. (“TPKP”)	Touch modules research, development, manufacture and sales	100.00	100.00	12)
	TPK Materials Solution Inc. (“TPKM”)	Touch related electronic materials and electronic chemicals processing, manufacture and research	100.00	100.00	
	TPK Advanced Solutions Inc. (“TPKD”)	Touch modules research, development, manufacture and sales	49.90	49.90	
	TPK Touch Solutions (Xiamen) Inc. (“TPKC”)	Touch related material sales and machinery manufacture, wholesale and retail	15.89	15.89	5)
	Xiamen Jan Jia Optoelectronics Co., Ltd. (“TPKJ”)	Protective film and optical adhesive manufacture and sales	51.00	51.00	1)
TPKT	Ray-Star System Solutions Limited (“RSSL”)	Holding company	100.00	100.00	10)
RSSL	TPK Glass Solutions (Xiamen) Inc. (“TPKG”)	Optical glass processing and sales	-	5.69	8)
TPKC	Ray-Star Optical Solutions (Xiamen) Inc. (“RSO”)	Optical glass processing and sales	36.15	45.00	
	TPK Advanced Solutions Inc. (“TPKD”)	Touch modules research, development, manufacture and sales	50.10	50.10	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2018	2017	
TPKF HK	TPK Film Solutions (Xiamen) Inc. ("TPKF")	Touch modules research, development, manufacture and sales	100.00	100.00	
TPKP	Jinshunxin Development (Pingtan) Co., Ltd. ("JSX")	Land development	-	-	4)
TPKG	TPK Chenqi (Mainland) Solutions Inc. ("TPKMS")	Trade	100.00	100.00	
TPKJ	Jin Tong Suzhou Optoelectronics Co., Ltd. ("JT")	Protective film and optical adhesive manufacture and sales	-	100.00	6)
	Jan Jia Trading Company Limited ("TPKJ HK")	International trading	100.00	-	3)
(Concluded)					

Remark:

- 1) These are subsidiaries that have material non-controlling interests.
- 2) TPK HK acquired the remaining 19.98% ownership from external shareholders in the amount of US\$3,000 thousand in March 2018. After the acquisition, TPK HK's percentage of ownership in TPKF HK increased from 80.02% to 100%.
- 3) To meet TPKJ's need of overseas material procurement and agency trading, the Company's board of directors resolved to set up TPKJ HK with a capital of less than US\$500 thousand, which was invested by TPKJ on December 21, 2016. TPKJ HK was set up on January 3, 2018 with a capital investment of US\$500 thousand in December 2018.
- 4) Due to the fact that JSX's industry is not the core business of the Company, on January 26, 2017, the Company's board of directors resolved to sell its interest in JSX to Ruei-Shin Investment (Pingtan) Co., Ltd. in order to concentrate and utilize its limited resources. TPKP sold 91% of its interest in JSX in the amount of RMB246,192 thousand in March 2017, and the gain on the disposal amounting to US\$14,469 thousand was recognized. After the disposal, the Group's ownership percentage of JSX decreased from 100% to 9%. Since the Group lost control over JSX, any remaining investments in JSX were reclassified to financial assets measured at cost - non-current (classified as investments in equity instruments at FVTOCI in 2018). Refer to Note 31 for more information.
- 5) On March 12 and November 8, 2018, the Company's board of directors resolved to increase the capital of TPKC with amounts of US\$31,673 thousand and US\$29,000 thousand from retained earnings, respectively, and after issuance, the capital of TPKC increased from US\$243,394 thousand to US\$304,067 thousand. The amendment on registration for capital increase was completed on April 26 and November 15, 2018, respectively.
- 6) Due to the fact that JT did not reach the expected performance, on April 12, 2018, the Company's board of directors resolved to sell all of its interests in JT to Jan Ann Co., Ltd. (Cayman) or the designated third party in order to concentrate and utilize its limited resources. In May 2018, TPKJ sold all of its interests in JT with an amount of RMB49,950 thousand, and the gain on disposal which amounted to US\$1,917 thousand was recognized. After disposal, JT was excluded in the consolidated financial statements. Refer to Note 31 for more information.
- 7) The Company resolved to dissolve and liquidate TCS in order to simplify its organizational structure, and the process of liquidation was completed in November 2018.

- 8) On June 22, 2018, the Company's board of directors resolved to sell 5.69% interest in TPKG from RSSL to TPK HK in order to adjust organizational structure, and the transaction was completed on July 13, 2018. After acquisition, TPK HK's percentage of ownership in TPKG increased from 94.31% to 100%.
- 9) On August 7, 2018, the Company's board of directors resolved to increase the capital of RSO and TPKL from UYH to improve the financial structure of RSO and TPKL. These issuances were completed in October 2018.
- 10) The Company's board of directors resolved to dissolve and liquidate RSSL in order to simplify its organizational structure. As of February 20, 2019, the process of dissolution and liquidation was not completed.
- 11) In response to the demand for electronic materials, on October 9, 2018, the Company's board of directors resolved to set up TPK Materials Solution (Xiamen) Inc. ("TPKMT") with a capital of US\$10,000 thousand from TPK HK. TPKMT was set up on October 22, 2018, and a capital of US\$2,914 thousand was invested in TPKMT in January 2019.
- 12) On November 8, 2018, the Company's board of directors resolved to increase the capital of TPKG, TPKP and MTOH from TPK HK in order to improve the financial structure of TPKG, TPKP and MTOH. In November 2018, TPK HK invested in TPKG with an amount of US\$85,520 thousand; and in December 2018, TPK HK invested in MTOH with an amount of US\$25,997 thousand.
- 13) On February 20, 2019, the Company's board of directors resolved to dissolve and liquidate TPKA in order to simplify its organizational structure.
- 14) On February 20, 2019, the Company's board of directors resolved to annul the registration of UYH Hong Kong Branch in order to simplify its organizational structure.
- b. Details of subsidiaries with material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2018	2017
TPKJ	49.0%	49.0%

Refer to Table 7 following the Notes to Consolidated Financial Statements for information on the relevant places of incorporation and principal places of business of TPKJ.

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended		Accumulated Non-controlling Interests	
	December 31		December 31	
	2018	2017	2018	2017
TPKJ	\$ 148,632	\$ 120,937	\$ 350,107	\$ 297,947

Summarized financial information in respect of each of the Group's subsidiaries with material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

TPKJ and its subsidiaries

	December 31	
	2018	2017
Current assets	\$ 1,880,719	\$ 1,068,661
Non-current assets	199,540	280,694
Current liabilities	(1,365,658)	(740,416)
Non-current liabilities	<u>-</u>	<u>(790)</u>
Equity	<u>\$ 714,601</u>	<u>\$ 608,149</u>
Equity attributable to:		
Owners of the Company	\$ 364,494	\$ 310,202
Non-controlling interests of TPKJ	<u>350,107</u>	<u>297,947</u>
	<u>\$ 714,601</u>	<u>\$ 608,149</u>
	For the Year Ended December 31	
	2018	2017
Operating revenue	<u>\$ 3,271,105</u>	<u>\$ 2,677,218</u>
Net profit for the year	\$ 303,330	\$ 246,810
Other comprehensive loss for the year	<u>(6,796)</u>	<u>(5,809)</u>
Total comprehensive income for the year	<u>\$ 296,534</u>	<u>\$ 241,001</u>
Net profit attributable to:		
Owners of the Company	\$ 154,698	\$ 125,873
Non-controlling interests of TPKJ	<u>148,632</u>	<u>120,937</u>
	<u>\$ 303,330</u>	<u>\$ 246,810</u>
Total comprehensive income attributable to:		
Owners of the Company	\$ 151,232	\$ 122,910
Non-controlling interests of TPKJ	<u>145,302</u>	<u>118,091</u>
	<u>\$ 296,534</u>	<u>\$ 241,001</u>
Net cash flows from:		
Operating activities	\$ 212,376	\$ 355,857
Investing activities	(151,181)	(43,889)
Financing activities	173,572	(69,883)
Translation adjustments	<u>15,061</u>	<u>(12,296)</u>
Net cash inflows	<u>\$ 249,828</u>	<u>\$ 229,789</u>
Dividends paid to non-controlling interest of:		
TPKJ	<u>\$ 93,141</u>	<u>\$ -</u>

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights	
			December 31 2018	December 31 2017
Unlisted shares				
Cando	Touch modules research, development and manufacture	Taiwan	19.78%	19.78%

The Group is able to exercise significant influence over Cando. As such, the investment and the related profit and loss from the investment are accounted for using the equity method.

Cando, a company with unlisted shares which the Group accounts for using the equity method. Due to the fact that Cando's assets were not sufficient enough to offset its liabilities, Cando declared bankruptcy on July 21, 2016, and the court announced its bankruptcy on January 17, 2018. After an assessment, the Group determined that the future recoverable amount for its investment in Cando was zero. As a result, the impairment loss of \$283,252 thousand was recognized at the end of the calendar year 2015. As of December 31, 2018 and 2017, the carrying amounts of the investment in Cando were zero.

b. Aggregate information of associates that are not individually material

Due to TES XM's industry is not the core business of the Company, on November 9, 2016, the Company's board of directors resolved to sell 40% of its equity interest in TES XM to potential external investors in the amount of no less than US\$43,200 thousand or by transferring the equivalent renminbi amount for consideration in order to concentrate and utilize its limited resources. TPK HK sold 22.7% and 17.3% of its ownership in TES XM in the amount of US\$24,516 thousand and US\$18,684 thousand in December 2016 and March 2017, respectively. The gains from the disposal were US\$15,885 thousand and US\$12,086 thousand, respectively. The selling price was determined in accordance to the relevant valuation report, and the proceeds were fully received before May 2, 2017.

16. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2018	2017
Carrying amount for each category		
Buildings	\$ 16,257,689	\$ 16,360,727
Machinery and equipment	15,684,771	15,521,295
Transportation and others	1,082,094	946,706
Property in construction	<u>213,051</u>	<u>165,921</u>
	<u>\$ 33,237,605</u>	<u>\$ 32,994,649</u>

For the Year Ended December 31, 2018					
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
<u>Cost</u>					
Balance, beginning of year	\$ 25,124,222	\$ 57,854,807	\$ 7,741,295	\$ 165,921	\$ 90,886,245
Additions	-	-	-	114,332	114,332
Disposals	(5,278)	(1,584,485)	(167,577)	-	(1,757,340)
Disposals of subsidiaries (Note 31)	-	(120,681)	(16,978)	-	(137,659)
Reclassification	555,288	5,698,536	557,418	(73,404)	6,737,838
Effects of foreign currency exchange differences	814,611	1,928,876	245,891	6,202	2,995,580
Balance, end of year	<u>26,488,843</u>	<u>63,777,053</u>	<u>8,360,049</u>	<u>213,051</u>	<u>98,838,996</u>
<u>Accumulated depreciation</u>					
Balance, beginning of year	5,874,830	30,691,907	6,397,812	-	42,964,549
Depreciation expenses	1,038,083	5,719,803	514,562	-	7,272,448
Disposals	(2,311)	(825,489)	(162,511)	-	(990,311)
Disposals of subsidiaries (Note 31)	-	(68,937)	(13,827)	-	(82,764)
Reclassification	107,426	15,360	1,916	-	124,702
Effects of foreign currency exchange differences	211,174	1,079,983	205,189	-	1,496,346
Balance, end of year	<u>7,229,202</u>	<u>36,612,627</u>	<u>6,943,141</u>	<u>-</u>	<u>50,784,970</u>
<u>Accumulated impairment losses</u>					
Balance, beginning of year	2,888,665	11,641,605	396,777	-	14,927,047
Impairment losses	-	2,444	-	-	2,444
Disposals	(214)	(580,473)	(1,499)	-	(582,186)
Reclassification	20,371	(15,354)	(1,921)	-	3,096
Effects of foreign currency exchange differences	93,130	431,433	(58,543)	-	466,020
Balance, end of year	<u>3,001,952</u>	<u>11,479,655</u>	<u>334,814</u>	<u>-</u>	<u>14,816,421</u>
Carrying amount, end of year	<u>\$ 16,257,689</u>	<u>\$ 15,684,771</u>	<u>\$ 1,082,094</u>	<u>\$ 213,051</u>	<u>\$ 33,237,605</u>
For the Year Ended December 31, 2017					
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
<u>Cost</u>					
Balance, beginning of year	\$ 28,083,039	\$ 61,934,720	\$ 8,503,221	\$ 27,284	\$ 98,548,264
Additions	-	-	-	202,688	202,688
Disposals	(736,900)	(3,278,961)	(425,486)	-	(4,441,347)
Reclassification	(124,518)	3,970,901	292,434	(58,410)	4,080,407
Effects of foreign currency exchange differences	(2,097,399)	(4,771,853)	(628,874)	(5,641)	(7,503,767)
Balance, end of year	<u>25,124,222</u>	<u>57,854,807</u>	<u>7,741,295</u>	<u>165,921</u>	<u>90,886,245</u>
<u>Accumulated depreciation</u>					
Balance, beginning of year	5,343,823	28,320,096	6,480,561	-	40,144,480
Depreciation expenses	1,040,858	6,518,438	798,264	-	8,357,560
Disposals	(55,993)	(1,915,658)	(388,816)	-	(2,360,467)
Reclassification	(22,198)	58,360	1,318	-	37,480
Effects of foreign currency exchange differences	(431,660)	(2,289,329)	(493,515)	-	(3,214,504)
Balance, end of year	<u>5,874,830</u>	<u>30,691,907</u>	<u>6,397,812</u>	<u>-</u>	<u>42,964,549</u>
<u>Accumulated impairment losses</u>					
Balance, beginning of year	3,258,377	13,943,457	457,846	-	17,659,680
Reversed impairment losses	-	(38,225)	-	-	(38,225)
Disposals	(121,099)	(1,053,989)	(25,521)	-	(1,200,609)
Reclassification	-	(179,858)	(1,331)	-	(181,189)
Effects of foreign currency exchange differences	(248,613)	(1,029,780)	(34,217)	-	(1,312,610)
Balance, end of year	<u>2,888,665</u>	<u>11,641,605</u>	<u>396,777</u>	<u>-</u>	<u>14,927,047</u>
Carrying amount, end of year	<u>\$ 16,360,727</u>	<u>\$ 15,521,295</u>	<u>\$ 946,706</u>	<u>\$ 165,921</u>	<u>\$ 32,994,649</u>

Part of the equipment for manufacturing purposes could no longer be used due to an alteration in the manufacturing process; such equipment was provided with an allowance for impairment loss. The impairment loss shall be reserved subsequently if the idled equipment is used again after the alteration in the manufacturing process.

The Group has recognized impairment losses in the amounts of \$2,444 thousand for the year ended December 31, 2018. The Group has recognized reversal of impairment losses in the amounts of \$38,225 thousand for the year ended December 31, 2017 (recorded as operating costs).

The Group's buildings mainly consist of factories and the construction of clean rooms, which are depreciated over an estimated useful life ranging from 1 to 20 years.

Otherwise, the property, plant and equipment listed above are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Building	1-20 years
Machinery and equipment	1-11 years
Transportation and others	1-10 years

In order to activate the Company's assets, on May 4, 2017, the Company's board of directors resolved to sell its TCS factory located at Central Taiwan Science Park in Houli district along with its equipment to external manufacturers in the amount of no less than \$625,000 thousand. However, affected by the sluggish real estate market, on August 28, 2017, the Company's board of directors resolved to sell its TCS factory and equipment in the amount of no less than 80% of the originally authorized price. The Group sold it to Micron Memory Taiwan Co., Ltd. in the amount of \$500,000 thousand on August 28, 2017 and recognized disposal loss of \$54,949 thousand. The selling price was determined based on the relevant valuation reports.

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 37.

17. INVESTMENT PROPERTIES

	December 31	
	2018	2017
Buildings	<u>\$ 121,281</u>	<u>\$ 474,172</u>
	For the Year Ended December 31	
	2018	2017
<u>Cost</u>		
Balance, beginning of year	\$ 616,650	\$ 497,269
Reclassification	(473,374)	161,733
Effects of foreign currency exchange differences	<u>9,628</u>	<u>(42,352)</u>
Balance, end of year	<u>152,904</u>	<u>616,650</u>
<u>Accumulated depreciation</u>		
Balance, beginning of year	122,317	81,545
Depreciation expenses	14,586	26,006
Reclassification	(107,426)	22,198
Effects of foreign currency exchange differences	<u>2,146</u>	<u>(7,432)</u>
Balance, end of year	<u>31,623</u>	<u>122,317</u>

(Continued)

	For the Year Ended December 31	
	2018	2017
<u>Accumulated impairment loss</u>		
Balance, beginning of year	\$ 20,161	\$ 21,848
Reclassification	(20,371)	-
Effects of foreign currency exchange differences	<u>210</u>	<u>(1,687)</u>
Balance, end of year	<u>-</u>	<u>20,161</u>
Carrying amount, end of year	<u>\$ 121,281</u>	<u>\$ 474,172</u> (Concluded)

The Group's investment property is depreciated on a straight-line basis over the estimated useful life of 20 years.

The Group's investment property is located in the Xiamen industrial area. Due to infrequent transactions in the area and an unavailable alternative reliable measurement of fair value, the fair value of the investment property was not able to be determined reliably.

18. INTANGIBLE ASSETS

	December 31	
	2018	2017
Goodwill	\$ 32,628	\$ 32,191
Computer software	34,669	53,839
Patents	<u>43,928</u>	<u>6,342</u>
	<u>\$ 111,225</u>	<u>\$ 92,372</u>

	For the Year Ended December 31, 2018					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
<u>Cost</u>						
Balance, beginning of year	\$ 662,121	\$ 329,397	\$ 363,359	\$ 153,805	\$ 41,590	\$ 1,550,272
Additions	-	-	12,639	42,551	-	55,190
Disposals	-	-	(9,619)	-	-	(9,619)
Disposals of subsidiaries (Note 31)	-	(6,592)	(814)	(60,742)	-	(68,148)
Effects of foreign currency exchange differences	<u>20,651</u>	<u>8,935</u>	<u>6,446</u>	<u>5,400</u>	<u>1,335</u>	<u>42,767</u>
Balance, end of year	<u>682,772</u>	<u>331,740</u>	<u>372,011</u>	<u>141,014</u>	<u>42,925</u>	<u>1,570,462</u>
<u>Accumulated amortization</u>						
Balance, beginning of year	-	276,945	299,460	147,455	41,589	765,449
Amortization expenses	-	2,064	28,075	122	478	30,739
Disposals	-	-	(9,136)	-	-	(9,136)
Disposals of subsidiaries (Note 31)	-	(3,767)	(726)	(56,404)	-	(60,897)
Effects of foreign currency exchange differences	<u>-</u>	<u>2,363</u>	<u>9,401</u>	<u>5,905</u>	<u>857</u>	<u>18,526</u>
Balance, end of year	<u>-</u>	<u>277,605</u>	<u>327,074</u>	<u>97,078</u>	<u>42,924</u>	<u>744,681</u> (Continued)

For the Year Ended December 31, 2018						
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
Accumulated impairment losses						
Balance, beginning of year	\$ 629,930	\$ 52,452	\$ 10,060	\$ 8	\$ 1	\$ 692,451
Disposals	-	-	(68)	-	-	(68)
Effects of foreign currency exchange differences	20,214	1,683	276	-	-	22,173
Balance, end of year	650,144	54,135	10,268	8	1	714,556
Carrying amount, end of year	\$ 32,628	\$ -	\$ 34,669	\$ 43,928	\$ -	\$ 111,225

(Concluded)

For the Year Ended December 31, 2017						
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
Cost						
Balance, beginning of year	\$ 715,966	\$ 352,400	\$ 386,513	\$ 163,322	\$ 45,070	\$ 1,663,271
Additions	-	-	10,255	-	-	10,255
Disposals	-	-	(15,342)	(426)	-	(15,768)
Effects of foreign currency exchange differences	(53,845)	(23,003)	(18,067)	(9,091)	(3,480)	(107,486)
Balance, end of year	662,121	329,397	363,359	153,805	41,590	1,550,272
Accumulated amortization						
Balance, beginning of year	-	295,560	289,035	154,235	42,866	781,696
Amortization expenses	-	2,562	35,815	2,456	485	41,318
Disposals	-	-	(12,855)	(426)	-	(13,281)
Effects of foreign currency exchange differences	-	(21,177)	(12,535)	(8,810)	(1,762)	(44,284)
Balance, end of year	-	276,945	299,460	147,455	41,589	765,449
Accumulated impairment losses						
Balance, beginning of year	682,636	56,840	12,939	8	1	752,424
Disposals	-	-	(2,039)	-	-	(2,039)
Effects of foreign currency exchange differences	(52,706)	(4,388)	(840)	-	-	(57,934)
Balance, end of year	629,930	52,452	10,060	8	1	692,451
Carrying amount, end of year	\$ 32,191	\$ -	\$ 53,839	\$ 6,342	\$ -	\$ 92,372

The intangible assets listed above were amortized on a straight-line basis over the estimated useful life of the related asset as follows:

Technical know-how	4-7 years
Computer software	1-6 years
Patents	4-19 years
Other intangible assets	3-10 years

19. PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Current assets (included in other current assets)	\$ 2,094	\$ 32,250
Non-current assets (included in long-term prepayments for leases)	<u>1,039,450</u>	<u>1,116,519</u>
	<u>\$ 1,041,544</u>	<u>\$ 1,148,769</u>

As of December 31, 2018 and 2017, the Group's prepayment for leases were mainly for land use rights in mainland China.

In order to activate the land use rights of TPKP, TPKP has signed a land development contract with Land Development Corporation of Pingtan Comprehensive Pilot Zone ("Land Development Corporation") and Fujian Luheng Construction Engineering Company Limited ("Luheng"). TPKP consigned Luheng to build dormitory which will be sold to Luheng and Land Development Corporation upon the construction completion. Land development will take about 3 years. The estimated selling price of dormitory and land was RMB1,255,000 thousand, and TPKP signed a purchase and sell agreement and construction contract with Land Development Corporation and Luheng. As of December 31, 2018, TPKP received an amount of RMB158,159 proceeds from disposal of real estate, and paid Luheng an amount of RMB86,139 for construction cost; in addition, an amount of RMB72,020 thousand was recognized in the advance real estate receipts which are classified as other non-current liabilities.

20. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
<u>Unsecured borrowings</u>		
Bank loans	\$ 5,147,265	\$ 6,459,342
Others	<u>61,430</u>	<u>-</u>
	<u>\$ 5,208,695</u>	<u>\$ 6,459,342</u>

As of December 31, 2018 and 2017, the range of weighted average effective interest rates on bank loans was 2.68%-4.48%, and 2.06%-3.24% per annum, respectively.

b. Long-term borrowings

	December 31	
	2018	2017
<u>Secured borrowings</u>		
Others	<u>\$ 927,327</u>	<u>\$ 1,535,639</u>
		(Continued)

	December 31	
	2018	2017
<u>Unsecured borrowings</u>		
Bank loans	\$ 11,134,772	\$ 3,089,654
Others	<u>-</u>	<u>223,200</u>
	<u>11,134,772</u>	<u>3,312,854</u>
	12,062,099	4,848,493
Less: Current portion (due in one year)	<u>(2,822,862)</u>	<u>(1,348,181)</u>
Long-term borrowings	<u>\$ 9,239,237</u>	<u>\$ 3,500,312</u>
		(Concluded)

As of December 31, 2018 and 2017, the long-term borrowings were collateralized by machinery and equipment (see Note 37) and were guaranteed by related parties (see Note 36). As of December 31, 2018 and 2017, the range of weighted average effective interest rates of bank borrowings were both 3.30%-4.75% per annum. The Group will repay all loans in the next 3 years.

For repayment of borrowings and replenishment of mid-term working capital, the Company's board of directors resolved to apply for joint credit line. The Company signed a 3-year syndicated loan which amounted to US\$163,000 thousand (approximately NT\$4,881,850 thousand) with 10 financial institutions including Mega Bank in May 2018, and the loan was fully utilized in June 2018. Additionally, the Company promised the lender on the condition of maintaining these financial ratios for the existence of the loan agreement.

21. BONDS PAYABLE (AS OF DECEMBER 31, 2018: NONE)

	December 31, 2017
Third issuance of euro-convertible bonds (ECB) (a)	\$ 6,646,378
Less: Convertible bonds discount	<u>(407,706)</u>
	6,238,672
Less: Current portion (due in one year)	<u>(6,238,672)</u>
	<u>\$ -</u>

a. Third and fourth issuance of ECB

In order to meet the need of overseas procurement funding for subsidiaries with due consideration of the diversity of fund raising, the Company's board of directors resolved to issue third and fourth unsecured ECB with a face value of up to US\$250,000 thousand individually, and with an aggregate face value of up to US\$400,000 thousand, on November 4, 2014. This proposal was approved and became effective under letter No. 10300519131 issued by the FSC on December 31, 2014. The bonds whose durations are 5 years were listed on the Luxembourg Stock Exchange on April 8, 2015, and the total amount of US\$250,000 thousand of convertible bonds were issued. In accordance with the IFRSs, the Company has bifurcated the bonds into liability and equity components. On April 8, 2015, the Company received the net proceeds of ECB of US\$248,602 thousand, which was recognized as bonds payable of US\$234,333 thousand, financial liabilities at fair value through profit or loss of US\$1,168 thousand and capital surplus of US\$13,101 thousand. On September 30, 2015, the fourth issuance of ECB became automatically invalid due to not being issued.

Bondholders may request that the Company convert the bonds into the Company's ordinary shares at \$238.30 per share and at the fixed exchange rate of US\$1.00 to NT\$31.29 between May 19, 2015 and March 29, 2020 (barring the period in which the registration of share transfer is suspended).

On January 2018, the Company redeemed an amount of US\$3,116 thousand convertible bonds with a face value of US\$3,000 thousand and recognized US\$30 thousand as gain on redemption.

According to the regulation on the issuance of convertible bonds, 3 years from the issuance date, April 8, 2015, bondholders have the right to request from the Company to redeem the bonds at 104.59% of face value. Due to the fact that bondholders fully exercised the put option, the Company repaid all convertible bonds on April 8, 2018, and recognized US\$4,489 thousand as gain on redemption.

b. Unsecured bonds in renminbi

In order to replenish the operating capital of TPKC and develop its fundraising diversity, the Company's board of directors resolved to issue renminbi bonds with a face value of up to RMB2,000,000 thousand. As of July 25, 2016, TPKC issued its bonds in the total amount of RMB500,000 thousand at the Shanghai Clearing House. The bonds with 5.10% interest rates have been discounted by RMB5,675 thousand, and the durations of the bonds are 1 year. TPKC redeemed the renminbi bonds after its expiration on July 26, 2017.

c. Short-term commercial paper in renminbi

In order to replenish operating capital of TPKC, the Company's board of directors resolved to issue short-term commercial paper in renminbi in the amount of up to RMB2,000,000 thousand with a duration of no greater than 270 days and in one or several tranches. As of December 31, 2018, none of the short-term commercial paper in renminbi has been issued.

Movements of debt instruments for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31			
	2018		2017	
	US\$	NT\$	US\$	NT\$
Balance, beginning of year	\$ 209,633	\$ 6,238,672	\$ 275,456	\$ 8,883,415
Interest expense	1,453	42,664	6,602	201,876
Redemption of bonds	(211,086)	(6,145,644)	(75,381)	(2,293,072)
Effect of foreign currency exchange differences	-	(135,692)	2,956	(553,547)
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,633</u>	<u>\$ 6,238,672</u>

22. OTHER LIABILITIES

	December 31	
	2018	2017
Other payables		
Payables for purchase of equipment	\$ 2,140,489	\$ 1,910,623
Other payables - others		
Payable for salaries and bonuses	\$ 887,531	\$ 1,224,718
Payable for unused paid leaves	190,984	180,352
Tax payable	137,456	169,204
Payable for repairs	60,960	207,975
Payable for supplies	2,225	160,994
Others	1,385,296	972,766
	<u>\$ 2,664,452</u>	<u>\$ 2,916,009</u>

23. PROVISIONS

		December 31	
		2018	2017
<u>Current</u>			
Warranties (a)		\$ 1,735,680	\$ 1,213,092
Onerous contracts (b)		<u>14,247</u>	<u>10,207</u>
		<u>\$ 1,749,927</u>	<u>\$ 1,223,299</u>
	Warranties	Onerous Contracts	Total
Balance, January 1, 2018	\$ 1,213,092	\$ 10,207	\$ 1,223,299
Additions	853,824	6,439	860,263
Usage	(375,168)	(2,680)	(377,848)
Effect of foreign currency exchange differences	<u>43,932</u>	<u>281</u>	<u>44,213</u>
Balance, December 31, 2018	<u>\$ 1,735,680</u>	<u>\$ 14,247</u>	<u>\$ 1,749,927</u>
Balance, January 1, 2017	\$ 1,098,763	\$ 17,723	\$ 1,116,486
Additions	638,026	1,172	639,198
Usage	(434,702)	(7,319)	(442,021)
Effect of foreign currency exchange differences	<u>(88,995)</u>	<u>(1,369)</u>	<u>(90,364)</u>
Balance, December 31, 2017	<u>\$ 1,213,092</u>	<u>\$ 10,207</u>	<u>\$ 1,223,299</u>

- The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.
- The provision for onerous contracts represents the loss that the Group was presently obligated to make under non-cancellable onerous purchase contracts where the purchased materials and supplies cannot be used for other products. The estimate may vary as a result of changes in future products.

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

TPKT, TPK HK Taiwan branch and TCS adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Company's subsidiaries in China are members of retirement benefit plans operated by their respective governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Company with respect to the retirement benefit plans is to make the specified contributions.

The Company's subsidiaries in the USA are required to contribute to the retirement benefit schemes according to the respective policies.

b. Defined benefit plans

The defined benefit plans adopted by TPKT and TPK HK Taiwan Branch, in accordance with the Labor Standards Law, are operated by the Government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. TPKT 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 Group 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 Group 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 Group 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	
	2018	2017
Present value of defined benefit obligation	\$ 22,516	\$ 23,459
Fair value of plan assets	<u>(10,646)</u>	<u>(9,597)</u>
Net defined benefit liability	<u>\$ 11,870</u>	<u>\$ 13,862</u>

Movements in the net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	\$ 20,390	\$ (8,801)	\$ 11,589
Service cost			
Net interest expense (income)	326	(146)	180
Recognized in profit or loss	326	(146)	180
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	59	59
Actuarial loss - experience adjustments	2,743	-	2,743
Recognized in other comprehensive income	2,743	59	2,802
Contributions from the employer	-	(709)	(709)
Balance at December 31, 2017	23,459	(9,597)	13,862
Service cost			
Net interest expense (income)	375	(159)	216
Recognized in profit or loss	375	(159)	216
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(218)	(218)
Actuarial loss - experience adjustments	(1,318)	-	(1,318)
Recognized in other comprehensive income	(1,318)	(218)	(1,536)
Contributions from the employer	-	(672)	(672)
Balance at December 31, 2017	\$ 22,516	\$ (10,646)	\$ 11,870

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 both domestic and 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 plan's debt investments.
- 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 significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate	1.35%	1.60%
Expected rate of salary increase	3.00%	3.00%

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	
	2018	2017
Discount rate		
0.25% increase	\$ (794)	\$ (825)
0.25% decrease	\$ 829	\$ 861
Expected rate of salary increase		
1% increase	\$ 3,467	\$ 3,633
1% decrease	\$ (2,977)	\$ (3,113)

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

	December 31	
	2018	2017
The expected contributions to the plan for the next year	\$ 672	\$ 709
The average duration of the defined benefit obligation	15 years	16 years

25. EQUITY

	December 31	
	2018	2017
Share capital		
Ordinary shares	\$ 4,066,638	\$ 4,066,638
Capital surplus	28,146,706	28,073,650
Retained earnings	2,412,900	3,581,405
Other equity items	2,265,358	1,226,002
Non-controlling interests	350,107	222,924
	<u>\$ 37,241,709</u>	<u>\$ 37,170,619</u>

a. Share capital

1) Ordinary shares

	December 31	
	2018	2017
Numbers of shares authorized (in thousands)	600,000	600,000
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>406,664</u>	<u>406,664</u>
Shares issued	\$ 4,066,638	\$ 4,066,638
Additional paid-in capital	<u>24,836,079</u>	<u>24,836,079</u>
	<u>\$ 28,902,717</u>	<u>\$ 28,902,717</u>

Each fully paid ordinary share with a face value of \$10 contains the rights to dividends and to vote.

For the purpose of replenishing operating capital, repaying borrowings, as well as improving the Group's financial structure in order to react to the demand for funds for future development and to strengthen its competitiveness, on May 16, 2017, the annual shareholders' meeting resolved to issue up to 50,000 thousand ordinary shares for cash or ECB of up to US\$100,000 thousand in private placement. The Company could choose to only issue ordinary shares for cash or ECB, otherwise both could be done in concert. The numbers of ordinary shares issued in the form of GDRs, as well as the number of ordinary shares issued for cash and ECB in private placement, were limited to 85,000 thousand shares. However, the actual numbers of shares offered in private placement shall still depend on the condition of the market and the Company's demand for funds.

In addition, the annual shareholders' meeting resolved to issue ordinary shares at up to 20,000 thousand shares in private placement on May 16, 2017. The issued shares above were subscribed for by Shenzhen O-Film Tech Co., Ltd. ("O-Film Tech") as a strategic investor at \$90.5 per share in the total amount of \$1,810,000 thousand. On March 21, 2017, the Company's board of directors also resolved to participate in the direct issuance from O-Film Tech or subscribe for the shares of O-Film Tech in the open market within one year after the share subscription agreement was signed by both sides. The subscription of O-Film Tech's shares with the face value of no greater than RMB40.34 amounted to up to RMB204,000 thousand in sum. This cross-shareholding has strengthened and steadied the business relationship between both companies. The Company signed a share subscription agreement with O-Film Tech on March 21, 2017.

The Company signed the letter of intent for a joint venture with O-Film Tech, and the joint venture will be founded after further negotiation and the signing of an official agreement. The Company and O-Film Tech will have joint control of the arrangement where the Company and O-Film Tech will respectively hold 49% and 51% of the interest in the joint company. By integrating the specialties from both companies, a comprehensive solution to the series of manufacturing processes for designing the products with front-end to back-end connectivity could be provided.

However, the prerequisite of above agreements has not been satisfied, and the subscription period will be expired soon; hence, the Company and O-Film Tech decided to terminate the agreement of share subscription and joint venture. Both companies are willing to maintain the strategic cooperation for the extensive cooperation in the future.

2) Global depositary receipts

The issuance of the GDRs was completed on October 1, 2012 and the GDRs were traded and listed on the Luxembourg Stock Exchange where 17,600 thousand units of GDRs with a price of US\$13.42 less the issuance cost per unit were issued in the total amount of US\$231,734 thousand. One GDR unit represents one share of the Company's ordinary shares.

On April 8, 2015, 20,000 thousand units of GDRs were issued at a price of US\$6.68 less the issuance cost per unit in the total amount of US\$131,405 thousand. One GDR unit represents one share of the Company's ordinary shares.

The shareholders meeting was held on May 16, 2017, and, in that meeting, the shareholders resolved to authorize the Company's board of directors to issue new shares of up to 60,000 thousand ordinary shares for cash capital increase by: (a) issuing new shares at the same time, respectively or in installments, or (b) participating in GDR issuance via issuing new shares.

For the purpose of the capital needs for material procurement, on August 7, 2017, the Company's board of directors resolved to issue new ordinary shares in the form of GDRs for cash capital increase. The Company's board of directors proposed to issue 48,000 thousand to 60,000 thousand ordinary shares in this regard. This proposal was approved and declared by the FSC in letter No. 1060033942 on September 5, 2017. On September 8, 2017, 59,820 thousand units of GDRs and 180 thousand units of ordinary shares reserved for employee subscription were issued at a price of US\$3.95 (less the issuance cost per unit) in the total amount of US\$233,721 thousand. One GDR unit represents one of the Company's ordinary shares.

As of December 31, 2018, a total of 2 thousand units of GDRs corresponding to 2 thousand ordinary shares were outstanding.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as <u>cash dividends, or transferred to share capital (Note)</u>		
Recognized on issuance of ordinary shares	\$ 24,836,079	\$ 24,836,079
Recognized on redemption of convertible bonds	2,089,848	1,750,078
Treasury share transactions	<u>54,820</u>	<u>54,820</u>
	<u>26,980,747</u>	<u>26,640,977</u>
<u>May not be used for any purpose</u>		
Share of changes in capital surplus of associates	-	5,477
Recognized on employee share options	1,165,959	1,087,246
Recognized on conversion option of convertible bonds	<u>-</u>	<u>339,950</u>
	<u>1,165,959</u>	<u>1,432,673</u>
	<u>\$ 28,146,706</u>	<u>\$ 28,073,650</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation (the "Articles"), the Company may distribute its profits in accordance with the proposals made by the Company's board of directors for a distribution plan and approved in the annual shareholders' meeting. While distributing any profit, the profit shall be first utilized for offsetting losses of previous years, and 10% of the remaining profit shall be set aside as a legal reserve until the accumulated legal reserve equals the Company's paid-in capital. Secondly, the Company shall appropriate the remaining profit to a special reserve in accordance with the Applicable Public Company Rules or as requested by the competent authorities. Moreover, the Company may appropriate up to 1% of the remaining profit as remuneration of directors, as well as set aside up to 10% of the remaining profit as bonuses for the employees of the Company and its subsidiaries. The Company's board of directors shall specify the exact percentages or amounts to be distributed as bonuses for the directors and employees. Shareholders may amend such proposals prior to approval. Directors who are also the executive officers of the Company may receive remuneration and bonuses simultaneously. Any remaining profit may be distributed as dividends (including cash dividends and share dividends) or bonuses under the Company Law of the Cayman Islands and Applicable Public Company Rules after taking into consideration financial, business and operational factors. The total amount to be distributed as dividends shall be no less than 10 % of the remaining profit, where the total amount of the distributed cash dividends shall be greater than 10 % of the total dividends. However, if

dividends per share is less than NT\$1 in any given year, the aforementioned 10% threshold shall not apply. The Company may decide to distribute cash dividends or share dividends in whole or in part at its sole discretion.

In accordance with the amended Company Act which was announced in May 2015, the recipients of share dividends and bonuses are limited to shareholders and do not include employees. On May 29, 2018, the annual shareholders' meeting resolved to amend appropriation of earnings in the Articles and set up the policies on the distribution of employees' compensation.

Refer to Note 27(f) for more information related to the estimation and actual distribution of employees' compensation and remuneration of directors.

Items referred to under 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" should be appropriated to or reversed from a special reserve by the Company. Distribution can be made out of any subsequent reversal of the debit to other equity items.

The shareholders held their meeting on May 16, 2017, and resolved not to appropriate earnings for 2016. In addition, the shareholders also resolved to offset losses of previous years by using legal reserve of US\$31,345 thousand.

The appropriation of earnings for 2017 had been resolved by the annual shareholders' meeting on May 29, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share
	(In Thousands of US dollars)	(In Thousands of N.T. Dollars)	(N.T. Dollars)
Legal reserve	\$ 7,981	\$ 238,875	\$ -
Cash dividend	40,761	1,219,991	3

The cash dividends in US dollars of the appropriations of earnings for 2017 were calculated based on the average closing exchange rate of US\$1 to NT\$29.93 which was the closing price at Bank of Taiwan on the bank trading day immediately preceding the shareholders' meeting.

On February 20, 2019, the Company's board of directors proposed the appropriation of earnings for 2018; except for US\$697 thousand which was recognized as legal reserve, there was no appropriations of earnings.

The appropriations of earnings for 2018 is subject to resolution of the shareholders' meeting to be held on May 16, 2019.

d. Other equity items

Exchange differences on translating of foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ 1,226,002	\$ 3,232,790
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(93,093)	363,810
Income tax relating to gains or losses on translating the financial statements of foreign operations	-	7,172
Share from associates accounted for using equity method	-	(9,715)
Exchange differences on translating to presentation currency	<u>1,132,449</u>	<u>(2,368,055)</u>
Balance at December 31	<u>\$ 2,265,358</u>	<u>\$ 1,226,002</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ 222,924	\$ 239,436
Share in profit (loss) for the year	140,902	(18,354)
Other comprehensive income during the year		
Exchange differences on translating the financial statements of foreign entities	(13,806)	(20,804)
Exchange differences on translating to presentation currency	12,174	22,646
TPKJ distributed cash dividends	(93,141)	-
Non-controlling interests arising from acquisition of subsidiaries		
- TPKF HK	91,730	-
Dissolution and liquidation of TCS	<u>(10,676)</u>	<u>-</u>
Balance at December 31	<u>\$ 350,107</u>	<u>\$ 222,924</u>

f. Treasury shares (as of December 31, 2018: None)

Buy-back of Shares	Shares Transferred to Employees (In Thousands of Shares)	Shares Cancelled (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2017	3,482	-	3,482
Decrease during the year	<u>(3,482)</u>	<u>-</u>	<u>(3,482)</u>
Number of shares at December 31, 2017	<u>-</u>	<u>-</u>	<u>-</u>

On December 19, 2017, the Company's board of directors resolved to transfer 3,482 thousand treasury shares to the employees at a price of \$59.63 per share in the total amount of \$207,639 thousand, and the buy-back cost was \$243,595 thousand. The employee share options' base date was December 19, 2017, and the Company recognized compensation cost of \$90,776 thousand on the grant date and recognized capital surplus (derived from its treasury share transactions) of \$54,820 on the settlement date. Refer to Note 30 for more information.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

26. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from sale of goods	\$ 112,630,204	\$ 105,844,430
Others	<u>851,304</u>	<u>1,364,052</u>
	<u><u>\$ 113,481,508</u></u>	<u><u>\$ 107,208,482</u></u>

The Group's revenue from the sale of touch modules, touch display and ITO glass-related products.

27. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operation:

a. Interest income

	For the Year Ended December 31	
	2018	2017
Bank deposits	\$ 264,257	\$ 195,263
Financial assets at amortized cost - financing products	266,900	-
Debt investments with no active market - financing products	-	56,147
Loan to related parties and others	<u>4,372</u>	<u>12,847</u>
	<u><u>\$ 535,529</u></u>	<u><u>\$ 264,257</u></u>

b. Other income

	For the Year Ended December 31	
	2018	2017
Rental income		
Rental income from operating lease		
Investment properties	\$ 38,043	\$ 30,465
Others	<u>6,640</u>	<u>5,220</u>
	44,683	35,685
Others	<u>178,332</u>	<u>113,199</u>
	<u><u>\$ 223,015</u></u>	<u><u>\$ 148,884</u></u>

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	\$ 668,926	\$ 762,858
Interest on ECB	42,664	175,923
Interest on unsecured renminbi bonds	<u>-</u>	<u>25,953</u>
Total interest expense for financial liabilities measured at amortized cost	<u>\$ 711,590</u>	<u>\$ 964,734</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 7,272,448	\$ 8,357,560
Investment properties	14,586	26,006
Intangible assets	<u>30,739</u>	<u>41,318</u>
	<u>\$ 7,317,773</u>	<u>\$ 8,424,884</u>
An analysis of amortization by function		
Operating costs	\$ 3,162	\$ 4,641
Selling and marketing expenses	540	553
General and administration expenses	23,738	32,800
Research and development expenses	<u>3,299</u>	<u>3,324</u>
	<u>\$ 30,739</u>	<u>\$ 41,318</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (see Note 24)		
Defined contribution plans	\$ 352,044	\$ 370,154
Defined benefit plans	<u>216</u>	<u>180</u>
	352,260	370,334
Share-based payments (see Note 30)		
Equity-settled	78,712	146,376
Other employee benefits	<u>9,069,878</u>	<u>9,599,635</u>
Total employee benefits expense	<u>\$ 9,500,850</u>	<u>\$ 10,116,345</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 7,320,910	\$ 7,678,291
Operating expenses	<u>2,179,940</u>	<u>2,438,054</u>
	<u>\$ 9,500,850</u>	<u>\$ 10,116,345</u>

f. Employees' compensation and remuneration of directors

Under the Articles, the Company may appropriate up to 1% of the remaining profit as remuneration of directors and set aside up to 10% of the remaining profit as bonuses for the employees of the Company and its subsidiaries.

In accordance with the amendments to the Company Act announced in May 2015, and the annual shareholders' meeting resolved to the amendment in the Articles on May 29, 2018, the Company accrued employees' compensation and remuneration of directors at rates of no less than 0.1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. If the Company has losses of previous years, net profit before income tax should be retained for offsetting the amount of those losses.

For the year ended December 31, 2018, the Company did not recognize any estimated remuneration of directors, but employees' compensation was \$2,700 thousand, which were approved by the Company's board of directors on February 20, 2019.

For the year ended December 31, 2017, the Company did not recognize any estimated employees' compensation, but remuneration of directors was \$21,537 thousand. The remuneration of directors was based on past distributed amounts and in accordance with the most recent year's distribution percentage.

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

On March 12, 2018, the Company's board of directors resolved not to distribute employees' compensation, and distribute remuneration of directors in the amount of US\$594 thousand for the year ended December 31, 2017. There was difference between the approved amount of remuneration of directors and the actual amount of US\$714 thousand recognized in the consolidated financial statements for the year ended December 31, 2018, and the difference was recognized in profit or loss in 2018.

On February 23, 2017, the Company's board of directors resolved not to distribute employees' compensation and remuneration of directors for the year ended December 31, 2016. There was no difference between the approved amount of employees' compensation and remuneration of directors and the actual amount recognized in the consolidated financial statements for the year ended December 31, 2016.

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

28. INCOME TAX RELATED TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 458,170	\$ 670,091
Adjustments for prior years	<u>5,340</u>	<u>32,837</u>
	<u>463,510</u>	<u>702,928</u>
Deferred tax		
In respect of the current year	377,737	194,710
Effect of tax rate changes	(516,013)	-
Translation adjustments	<u>6,039</u>	<u>(7,763)</u>
	<u>(132,237)</u>	<u>186,947</u>
Income tax expense recognized in profit or loss	<u>\$ 331,273</u>	<u>\$ 889,875</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	<u>\$ 696,007</u>	<u>\$ 3,275,911</u>
Income tax expense calculated at the statutory rate	\$ 241,429	\$ 598,364
Permanent differences	(244,151)	30,842
Deferred tax effect of earnings of subsidiaries	478,109	307,382
Additional income tax under the Alternative Minimum Tax Act	24	24
Unrecognized deductible temporary differences	(181,683)	(735,628)
Unrecognized loss carryforwards	510,510	528,695
Exchange differences on translating to presentation currency	6,039	(7,763)
Effect of tax rate changes	(516,013)	-
Adjustments for prior years' tax	6,112	6,583
Others	<u>30,897</u>	<u>161,376</u>
Income tax expense recognized in profit or loss	<u>\$ 331,273</u>	<u>\$ 889,875</u>

The applicable tax rates used by subsidiaries to calculate deferred tax were as follows:

	December 31	
	2018	2017
TPKT, TCS and TPK HK (Taiwan Branch)	20%	17%
TPKC, TPKL, TPKS, RSO, TPKJ, TPKG, TPKF, TPKP, TPKD, TPKMS, MTOH and TPKM	10%, 15%-25%	10%, 12.5%-25%
UYH (Hong Kong Branch), TPK HK and TPKJ HK	5%, 16.5%	5%, 16.5%
RSSL	-	-
OTH and UYH	10%, 30%	10%, 30%
TPKU	36%	49%

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

- b. Income tax recognized in other comprehensive income (for the year ended December 31, 2018: None)

	For the Year Ended December 31, 2017
<u>Deferred tax</u>	
In respect of the current year:	
Translating foreign operations	\$ (7,172)
Remeasurement on defined benefit plans	<u>181</u>
Total income tax expense (benefit) recognized in other comprehensive income	<u>\$ (6,991)</u>

- c. Current tax assets and liabilities

	<u>December 31</u>	
	2018	2017
Current tax assets		
Tax refund receivable	<u>\$ 6,025</u>	<u>\$ 7,849</u>
Current tax liabilities		
Income tax payable	<u>\$ 128,734</u>	<u>\$ 372,887</u>

- d. Deferred tax assets and liabilities

	<u>December 31</u>	
	2018	2017
Deferred tax assets		
Unrealized compensation costs	\$ 82,856	\$ 81,777
Loss carryforwards	22,356	-
Unrealized warranty expenses	399,996	186,148
Unrealized losses on inventories	133,035	62,844
Unrealized impairment losses	1,630,886	1,337,716
Others	<u>186,368</u>	<u>311,169</u>
	<u>\$ 2,455,497</u>	<u>\$ 1,979,654</u>
Deferred tax liabilities		
Unappropriated earnings of subsidiaries	\$ 2,768,132	\$ 2,218,349
Unrealized foreign exchange gains	<u>804</u>	<u>2,024</u>
	<u>\$ 2,768,936</u>	<u>\$ 2,220,373</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2018	2017
Loss carryforwards		
Expire in 5 years	\$ 23,894,995	\$ 21,522,435
Expire in 6-10 years	377,120	945,643
More than 10 years	<u>51,473</u>	<u>36,024</u>
	<u>\$ 24,323,588</u>	<u>\$ 22,504,102</u>
Deductible temporary differences		
Unrealized impairment losses	\$ 6,646,229	\$ 6,154,119
Others	<u>1,438,548</u>	<u>1,391,772</u>
	<u>\$ 8,084,777</u>	<u>\$ 7,545,891</u>

- f. Information about unused loss carryforwards

Loss carryforwards of subsidiaries as of December 31, 2018 were comprised of:

Year of Loss	Unused Amount	Creditable Amount	Expiry Year
2010	\$ 1,178	\$ 104	2030
2011	26,691	2,359	2031
2012	9,312	823	2032
2014	1,482,378	367,681	2019 and 2024
2015	7,670,913	1,826,915	2020 and 2025
2016	7,696,449	1,767,329	2021 and 2026
2017	4,219,714	920,570	2022 and 2027
2018	<u>3,328,579</u>	<u>682,688</u>	2023, 2028, 2038 and no expiry year
	<u>\$ 24,435,214</u>	<u>\$ 5,568,469</u>	

- g. Income tax assessment

The income tax returns through 2016 of TPKT and TPK HK Taiwan Branch have been assessed by the tax authorities. The income tax returns through 2018 of TCS have been assessed by the tax authorities.

29. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Year Ended December 31	
	2018	2017
Profit for the year attributable to owners of the Company	\$ 223,832	\$ 2,404,390
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>-</u>	<u>175,923</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 223,832</u>	<u>\$ 2,580,313</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares used in the computation of basic earnings per share	406,664	362,010
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	27,213
Employee share options	-	1
Employees' compensation or bonuses issued to employees	<u>56</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>406,720</u>	<u>389,224</u>

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

Since the exercise price of the options or warrants issued by the Company exceeded the average market price of the shares during 2018 and 2017, they are anti-dilutive and excluded from the computation of diluted earnings per share.

30. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plans

In May 2010, June 2012, April 2014, December 2014 and November 2015, 9,000 units, 2,808 units, 6,000 units, 6,300 units and 10,000 units of options were respectively granted to qualified employees of the Company and its subsidiaries. Each unit of options entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted in 2010, 2012, 2014 and 2015 are valid for 10 years, 7 years, 5 years and 5 years, respectively, and are exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in the Company's capital surplus (via share dividend distributions and capital reductions other than by the cancellation of treasury shares), the exercise price shall be adjusted accordingly.

Information on employee share options was as follows:

Employee Share Options	For the Year Ended December 31			
	2018		2017	
	Units of Options	Weighted-average Exercise Price (NT\$)	Units of Options	Weighted-average Exercise Price (NT\$)
Balance at January 1	15,044	\$153.6	18,731	\$160.1
Options forfeited	(2,584)	161.4	(3,657)	170.3
Options exercised	-	-	(30)	100.0
Balance at December 31	<u>12,460</u>	148.6	<u>15,044</u>	153.6
Options exercisable, end of year	<u>10,820</u>	155.8	<u>10,261</u>	166.3

Information about outstanding options as of December 31, 2018 and 2017 was as follows:

December 31					
2018			2017		
Issue Date	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Issue Date	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
May 1, 2010	\$ 94.2	1.33	May 1, 2010	\$ 94.2	2.33
June 4, 2012	242.0	0.42	June 4, 2012	242.0	1.42
April 23, 2014	206.4	0.31	April 23, 2014	206.4	1.31
December 2, 2014	184.2	0.92	December 2, 2014	184.2	1.92
December 16, 2014	203.9	0.96	December 16, 2014	203.9	1.96
November 5, 2015	100.0	1.85	November 5, 2015	100.0	2.85

Options granted were priced using the Black-Scholes pricing model and the inputs for the model were as follows:

Issue date	November 2015	December 2014	April 2014	June 2012	May 2010
Grant date share price (NT\$)	\$101	\$197/\$221	\$228.5	\$386	\$155
Exercise price (NT\$)	\$101	\$197/\$221	\$228.5	\$386	\$164
Expected volatility	50.90%-51.78%	48.53%-49.40%	48.66%	47.95%-48.20%	51.65%-52.01%
Expected life	3.5-4.5 years	3.5-4.5 years	3.5-4.5 years	4.5-5.5 years	6-7 years
Expected dividend yield	-	-	-	-	-
Risk-free interest rate	0.68%-0.79%	0.96%-1.13%	0.89%-1.09%	0.98%-1.06%	1.44%-1.51%

Expected volatility was based on the historical share price volatility of similar industries.

Compensation costs recognized were \$78,713 thousand and \$54,459 thousand for the years ended December 31, 2018 and 2017, respectively.

b. Issuance of ordinary shares reserved for employee subscription

On August 7, 2017, the Company's board of directors resolved to issue new ordinary shares in the form of GDRs and reserved part of the ordinary shares for employee subscription. For the year ended December 31, 2017, compensation costs of issuance of ordinary shares reserved for employee subscription was \$1,141 thousand. Refer to Note 25 (a) for more information.

c. Treasury shares transferred to employee

In accordance with the resolution of the Company's board of directors made on December 19, 2017 and the "Regulations of the second round of buy-back shares transferred to employees", the Company transferred 3,482 thousand shares of treasury shares to the employees at a price of \$59.63 per share. The Company transferred shares to employees of the Company and its subsidiaries who meet specific requirements. For the year ended December 31, 2017, compensation costs of treasury shares transferred to employee were \$90,776 thousand. Refer to Note 25 (f) for more information.

31. DISPOSAL OF SUBSIDIARIES

On January 26, 2017, the Company's board of directors resolved to sell its interest in JSX to Ruei-Shin Investment (Pingtan) Co., Ltd. The subsidiary, TPKP, sold 91% of its ownership in JSX in the amount of RMB246,192 thousand in March 2017. The gains from the disposal, US\$14,469 thousand, have been recognized. Due to the disposal, the interest that TPKP held in JSX has decreased from 100% to 9%, and the Group ceased to have control over JSX.

On April 12, 2018, the Company's board of directors resolved to sell all its interests in JT to Jan Ann Co., Ltd. (Cayman) or the designated third party. In May 2018, TPKJ sold all its interests in JT which amounted to RMB49,950 thousand, and US\$1,917 thousand was recognized as gain on disposal. After disposal, JT was excluded in the consolidated financial statements.

a. Consideration received from the disposal

	JSX	JT
Consideration received in cash and cash equivalents	\$ <u>1,099,089</u>	\$ <u>233,270</u>

b. Analysis of assets and liabilities at date control was lost

	JSX	JT
Current assets		
Cash and cash equivalents	\$ 204	\$ 17,307
Notes and trade receivable, net	-	75,362
Inventories	-	30,556
Other current assets	134	7,002
Non-current assets		
Property, plant and equipment	-	54,895
Intangible assets	-	7,251
Deferred tax assets	1,476	-
Refundable deposits	-	13,059
Long-term prepayments for leases	681,465	-
Current liabilities		
Notes and trade payable	-	(19,037)
Other payables	(196)	(2,540)
Other current liabilities	-	(6,660)
Non-current liabilities		
Other non-current liabilities	-	(680)
Net assets disposed of	\$ <u>683,083</u>	\$ <u>176,515</u>

c. Gain on disposal of subsidiaries

	JSX	JT
Consideration received	\$ 1,099,089	\$ 233,270
Net assets disposed of	(683,083)	(176,515)
Reclassification of remaining interests to financial assets measured at cost - non-current	108,701	-
Reclassification of other comprehensive income in respect of subsidiaries	<u>(81,232)</u>	<u>-</u>
Gain on disposal	<u>\$ 443,475</u>	<u>\$ 56,755</u>

d. Net cash inflow on disposal of subsidiaries

	JSX	JT
Consideration received in cash and cash equivalents	\$ 1,099,089	\$ 233,270
Less: Cash and cash equivalent balances disposed of	<u>(204)</u>	<u>(17,307)</u>
	<u>\$ 1,098,885</u>	<u>\$ 215,963</u>

32. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

TPK HK acquired the remaining percentage of ownership of 19.98% from external shareholders in the amount of US\$3,000 thousand in March 2018. After the acquisition, TPK HK's percentage of ownership in TPKF HK increased from 80.02% to 100%. The additional paid-in capital amounting to \$5,477 thousand and unappropriated earnings amounting to \$173,882 thousand were reduced since a difference from the equity transaction occurred.

The above transaction was accounted for as an equity transaction since the Group did not cease to have control over the subsidiary.

33. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of manufacturing facilities, office facilities and transportation equipment with lease terms between 1 and 10 years.

As of December 31, 2018 and 2017, refundable deposits paid under operating leases amounted to \$67,307 thousand and \$83,946 thousand, respectively.

The future minimum lease payments payable for non-cancellable operating leases commitments were as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 322,442	\$ 323,330
Later than 1 year and not later than 5 years	937,154	450,332
Later than 5 years	<u>501,103</u>	<u>400,823</u>
	<u>\$ 1,760,699</u>	<u>\$ 1,174,485</u>

b. The Group as lessor

Operating leases relate to leases of investment properties owned by the Group with lease terms of 3 years. As of December 31, 2018 and 2017, the Group received guarantee deposits of \$1,426 thousand and \$1,402 thousand under operating leases, respectively.

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

	December 31	
	2018	2017
Not later than 1 year	\$ 14,854	\$ 17,108
Later than 1 year and not later than 5 years	<u>2,476</u>	<u>17,633</u>
	<u>\$ 17,330</u>	<u>\$ 34,741</u>

34. CAPITAL MANAGEMENT

The capital structure of the Group consists of its net debt and equity. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of its debt and equity balance. Key management personnel of the Group review the capital structure periodically. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

35. FINANCIAL INSTRUMENTS

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

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values, or that their fair values cannot be measured reliably.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial asset at FVTPL				
Derivatives financial assets	\$ <u>-</u>	\$ <u>44,275</u>	\$ <u>-</u>	\$ <u>44,275</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial asset at FVTOCI				
Investments in equity instruments				
Domestic unlisted Ordinary shares	\$ -	\$ -	\$ 150,000	\$ 150,000
Overseas unlisted Ordinary shares	<u>-</u>	<u>-</u>	<u>108,932</u>	<u>108,932</u>
	-	-	258,932	258,932
Trade receivables, net	-	1,975,914	-	1,975,914
Other receivables, net	<u>-</u>	<u>2,243,911</u>	<u>-</u>	<u>2,243,911</u>
	<u>\$ -</u>	<u>\$ 4,219,825</u>	<u>\$ 258,932</u>	<u>\$ 4,478,757</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 40,327</u>	<u>\$ -</u>	<u>\$ 40,327</u>
				(Concluded)

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial asset at FVTPL				
Derivatives financial assets	<u>\$ -</u>	<u>\$ 1,569</u>	<u>\$ -</u>	<u>\$ 1,569</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,536</u>	<u>\$ 203,536</u>

For the years ended December 31, 2018 and 2017, there were no transfers between Levels 1 and 2.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	For the Year Ended December 31, 2018
<u>Financial assets at FVTOCI - equity instruments</u>	
Balance at January 1	\$ 255,545
Effects of foreign currency exchange differences	<u>3,387</u>
Balance at December 31	<u>\$ 258,932</u>

For the Year Ended December 31	
2018	2017

Financial liabilities at FVTPL - derivatives

Balance at January 1	\$ 203,536	\$ 214,550
Losses recognized in profit or loss	95,542	2,559
Redemption of convertible bonds	(296,020)	-
Effects of foreign currency exchange differences	<u>(3,058)</u>	<u>(13,573)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 203,536</u>

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

The fair values of the Group's financial assets and liabilities were determined using methods and assumptions as follows:

- The fair values of foreign exchange forward contracts were determined using quoted prices of forward exchange rates and yield rates. Yield rates are estimated at quoted interest rates with the same contract period.
- The fair values of foreign exchange option contracts were determined using spot exchange rate on valuation date, exercise price of options, exchange rate volatility, contract period and quoted prices of risk-free interest rate with the same contract period.
- The fair values of trade receivables and other receivables at FVTOCI were discounted at a rate that reflected the credit risk of various counterparties and estimated future cash flows.

4) Valuation techniques and inputs applied for Level 3 fair value measurement.

The fair values of domestic and overseas unlisted equity investments held by the Group were determined using exercise price of put option of the investment contract and transfer price of the equity interest transfer agreement.

There were no quoted prices in active markets for put options and redemption options of ECB issued by the Group. Hence, the fair values of options are determined using the binomial option pricing model where the unobservable input is historical volatility. An increase in historical volatility used in isolation would result in an increase in the fair value. As of December 31, 2017, the historical volatility used was 47.59%. (as of December 31, 2018: None)

c. Categories of financial instruments

December 31	
2018	2017

Financial assets

Held for trading	\$ -	\$ 1,569
Mandatorily classified as at FVTPL	44,275	-
Loans and receivables (1)	-	37,239,445
Available-for-sale financial assets (2)	-	255,545
Financial assets at amortized cost (3)	30,177,755	-

(Continued)

	December 31	
	2018	2017
Financial assets at FVTOCI		
Equity instruments	\$ 258,932	\$ -
Debt instruments	4,219,825	-
Refundable deposits	86,532	84,389
<u>Financial liabilities</u>		
Financial liabilities FVTPL		
Held for trading	40,327	203,536
Financial liabilities at amortized costs (4)	41,494,167	40,886,638
Guarantee deposits	14,533	163,137
		(Concluded)

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables and other receivables.
- 2) The balances included the carrying amount of available for sale financial assets measured at cost.
- 3) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, financing products, notes receivable, trade receivables and other receivables (exclude trade receivables and other receivables at FVTOCI).
- 4) The balances included financial liabilities at amortized cost, which comprise short-term borrowing, notes and accounts payable, payables for purchase of equipment, payables - others, current portion of long-term borrowing and bonds payable, bonds payable, and long-term borrowings.

d. Financial risk management objectives and policies

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

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

Significant financial activities of the Group should be reviewed by the Company's board of directors to ensure compliance with the related regulations and internal control rules. During the execution of financial plans, the Group shall comply with the financial operating procedures and overall financial risk management policies.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contract.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period were as follows:

In Thousands of US dollars		
	December 31	
	2018	2017
<u>Assets</u>		
RMB	\$ 147,970	\$ 151,279
NTD	17,848	22,461
JPY	319	251
<u>Liabilities</u>		
RMB	254,472	166,374
NTD	9,497	6,866
JPY	1,287	1,613

Except for the data described above, the Group also disclosed its derivatives exposed to foreign currency risk at the end of the reporting period in Note 7.

b) Analysis of sensitivity for foreign currency risk

The Group was mainly exposed to RMB, NTD, and JPY.

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rate is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusted their translation at the end of the reporting period for a 5% change in foreign currency rates.

	Impact on Profit or Loss if USD Strengthened 5% Against the Relevant Currency	
	For the Year Ended December 31	
	2018	2017
RMB	\$ 445,242	\$ 49,390
NTD	(12,214)	(22,101)
JPY	1,416	1,930

	Impact on Profit or Loss if USD Weakened 5% Against the Relevant Currency	
	For the Year Ended December 31	
	2018	2017
RMB	\$ (493,293)	\$ (23,650)
NTD	13,500	24,427
JPY	(1,565)	(2,133)

c) Interest rate risk

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

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

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 12,899,542	\$ 12,933,758
Financial liabilities	9,586,167	14,752,020
Cash flow interest rate risk		
Financial assets	8,218,286	11,927,950
Financial liabilities	7,684,627	2,794,487

d) Analysis of sensitivity to interest rate risk

The sensitivity analysis was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's the pre-tax profit for the years ended December 31, 2018 and 2017 would increase by \$2,668 thousand and \$45,667 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and its variable-rate bank deposits.

e) Other price risk

Investments in equity instruments held by the Group are domestic and overseas unlisted ordinary shares, which are held for strategic rather than trading purposes. The fair values of these equity investments are determined using exercise price of put option of the investment contract and transfer price of the equity interest transfer agreement, and the level of price risk exposure is not high.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of using internal and external credit ratings, only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty-limits that are reviewed and approved by the risk management committee semi-annually.

The Group authorized and approved hierarchical credit lines and monitored trade receivables periodically based on the related trade receivables aging, thus reducing bad debts or overdue trade. Then, at the end of the reporting period, the Group would assess line by line its collectable amounts, allowance for impairment loss, and amounts of impairment recognized on trade receivables. Therefore, the management believed that the credit management of the Group fully covered the credit risk.

The Group's concentration of credit risk of 81.13% and 65.78% in total trade receivables as of December 31, 2018 and 2017, respectively, was related to the Group's the five largest customers.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized overdraft and short-term bank loan facilities of \$41,760,815 thousand and \$49,376,640 thousand, respectively.

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

The following table details of the Group's remaining contractual maturity for its short-term and long-term borrowings (including bonds payable). The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2018

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial liabilities</u>					
Variable interest rate borrowings	4.1975	\$ 149,833	\$ -	\$ 675,969	\$ 6,858,825
Fixed interest rate borrowings	3.6722	<u>1,093,565</u>	<u>1,567,498</u>	<u>4,544,692</u>	<u>2,380,412</u>
		<u>\$ 1,243,398</u>	<u>\$ 1,567,498</u>	<u>\$ 5,220,661</u>	<u>\$ 9,239,237</u>

December 31, 2017

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial liabilities</u>					
Variable interest rate borrowings	4.4304	\$ 153,567	\$ 44,640	\$ 1,090,454	\$ 1,505,826
Fixed interest rate borrowings	2.7524	<u>2,471,079</u>	<u>2,482,042</u>	<u>7,804,413</u>	<u>1,994,486</u>
		<u>\$ 2,624,646</u>	<u>\$ 2,526,682</u>	<u>\$ 8,894,867</u>	<u>\$ 3,500,312</u>

The following table details the Group's expected maturity for some of its non-derivative financial assets. The table below was drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2018

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial assets</u>					
Variable interest rate assets	0.6258	\$ 8,218,286	\$ -	\$ -	\$ -
Fixed interest rate assets	3.2941	<u>8,674,697</u>	<u>3,858,049</u>	<u>366,796</u>	<u>-</u>
		<u>\$ 16,892,983</u>	<u>\$ 3,858,049</u>	<u>\$ 366,796</u>	<u>\$ -</u>

December 31, 2017

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial assets</u>					
Variable interest rate assets	0.9140	\$ 11,927,950	\$ -	\$ -	\$ -
Fixed interest rate assets	3.1049	<u>5,787,829</u>	<u>4,546,244</u>	<u>2,599,685</u>	<u>-</u>
		<u>\$ 17,715,779</u>	<u>\$ 4,546,244</u>	<u>\$ 2,599,685</u>	<u>\$ -</u>

For non-interest-bearing liabilities recorded as notes and trade payable, payables for purchase of equipment and other payables, the Company has set up the financial risk management policy to secure payment for all the payables prior to the expiry of the credit terms.

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

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Foreign exchange forward contracts	\$ -	\$ -	\$ 64,355	\$ -	\$ -
Foreign exchange option contracts	-	-	(895)	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,460</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Foreign exchange forward contracts	\$ -	\$ 5,083	\$ -	\$ -	\$ -

c) Financing facilities

	December 31	
	2018	2017
Unsecured bank overdraft facility, reviewed annually and payable on demand:		
Amount used	\$ 29,148,217	\$ 18,784,388
Amount unused	<u>41,760,815</u>	<u>49,376,640</u>
	<u>\$ 70,909,032</u>	<u>\$ 68,161,028</u>

e. Transfers of financial assets

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

Subsidiary	Counterparties	Currencies	Receivables Sold	Amounts Collected	Translation Adjustments	Advances Received at Year-end (Note 1)	Interest Rates on Advances Received (%)	Credit Line (Note 2)
For the year ended <u>December 31, 2018</u>								
TPK HK	A Bank	US\$	<u>\$ 2,288,627</u>	<u>\$ 2,030,244</u>	<u>\$ -</u>	<u>\$ 485,455</u>	2M Libor+0.55%	US\$400,000 thousand (approximately NTS12,286,000 thousand)
		NT\$	<u>\$ 68,818,109</u>	<u>\$ 61,048,626</u>	<u>\$ 383,615</u>	<u>\$ 14,910,762</u>		
For the year ended <u>December 31, 2017</u>								
TPK HK	A Bank	US\$	<u>\$ 1,963,540</u>	<u>\$ 1,940,057</u>	<u>\$ -</u>	<u>\$ 227,072</u>	2M Libor+0.59%	US\$400,000 thousand (approximately NTS11,904,000 thousand)
		NT\$	<u>\$ 59,901,127</u>	<u>\$ 59,184,727</u>	<u>\$ (524,471)</u>	<u>\$ 6,757,664</u>		

Note 1: Advances received included those for receivables factored but unused.

Note 2: Credit line is the advance limit receivable from the bank.

Pursuant to the factoring agreements, losses from sales returns and allowances were borne by the Group, while losses from credit risk shall be borne by the Bank. The factored but unused amount between TPK HK and A Bank has been reclassified from accounts receivable to other receivables.

f. Offsetting financial assets and financial liabilities

The Group is eligible to present certain financial assets and financial liabilities with financial institutions on a net basis on the balance sheet since the offsetting criteria are met.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2018

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet
Financial assets at amortized cost	<u>\$ 7,625,743</u>	<u>\$ (3,496,785)</u>	<u>\$ 4,128,958</u>
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet
Short-term borrowings	<u>\$ 8,705,480</u>	<u>\$ (3,496,785)</u>	<u>\$ 5,208,695</u>

December 31, 2017

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet
Debt investment with no active market	<u>\$ 9,145,603</u>	<u>\$ (3,611,033)</u>	<u>\$ 5,534,570</u>
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet
Short-term borrowings	<u>\$ 10,070,375</u>	<u>\$ (3,611,033)</u>	<u>\$ 6,459,342</u>

36. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party names and categories

Related Party Name	Related Party Category
Cando Corporation	Associate
Cando (Xiamen) Corporation	Associate
TES Touch Embedded Solutions Inc. (Taiwan Branch)	Related party in substance (associate prior to March 2017 disposal of remaining interest in TES XM)
TES Touch Embedded Solutions (Xiamen) Inc.	Related party in substance (associate prior to March 2017 disposal of remaining interest in TES XM)
TES Trading (Xiamen) Co Ltd.	Related party in substance (associate prior to March 2017 disposal of remaining interest in TES XM)
BTO Technologies (Xiamen) Ltd. ("BTO")	Related party in substance
Vision Optical Technologies (Xiamen) Inc. ("VOT")	Related party in substance
Pan Shi (Xiamen) Real Estate Development Inc.	Related party in substance
Taiwan Video & Monitor Corp. ("Taiwan VM")	Related party in substance
Nissha Printing Co., Ltd. ("Nissha")	Non-related party (related party in substance prior to March 2018 purchase of remaining interest in TPKF HK)
Cambrios Film Solutions Corporation Taiwan Branch	Related party in substance
Cambrios Film Solution Corporation (originally "AM Holding Corporation", changed name in December 2018, "Cambrios Film")	Related party in substance
Cambrios Advanced Materials Corp.	Related party in substance
Cambrios Advanced Materials (Quan Zhou) Corporation	Related party in substance

b. Sales and other income

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
1) Operating revenue, net		
Associates	\$ -	\$ 195,761
Other related parties	<u>787,148</u>	<u>723,472</u>
	<u>\$ 787,148</u>	<u>\$ 919,233</u>
2) Rental income (recorded as other income)		
Other related parties		
Nissha	\$ 589	\$ 3,661
Others	<u>4,003</u>	<u>1,559</u>
	<u>\$ 4,592</u>	<u>\$ 5,220</u>
3) Other income		
Associates	\$ -	\$ 10
Other related parties	<u>2,858</u>	<u>2,330</u>
	<u>\$ 2,858</u>	<u>\$ 2,340</u>

Subsidiaries leased factories, offices and equipment to related parties under mutual lease agreements with monthly rental payments.

c. Purchases of goods, costs and expenses

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
1) Purchases of goods		
Associates	\$ -	\$ 169,739
Other related parties	<u>273,026</u>	<u>747,178</u>
	<u>\$ 273,026</u>	<u>\$ 916,917</u>
2) Rental expenses (recorded as operating costs - manufacturing expenses)		
Other related parties		
BTO	\$ 51,462	\$ 51,216
VOT	47,788	47,171
Others	<u>66</u>	<u>36</u>
	<u>\$ 99,316</u>	<u>\$ 98,423</u>

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
3) Rental expenses (recorded as operating expenses)		
Associates	\$ -	\$ 33
Other related parties		
BTO	37,855	37,017
Taiwan VM	30,389	29,040
Others	<u>10,611</u>	<u>6,752</u>
	<u>78,855</u>	<u>72,809</u>
	<u>\$ 78,855</u>	<u>\$ 72,842</u>

Subsidiaries leased factories, offices and dormitories from related parties under mutual lease agreements with monthly rental payments.

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
4) Research expenses		
Associates	\$ -	\$ 1,635
Other related parties	<u>9,666</u>	<u>7,386</u>
	<u>\$ 9,666</u>	<u>\$ 9,021</u>
5) Miscellaneous expenses		
Associates	\$ -	\$ 489
Other related parties	<u>-</u>	<u>349</u>
	<u>\$ -</u>	<u>\$ 838</u>
6) Repair and maintenance expenses		
Other related parties	<u>\$ 130</u>	<u>\$ 984</u>
7) Material consumption		
Other related parties	<u>\$ 3,131</u>	<u>\$ 684</u>
8) Professional service fees		
Other related parties		
Cambrios Film	\$ 77,456	\$ 60,360
Others	<u>6,824</u>	<u>6,864</u>
	<u>\$ 84,280</u>	<u>\$ 67,224</u>

d. Receivables from (payables to) related parties

Related Party Category/Name	December 31	
	2018	2017
1) Trade receivables - related parties (recorded as trade receivables)		
Associates	\$ 5,062	\$ 5,075
Other related parties	<u>95,809</u>	<u>167,354</u>
	<u>\$ 100,871</u>	<u>\$ 172,429</u>
2) Trade payables - related parties (recorded as trade payables)		
Associates	\$ 8,093	\$ 7,951
Other related parties	<u>50,832</u>	<u>73,486</u>
	<u>\$ 58,925</u>	<u>\$ 81,437</u>

The outstanding payables to related parties are unsecured and will be settled in cash. No guarantees were received for receivables from related parties.

Related Party Category/Name	December 31	
	2018	2017
3) Other receivables - related parties (recorded as other receivables)		
Associates	\$ 857	\$ 830
Other related parties	<u>1,028</u>	<u>1,293</u>
	<u>\$ 1,885</u>	<u>\$ 2,123</u>
4) Payables for purchase of equipment - related parties (recorded as payable for purchase of equipment)		
Associates	\$ 5,887	\$ 5,702
Other related parties	<u>-</u>	<u>2,271</u>
	<u>\$ 5,887</u>	<u>\$ 7,973</u>
5) Other payables - related parties (recorded as other payables - others)		
Associates	\$ 857	\$ 872
Other related parties	<u>86,961</u>	<u>77,084</u>
	<u>\$ 87,818</u>	<u>\$ 77,956</u>

e. Others

Related Party Category/Name	December 31	
	2018	2017
Refundable deposits		
Associates	\$ -	\$ 5
Other related parties		
VOT	15,663	15,937
Others	<u>7,353</u>	<u>7,272</u>
	<u>23,016</u>	<u>23,209</u>
	<u>\$ 23,016</u>	<u>\$ 23,214</u>

Refundable deposits are the security deposits for leasing parts of plants and offices from related parties during the lease period from 2013 to 2019. For the years ended December 31, 2018 and 2017, the interest income on the deposits were both \$4 thousand.

f. Loans to related parties

The Group provided associates with unsecured short-term loans at rates comparable to the market interest rate of interest. For the year ended December 31, 2017, the loans to related parties was unsecured loans with interest income of \$7,707 thousand (as of December 31, 2018: None). In June 2017, based on the assessment of collectability of receivables from Cando and its subsidiaries, the Group wrote off its receivables with an allowance for doubtful receivables of \$988,545 thousand. Refer to Note 12 for details.

g. Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31	
	2018	2017
Associates	\$ 250	\$ 71
Other related parties	<u>1,738</u>	<u>2,266</u>
	<u>\$ 1,988</u>	<u>\$ 2,337</u>

h. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds For the Year Ended December 31	
	2018	2017
Other related parties	<u>\$ 268</u>	<u>\$ 9</u>

Related Party Category/Name	Gains on Disposals For the Year Ended December 31	
	2018	2017
Other related parties	<u>\$ 236</u>	<u>\$ 9</u>

i. Endorsements and guarantees

As of December 31, 2018 and 2017, guarantees for long-term and short-term borrowings provided by related parties were as follows:

	December 31, 2018		
	US\$	NT\$	Guarantor
TPKD	\$ 32,054	\$ 984,539	TPKH
TPKD	32,054	984,539	TPKC
	December 31, 2017		
	US\$	NT\$	Guarantor
TPKD	\$ 33,660	\$ 1,001,722	TPKH
TPKD	33,660	1,001,722	TPKC
JT	15,300	455,328	TPKJ

Other related parties that have substantive related party relationship with the Company and the transaction price and payment terms of related parties are provided in Table 4 following the Notes to Consolidated Financial Statements.

j. Compensation of key management personnel

For the years ended December 31, 2018 and 2017, the total amounts of the remuneration of directors and other key management personnel were as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 88,423	\$ 69,281
Share-based payments	13,258	29,282
Post-employment benefits	<u>908</u>	<u>963</u>
	<u>\$ 102,589</u>	<u>\$ 99,526</u>

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

37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for borrowings from banks and leasing companies, and the tariff of importing raw materials:

	December 31	
	2018	2017
Bank deposits (classified as financial assets at amortized cost)	\$ 210,165	\$ -
Bank deposits (classified as debt investments with no active market)	-	443
Machinery and equipment, net	<u>1,158,229</u>	<u>1,540,777</u>
	<u>\$ 1,368,394</u>	<u>\$ 1,541,220</u>

38. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2018 and 2017 were as follows:

- a. As of December 31, 2018 and 2017, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$238,929 thousand and \$89,373 thousand, respectively.
- b. Unrecognized commitments are as follows:

	December 31	
	2018	2017
Acquisition of property, plant and equipment	\$ 1,145,949	\$ 579,042

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities significant financial assets and liability denominated in foreign currencies aggregated by the foreign currencies other than the functional currency (the US dollar) and the related the exchange rates between the foreign currencies and the respective functional currency were as follows:

(All Currencies in Thousands)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	US dollars
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,015,577	6.8632	\$ 147,970
NTD	548,201	30.7150	17,848
JPY	35,190	110.4062	319
Non-monetary items			
Derivative instruments			
RMB	700,700	6.8632	44,275
<u>Financial liabilities</u>			
Monetary items			
RMB	1,746,549	6.8632	254,472
NTD	291,698	30.7150	9,497
JPY	142,082	110.4062	1,287
Non-monetary items			
Derivative instruments			
Foreign exchange options	200	6.8632	40,327

December 31, 2017			
	Foreign Currencies	Exchange Rate	US dollars
<u>Financial assets</u>			
Monetary items			
RMB	\$ 988,753	6.5342	\$ 151,279
NTD	668,444	29.7600	22,461
JPY	28,292	112.6419	251
Non-monetary items			
Derivative instruments			
RMB	131,800	6.5342	1,569
<u>Financial liabilities</u>			
Monetary items			
RMB	1,087,413	6.5342	166,374
NTD	204,333	29.7600	6,866
JPY	181,688	112.6419	1,613

For the years ended December 31, 2018 and 2017, the realized and unrealized net foreign exchange gains and losses were \$85,992 thousand and \$(419,903) thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

40. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries). (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments. (Notes 7 and 35)
- 10) Intercompany relationships and significant intercompany transactions. (Table 8)

11) Information on investees. (Table 6)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investee, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1, 2, 4 and 5)
 - 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 receipt of services.

41. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segment under IFRS 8 "Operating Segment" is the touch modules segment. The related information was as follows:

a. Information of reportable segment's gains or losses and assets

	For the Year Ended December 31					
	2018			2017		
	Touch Modules	Others	Total	Touch Modules	Others	Total
Revenue from external customers	\$ 113,338,052	\$ 143,456	\$ 113,481,508	\$ 106,855,186	\$ 353,296	\$ 107,208,482
Inter-segment revenue	2,804,237	6,134,512	8,938,749	465,108	5,491,278	5,956,386
Interest income	1,058,954	99,988	1,158,942	745,395	89,558	834,953
Finance costs	493,778	841,225	1,335,003	641,706	893,724	1,535,430
Depreciation and amortization	5,336,596	1,981,177	7,317,773	6,155,356	2,269,528	8,424,884
Impairment loss on assets (reversal of impairment loss)	2,444	-	2,444	(24,925)	(13,300)	(38,225)
Reportable segment profit (loss) before tax	4,573,790	(3,242,594)	1,331,196	7,949,283	(58,370)	7,890,913
Reportable segment income tax expense	(297,273)	(34,000)	(331,273)	(811,917)	(77,958)	(889,875)
Reportable segment net profit (loss)	4,276,517	(3,276,594)	999,923	7,137,366	(136,328)	7,001,038
Reportable segment assets	82,248,814	83,077,517	165,326,331	78,574,044	86,303,768	164,877,812
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	5,215,619	1,332,147	6,547,766	3,680,997	168,571	3,849,568

b. Reportable segment's gains or losses and other significant items reconciliation

1) Segment revenues and results

Profit and Loss	For the Year Ended December 31	
	2018	2017
Reportable segment profit before tax	\$ 4,573,790	\$ 7,949,283
Reportable segment income tax expense	(297,273)	(811,917)
Reportable segment net profit	4,276,517	7,137,366
Non-reportable segment's loss	(3,276,594)	(136,328)
Less: Inter-segment profit	(635,189)	(4,615,002)
Less: Net loss (profit) on non-controlling interests	(140,902)	18,354
Net profit attributable to owners of the Company	<u>\$ 223,832</u>	<u>\$ 2,404,390</u>

2) Other significant items reconciliation

For the Year Ended December 31, 2018				
Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non- reportable Segment	Reconciliation	Total
Interest income	\$ 1,058,954	\$ 99,988	\$ (623,413)	\$ 535,529
Finance costs	493,778	841,225	(623,413)	711,590
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	5,215,619	1,332,147	(443,626)	6,104,140
Depreciation and amortization	5,336,596	1,981,177	-	7,317,773
Impairment loss	2,444	-	-	2,444

For the Year Ended December 31, 2017				
Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non- reportable Segment	Reconciliation	Total
Interest income	\$ 745,395	\$ 89,558	\$ (570,696)	\$ 264,257
Finance costs	641,706	893,724	(570,696)	964,734
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	3,680,997	168,571	(116,181)	3,733,387
Depreciation and amortization	6,155,356	2,269,528	-	8,424,884
Reversal of impairment loss	24,925	13,300	-	38,225

3) Revenue from major products and services

The Company and its subsidiaries categorized reportable segment based on the type of products. There were no specific additional disclosure for products and revenue.

4) Geographical information

The Group operate in three principal geographical areas - Taiwan, the United States (“USA”) and China.

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
North America	\$ 50,306,792	\$ 66,778,752	\$ 1,662	\$ 2,626
Asia	26,503,807	21,848,795	35,812,101	36,060,410
Others	<u>36,670,909</u>	<u>18,580,935</u>	<u>-</u>	<u>-</u>
	<u>\$ 113,481,508</u>	<u>\$ 107,208,482</u>	<u>\$ 35,813,763</u>	<u>\$ 36,063,036</u>

Non-current assets above excludes deferred tax assets, financial assets measured at cost and financial assets at FVTOCI.

5) Information about major customers

Customers who contributed 10% or more to the Group’s revenue for the years ended December 31, 2018 and 2017 are as follows:

	For the Year Ended December 31	
	2018	2017
Customer A	\$ 65,745,659	\$ 67,273,920
Customer B	<u>18,025,433</u>	<u>14,458,478</u>
	<u>\$ 83,771,092</u>	<u>\$ 81,732,398</u>

TABLE 1

TPK HOLDING CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands)**

No. (Note 1)	Lender	Borrower	Financial Statements Account	Related Parties	Highest Balance for the Period (Notes 5 and 6)	Ending Balance (Notes 5 and 6)	Actual Borrowing Amount (Notes 5 and 7)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 5)	Aggregate Financing Limit (Notes 3 and 5)	Note
													Item	Value			
0	TPKH	UYH	Loan to related parties	Y	NT\$ 3,916,163 (approximately US\$ 127,500)	NT\$ 2,073,263 (approximately US\$ 67,500)	NT\$ 921,450 (approximately US\$ 30,000)	2.1696%-3.1772%	b	\$ -	Operating capital	\$ -	-	\$ -	NT\$ 14,756,641 (approximately US\$ 480,438)	NT\$ 18,445,801 (approximately US\$ 600,547)	
		TPK HK	Loan to related parties	Y	NT\$ 4,607,250 (approximately US\$ 150,000)	NT\$ 2,303,625 (approximately US\$ 75,000)	-	2.3133%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 14,756,641 (approximately US\$ 480,438)	NT\$ 18,445,801 (approximately US\$ 600,547)	
1	UYH	TPKG	Loan to related parties	Y	NT\$ 2,610,775 (approximately US\$ 85,000)	-	-	2.4711%-3.2225%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
2	TPKC	RSO	Loan to related parties	Y	NT\$ 215,005 (approximately US\$ 7,000)	-	-	3.0000%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		TPKL	Loan to related parties	Y	NT\$ 1,075,025 (approximately US\$ 35,000)	-	-	3.0000%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		TPKG	Loan to related parties	Y	NT\$ 6,143,000 (approximately US\$ 200,000)	NT\$ 3,685,800 (approximately US\$ 120,000)	NT\$ 2,989,899 (approximately US\$ 97,343)	3.0000%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		MTOH	Loan to related parties	Y	NT\$ 2,457,200 (approximately US\$ 80,000)	NT\$ 2,457,200 (approximately US\$ 80,000)	NT\$ 1,510,944 (approximately US\$ 49,192)	3.0000%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		TPKH	Loan to related parties	Y	NT\$ 12,286,000 (approximately US\$ 400,000)	NT\$ 6,143,000 (approximately US\$ 200,000)	-	3.0000%-3.2000%	b	-	Operating capital	-	-	-	NT\$ 14,007,077 (approximately US\$ 456,034)	NT\$ 17,508,847 (approximately US\$ 570,042)	
		TPKP	Loan to related parties	Y	NT\$ 12,900,300 (approximately US\$ 420,000)	NT\$ 6,757,300 (approximately US\$ 220,000)	NT\$ 6,042,236 (approximately US\$ 196,719)	3.0000%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		TPKF	Loan to related parties	Y	NT\$ 1,873,615 (approximately US\$ 61,000)	NT\$ 798,590 (approximately US\$ 26,000)	NT\$ 688,444 (approximately US\$ 22,414)	3.0000%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		TPKD	Loan to related parties	Y	NT\$ 1,535,750 (approximately US\$ 50,000)	NT\$ 1,535,750 (approximately US\$ 50,000)	NT\$ 1,048,938 (approximately US\$ 34,151)	3.0000%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		TPKS	Loan to related parties	Y	NT\$ 614,300 (approximately US\$ 20,000)	NT\$ 614,300 (approximately US\$ 20,000)	NT\$ 272,957 (approximately US\$ 8,887)	3.0000%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		TPK HK	Loan to related parties	Y	NT\$ 9,214,500 (approximately US\$ 300,000)	NT\$ 4,607,250 (approximately US\$ 150,000)	-	3.0000%-3.2000%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		TPKMT	Loan to related parties	Y	NT\$ 61,430 (approximately US\$ 2,000)	NT\$ 61,430 (approximately US\$ 2,000)	-	-	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statements Account	Related Parties	Highest Balance for the Period (Notes 5 and 6)	Ending Balance (Notes 5 and 6)	Actual Borrowing Amount (Notes 5 and 7)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 5)	Aggregate Financing Limit (Notes 3 and 5)	Note
													Item	Value			
3	TPK HK	TPKH	Loan to related parties	Y	NT\$ 5,375,125 (approximately US\$ 175,000)	NT\$ 3,071,500 (approximately US\$ 100,000)	NT\$ 2,242,221 (approximately US\$ 73,001)	2.4129%-3.8000%	b	\$ -	Operating capital	\$ -	-	\$ -	NT\$ 3,568,108 (approximately US\$ 116,168)	NT\$ 4,460,135 (approximately US\$ 145,210)	
		MTOH	Loan to related parties	Y	NT\$ 805,532 (approximately US\$ 26,226)	-	-	2.2489%-3.2225%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		TPKP	Loan to related parties	Y	NT\$ 2,148,084 (approximately US\$ 69,936)	NT\$ 2,148,084 (approximately US\$ 69,936)	NT\$ 2,148,084 (approximately US\$ 69,936)	2.4382%-3.2225%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		TPKC	Loan to related parties	Y	NT\$ 4,607,250 (approximately US\$ 150,000)	NT\$ 4,607,250 (approximately US\$ 150,000)	NT\$ 1,492,794 (approximately US\$ 48,601)	2.6858%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		TPKG	Loan to related parties	Y	NT\$ 4,607,250 (approximately US\$ 150,000)	NT\$ 4,607,250 (approximately US\$ 150,000)	NT\$ 3,071,500 (approximately US\$ 100,000)	2.1482%-3.2225%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
		UYH	Loan to related parties	Y	NT\$ 3,839,375 (approximately US\$ 125,000)	-	-	1.9973%-3.3118%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
4	TPKA	TPK HK	Loan to related parties - long-term	Y	NT\$ 1,197,885 (approximately US\$ 39,000)	NT\$ 1,197,885 (approximately US\$ 39,000)	NT\$ 1,197,885 (approximately US\$ 39,000)	2.1129%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
5	TPKS	TPKC	Loan to related parties	Y	NT\$ 1,535,750 (approximately US\$ 50,000)	NT\$ 921,450 (approximately US\$ 30,000)	NT\$ 3,072 (approximately US\$ 100)	3.0000%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
6	TPKM	TPKC	Loan to related parties	Y	NT\$ 307,150 (approximately US\$ 10,000)	NT\$ 307,150 (approximately US\$ 10,000)	NT\$ 268,051 (approximately US\$ 8,727)	3.5000%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
7	RSSL	TPK HK	Loan to related parties	Y	NT\$ 577,442 (approximately US\$ 18,800)	NT\$ 577,442 (approximately US\$ 18,800)	NT\$ 575,599 (approximately US\$ 18,740)	3.3181%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
8	TPKJ	JT	Loan to related parties	N	NT\$ 107,404 (approximately US\$ 3,497)	-	-	3.5000%	b	-	Operating capital	-	-	-	-	-	8
9	TPKD	TPKC	Loan to related parties	Y	NT\$ 6,143,000 (approximately US\$ 200,000)	NT\$ 6,143,000 (approximately US\$ 200,000)	-	3.0000%-4.2500%	b	-	Operating capital	-	-	-	NT\$ 36,891,602 (approximately US\$ 1,201,094)	NT\$ 55,337,403 (approximately US\$ 1,801,641)	
10	TPKT	TPK HK	Loan to related parties	Y	NT\$ 1,996,475 (approximately US\$ 65,000)	NT\$ 921,450 (approximately US\$ 30,000)	NT\$ 921,450 (approximately US\$ 30,000)	2.1129%-3.2893%	b	-	Operating capital	-	-	-	NT\$ 1,108,031 (approximately US\$ 36,075)	NT\$ 1,385,039 (approximately US\$ 45,093)	

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

Note 2: Types of financing were as follows:

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

(Continued)

- Note 3: The limits of financing amounts were as follows:
- a. Financing received from TPKH cannot exceed 50% of TPKH’s net asset value, and the total short-term financing cannot exceed 40% of TPKH’s net asset value.
 - b. Financing received from a financing company cannot exceed 50% of the financing company’s net asset value, and the total short-term financing cannot exceed 40% of the financing company’s net asset value.
 - c. The limits of individual financing provided are as follows:
 - 1) Intercompany business and trade financing cannot exceed the business and trade amount. The business and trade amount is the higher of the sales amount or purchases amount within one year.
 - 2) Short-term financing cannot exceed 40% of the financing company’s net asset value.
 - d. The financing limits where TPKH directly and indirectly holds voting right shares of subsidiaries at 100% are as follows:
 - 1) Business and trade: The total financing amount cannot exceed 50% of the financing company’s net asset value; the amount of individual financing provided is limited to the business and trade amount where the business and trade amount is the higher of the sales amount or purchases amount within one year.
 - 2) Short-term financing: The total financing amount cannot exceed 150% of TPKH’s net asset value. The amount of individual financing provided cannot exceed 100% of TPKH’s net asset value.
- Note 4: The Company’s board of directors approved the credit line of loans to another party for NT\$55,539,969 thousand (approximately US\$1,808,236 thousand). The loans to other parties disclosed on Table 1 did not exceed the credit lines approved by the Company’s board of directors.
- Note 5: The exchange rate from US dollars to New Taiwan dollars as of December 31, 2018 was US\$1=NT\$30.715.
- Note 6: Highest balance and ending balance for the period only indicate credit line of loans to others, not the actual amount of loans.
- Note 7: Intercompany balances and transactions were eliminated upon consolidation.
- Note 8: TPKJ sold all of its interest in JT in May 2018, and on June 22, 2018, the Company’s board of directors resolved to cancel the credit line of loans to JT. Refer to Notes 31 to the consolidated financial statements for more information.

(Concluded)

TABLE 2

TPK HOLDING CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands)**

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Notes 3 and 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Notes 3 and 4)	Actual Borrowing Amount (Note 3)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	TPKH	TPKD	Subsidiaries of which the Company held a 100% equity interest	NT\$ 9,222,901 (approximately US\$ 300,273)	NT\$ 984,539 (approximately US\$ 32,054)	NT\$ 984,539 (approximately US\$ 32,054)	NT\$ 895,035 (approximately US\$ 29,140)	\$ -	2.67%	NT\$ 18,445,801 (approximately US\$ 600,547)	Y	N	Y	
1	TPKJ	JT	Subsidiaries of which the Company indirectly held a more than 50% equity interest	-	NT\$ 447,518 (approximately US\$ 14,570)	-	-	-	-	NT\$ 18,445,801 (approximately US\$ 600,547)	N	N	Y	5
2	TPKC	TPKD	Subsidiaries of which the Company held a 100% equity interest	NT\$ 9,222,901 (approximately US\$ 300,273)	NT\$ 984,539 (approximately US\$ 32,054)	NT\$ 984,539 (approximately US\$ 32,054)	NT\$ 895,035 (approximately US\$ 29,140)	-	2.67%	NT\$ 18,445,801 (approximately US\$ 600,547)	N	N	Y	

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

Note 2: For TPKH, the total amount of endorsement/guarantee provided and the limit on endorsement/guarantee amounts provided to each guaranteed party cannot exceed 50% and 25% of TPKH’s net asset value, respectively. The maximum collateral/guarantee amount allowable was calculated based on the net assets value as of December 31, 2018.

Note 3: The exchange rate from US dollars to New Taiwan dollars as of December 31, 2018 was US\$1=NT\$30.715.

Note 4: The maximum amount and outstanding endorsement/guarantee at the end of the period only indicate limits on endorsement/guarantee amount to others, not the actual borrowing amount.

Note 5: TPKJ cancelled limits on endorsement/guarantee amount to JT in March 2018, and sold of its interest in JT in May 2018. Refer to Note 31 to the consolidated financial statements for more information.

TABLE 3

TPK HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
TPKT	Kingyoup Optronics Co., Ltd. ordinary shares	-	Financial assets at FVTOCI	6,000,000	NT\$ 150,000 (approximately US\$ 4,884)	16.57	NT\$ 150,000 (approximately US\$ 4,884)	
TPKP	Jinshunxin Development (Pingtan) Co., Ltd. paid-in capital	-	Financial assets at FVTOCI	-	NT\$ 108,932 (approximately US\$ 3,547)	9.00	NT\$ 108,932 (approximately US\$ 3,547)	

Note: The exchange rate from US dollars to New Taiwan dollars as of December 31, 2018 was US\$1=NT\$30.715.

TABLE 4

TPK HOLDING CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands)

Company Name	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Trade Receivable (Payables)		Note
			Purchase/ Sale	Amount (Notes 2 and 3)	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Notes 2 and 4)	% to Total	
TPKT	TPKD	The same ultimate parent company	Sales	NT\$ 1,007,263 (approximately US\$ 33,498)	0.89	45 days after monthly closing	No significant difference	No significant difference	NT\$ 1,167 (approximately US\$ 38)	0.01	
TPKC	TPKS	The same ultimate parent company	Purchase	NT\$ 800,016 (approximately US\$ 26,605)	0.84	45 days after monthly closing	No significant difference	No significant difference	NT\$ 255,395 (approximately US\$ 8,315)	1.32	
	TPKG	The same ultimate parent company	Purchase	NT\$ 1,177,074 (approximately US\$ 39,145)	1.23	45 days after monthly closing	No significant difference	No significant difference	NT\$ 111,548 (approximately US\$ 3,632)	0.57	
	TPK HK	Investments accounted for using equity method	Purchase	NT\$ 6,066,112 (approximately US\$ 201,736)	6.36	45 days after monthly closing	No significant difference	No significant difference	NT\$ 477,049 (approximately US\$ 15,531)	2.46	
	TPKM	The same ultimate parent company	Purchase	NT\$ 102,612 (approximately US\$ 3,412)	0.11	45 days after monthly closing	No significant difference	No significant difference	NT\$ 9,209 (approximately US\$ 300)	0.05	
	TPKJ	The same ultimate parent company	Purchase	NT\$ 1,553,891 (approximately US\$ 51,676)	1.63	45 days after monthly closing	No significant difference	No significant difference	NT\$ 330,739 (approximately US\$ 10,768)	1.70	
	TPKU	The same ultimate parent company	Sales	NT\$ 633,629 (approximately US\$ 21,072)	0.56	45 days after monthly closing	No significant difference	No significant difference	NT\$ 79,577 (approximately US\$ 2,591)	0.76	
	TPKG	The same ultimate parent company	Sales	NT\$ 128,343 (approximately US\$ 4,268)	0.11	45 days after monthly closing	No significant difference	No significant difference	NT\$ 31,697 (approximately US\$ 1,032)	0.30	
	TPK HK	Investments accounted for using equity method	Sales	NT\$ 40,923,874 (approximately US\$ 1,360,972)	36.29	45 days after monthly closing	No significant difference	No significant difference	NT\$ 8,247,059 (approximately US\$ 268,503)	78.90	
	TPKD	Investments accounted for using equity method	Sales	NT\$ 1,408,956 (approximately US\$ 46,856)	1.25	45 days after monthly closing	No significant difference	No significant difference	NT\$ 219,487 (approximately US\$ 7,146)	2.10	

(Continued)

Company Name	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Receivable (Payables)		Note
			Purchase/ Sale	Amount (Notes 2 and 3)	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Notes 2 and 4)	% to Total	
TPKS	TPKG	The same ultimate parent company	Purchase	NT\$ 299,511 (approximately US\$ 9,961)	0.31	45 days after monthly closing	No significant difference	No significant difference	NT\$ 24,210 (approximately US\$ 788)	0.12	
	TPKC	The same ultimate parent company	Sales	NT\$ 800,016 (approximately US\$ 26,605)	0.71	45 days after monthly closing	No significant difference	No significant difference	NT\$ 255,403 (approximately US\$ 8,315)	2.44	
	TPK HK	The same ultimate parent company	Sales	NT\$ 5,579,140 (approximately US\$ 185,541)	4.95	45 days after monthly closing	No significant difference	No significant difference	NT\$ 1,877,528 (approximately US\$ 61,127)	17.96	
TPKU	TPKC	The same ultimate parent company	Purchase	NT\$ 633,509 (approximately US\$ 21,068)	0.66	45 days after monthly closing	No significant difference	No significant difference	NT\$ 79,577 (approximately US\$ 2,591)	0.41	
TPKG	TPKC	The same ultimate parent company	Purchase	NT\$ 127,671 (approximately US\$ 4,246)	0.13	45 days after monthly closing	No significant difference	No significant difference	NT\$ 31,696 (approximately US\$ 1,032)	0.16	
	TPKC	The same ultimate parent company	Sales	NT\$ 1,177,917 (approximately US\$ 39,173)	1.04	45 days after monthly closing	No significant difference	No significant difference	NT\$ 111,549 (approximately US\$ 3,632)	1.07	
	TPKS	The same ultimate parent company	Sales	NT\$ 299,511 (approximately US\$ 9,961)	0.27	45 days after monthly closing	No significant difference	No significant difference	NT\$ 24,210 (approximately US\$ 788)	0.23	
	TPKD	The same ultimate parent company	Sales	NT\$ 926,441 (approximately US\$ 30,810)	0.82	45 days after monthly closing	No significant difference	No significant difference	NT\$ 41,917 (approximately US\$ 1,365)	0.40	
TPK HK	TPKC	Investments accounted for using equity method	Purchase	NT\$ 40,923,874 (approximately US\$ 1,360,972)	42.94	45 days after monthly closing	No significant difference	No significant difference	NT\$ 582,108 (approximately US\$ 18,952)	3.00	
	TPKS	The same ultimate parent company	Purchase	NT\$ 5,579,140 (approximately US\$ 185,541)	5.85	45 days after monthly closing	No significant difference	No significant difference	-	-	
	MTOH	Investments accounted for using equity method	Purchase	NT\$ 1,997,531 (approximately US\$ 66,430)	2.10	45 days after monthly closing	No significant difference	No significant difference	NT\$ 77,604 (approximately US\$ 2,527)	0.40	
	TPKD	Investments accounted for using equity method	Purchase	NT\$ 61,537,709 (approximately US\$ 2,046,509)	64.57	45 days after monthly closing	No significant difference	No significant difference	NT\$ 14,115,817 (approximately US\$ 459,574)	72.69	
	TPKC	Investments accounted for using equity method	Sales	NT\$ 6,645,346 (approximately US\$ 220,999)	5.89	45 days after monthly closing	No significant difference	No significant difference	NT\$ 1,316,394 (approximately US\$ 42,858)	12.59	
	TPKD	Investments accounted for using equity method	Sales	NT\$ 39,959,053 (approximately US\$ 1,328,885)	35.44	45 days after monthly closing	No significant difference	No significant difference	NT\$ 5,099,028 (approximately US\$ 166,011)	48.78	

(Continued)

Company Name	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Receivable (Payables)		Note
			Purchase/ Sale	Amount (Notes 2 and 3)	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Notes 2 and 4)	% to Total	
MTOH	TPKP	The same ultimate parent company	Purchase	NT\$ 296,088 (approximately US\$ 9,847)	0.31	45 days after monthly closing	No significant difference	No significant difference	NT\$ 35,402 (approximately US\$ 1,153)	0.18	
	TPKJ	The same ultimate parent company	Purchase	NT\$ 163,014 (approximately US\$ 5,421)	0.17	45 days after monthly closing	No significant difference	No significant difference	NT\$ 59,496 (approximately US\$ 1,937)	0.31	
	TPK HK	Investments accounted for using equity method	Sales	NT\$ 1,997,531 (approximately US\$ 66,430)	1.77	45 days after monthly closing	No significant difference	No significant difference	NT\$ 206,360 (approximately US\$ 6,719)	1.97	
	TES XM	Related party in substance	Sales	NT\$ 709,177 (approximately US\$ 23,585)	0.63	60 days after monthly closing	No significant difference	No significant difference	NT\$ 92,867 (approximately US\$ 3,023)	0.89	
TPKP	MTOH	The same ultimate parent company	Sales	NT\$ 296,088 (approximately US\$ 9,847)	0.26	45 days after monthly closing	No significant difference	No significant difference	NT\$ 35,402 (approximately US\$ 1,153)	0.34	
TPKM	TPKC	The same ultimate parent company	Sales	NT\$ 102,722 (approximately US\$ 3,416)	0.09	45 days after monthly closing	No significant difference	No significant difference	NT\$ 9,209 (approximately US\$ 300)	0.09	
TPKD	TPKC	Investments accounted for using equity method	Purchase	NT\$ 973,759 (approximately US\$ 32,384)	1.02	45 days after monthly closing	No significant difference	No significant difference	NT\$ 174,919 (approximately US\$ 5,695)	0.90	
	TPKG	The same ultimate parent company	Purchase	NT\$ 926,099 (approximately US\$ 30,799)	0.97	45 days after monthly closing	No significant difference	No significant difference	NT\$ 41,917 (approximately US\$ 1,365)	0.22	
	TPK HK	Investments accounted for using equity method	Purchase	NT\$ 39,671,739 (approximately US\$ 1,319,330)	41.62	45 days after monthly closing	No significant difference	No significant difference	NT\$ 4,958,761 (approximately US\$ 161,444)	25.54	
	TPKJ	The same ultimate parent company	Purchase	NT\$ 1,269,044 (approximately US\$ 42,204)	1.33	45 days after monthly closing	No significant difference	No significant difference	NT\$ 291,068 (approximately US\$ 9,476)	1.50	
	TPK HK	Investments accounted for using equity method	Sales	NT\$ 61,537,709 (approximately US\$ 2,046,509)	54.57	45 days after monthly closing	No significant difference	No significant difference	NT\$ 14,123,677 (approximately US\$ 459,830)	135.13	
	BTO	Related party in substance	Purchase	NT\$ 154,571 (approximately US\$ 5,140)	0.16	45 days after monthly closing	No significant difference	No significant difference	NT\$ 31,353 (approximately US\$ 1,021)	0.16	

(Continued)

Company Name	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Receivable (Payables)		Note
			Purchase/ Sale	Amount (Notes 2 and 3)	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Notes 2 and 4)	% to Total	
TPKJ	TPKC	The same ultimate parent company	Sales	NT\$ 1,554,866 (approximately US\$ 51,709)	1.38	45 days after monthly closing	No significant difference	No significant difference	NT\$ 330,739 (approximately US\$ 10,768)	3.16	
	MTOH	The same ultimate parent company	Sales	NT\$ 163,408 (approximately US\$ 5,434)	0.14	45 days after monthly closing	No significant difference	No significant difference	NT\$ 59,496 (approximately US\$ 1,937)	0.57	
	TPKD	The same ultimate parent company	Sales	NT\$ 1,269,377 (approximately US\$ 42,215)	1.13	45 days after monthly closing	No significant difference	No significant difference	NT\$ 291,068 (approximately US\$ 9,476)	2.78	

Note 1: The sales prices and payment terms of intercompany and related party sales and purchases were not significantly different from those transactions with third parties.

Note 2: Except for TES XM and BTO, intercompany balances and transactions were eliminated upon consolidation.

Note 3: The average exchange rate from US dollars to New Taiwan dollars for the year ended December 31, 2018 was US\$1=NT\$30.0696.

Note 4: The exchange rate from US dollars to New Taiwan dollars as of December 31, 2018 was US\$1=NT\$30.715.

(Concluded)

TABLE 5

TPK HOLDING CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands)**

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount (Note 1)	Action Taken		
TPKC	TPK HK	Investment accounted for using equity method	NT\$ 8,247,059 (approximately US\$ 268,503)	7.34	NT\$ 1,452,878 (approximately US\$ 47,302)	Enhance collection	NT\$ 1,696,558 (approximately US\$ 55,235)	\$ -
	TPKD	Investment accounted for using equity method	NT\$ 219,487 (approximately US\$ 7,146)	4.12	NT\$ 44,474 (approximately US\$ 1,448)	Enhance collection	NT\$ 92,064 (approximately US\$ 2,997)	-
	TPKD	Investment accounted for using equity method	NT\$ 147,101 (approximately US\$ 4,789)	-	-	-	NT\$ 643 (approximately US\$ 21)	-
TPKS	TPKC	The same ultimate parent company	NT\$ 255,403 (approximately US\$ 8,315)	4.46	NT\$ 88,472 (approximately US\$ 2,880)	Enhance collection	NT\$ 88,287 (approximately US\$ 2,874)	-
	TPK HK	The same ultimate parent company	NT\$ 1,877,528 (approximately US\$ 61,127)	3.86	NT\$ 974,722 (approximately US\$ 31,734)	Enhance collection	NT\$ 984,926 (approximately US\$ 32,067)	-
TPKG	TPKC	The same ultimate parent company	NT\$ 111,549 (approximately US\$ 3,632)	11.59	-	-	-	-
TPK HK	TPKC	Investment accounted for using equity method	NT\$ 1,316,394 (approximately US\$ 42,858)	6.48	NT\$ 272 (approximately US\$ 9)	Enhance collection	NT\$ 143,358 (approximately US\$ 4,667)	-
	TPKD	Investment accounted for using equity method	NT\$ 5,099,028 (approximately US\$ 166,011)	6.99	NT\$ 491,791 (approximately US\$ 16,011)	Enhance collection	NT\$ 1,653,892 (approximately US\$ 53,846)	-
MTOH	TPK HK	Investment accounted for using equity method	NT\$ 206,360 (approximately US\$ 6,719)	11.51	-	-	NT\$ 214,252 (approximately US\$ 6,975)	-
TPKD	TPK HK	Investment accounted for using equity method	NT\$ 14,123,677 (approximately US\$ 459,830)	3.93	-	-	NT\$ 1,491,246 (approximately US\$ 48,551)	-

(Continued)

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount (Note 1)	Action Taken		
TPKJ	TPKC	The same ultimate parent company	NT\$ 330,739 (approximately US\$ 10,768)	7.08	\$ -	-	\$ -	\$ -
	TPKD	The same ultimate parent company	NT\$ 291,068 (approximately US\$ 9,476)	4.98	-	-	-	-

Note 1: The exchange rate from US dollars to New Taiwan dollars as of December 31, 2018 was US\$1=NT\$30.715.

Note 2: The amount received in the subsequent period means that the collection was made by January 28, 2019.

Note 3: Please refer to Table 1 for information on financing provided to others.

(Concluded)

TABLE 6

TPK HOLDING CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee (Note 2)	Share of Profits (Loss) (Notes 2 and 4)	Note
				December 31, 2018 (Note 1)	December 31, 2017 (Note 1)	Number of Shares	%	Carrying Amount (Notes 1 and 4)			
TPKH	Improve	Samoa	Holding company	NT\$ 4,745,160 (approximately US\$ 154,490)	NT\$ 4,745,160 (approximately US\$ 154,490)	154,490,000	100.00	NT\$ 4,057,772 (approximately US\$ 132,110)	NT\$ 18,323 (approximately US\$ 609)	NT\$ 18,323 (approximately US\$ 609)	Subsidiary
	UYH	Samoa	Holding company and international trade	NT\$ 6,052,084 (approximately US\$ 197,040)	NT\$ 6,052,084 (approximately US\$ 197,040)	196,250,000	100.00	NT\$ 30,212,184 (approximately US\$ 983,630)	NT\$ 1,702,413 (approximately US\$ 56,616)	NT\$ 1,702,413 (approximately US\$ 56,616)	Subsidiary (Note 9)
	TTI	Samoa	International trade	NT\$ 15,358 (approximately US\$ 500)	NT\$ 15,358 (approximately US\$ 500)	500,000	100.00	NT\$ 195,712 (approximately US\$ 6,372)	NT\$ 91,836 (approximately US\$ 3,054)	NT\$ 91,836 (approximately US\$ 3,054)	Subsidiary
	OTH	Singapore	Holding company	NT\$ 1,601,879 (approximately US\$ 52,153)	NT\$ 1,601,879 (approximately US\$ 52,153)	31,000	100.00	NT\$ 1,766,739 (approximately US\$ 57,520)	NT\$ 155,965 (approximately US\$ 5,187)	NT\$ 155,965 (approximately US\$ 5,187)	Subsidiary
	RUSL	Hong Kong	Holding company	NT\$ 14,420,631 (approximately US\$ 469,498)	NT\$ 14,105,802 (approximately US\$ 459,248)	469,498,000	100.00	NT\$ 8,980,154 (approximately US\$ 292,370)	NT\$ (1,360,951) (approximately US\$ -45,260)	NT\$ (1,360,951) (approximately US\$ -45,260)	Subsidiary
Improve	TPKA	Malaysia	Holding company	NT\$ 5,116,783 (approximately US\$ 166,589)	NT\$ 5,116,783 (approximately US\$ 166,589)	632,187	100.00	NT\$ 4,021,168 (approximately US\$ 130,919)	NT\$ 18,227 (approximately US\$ 606)	NT\$ 18,227 (approximately US\$ 606)	Sub-subsiidary (Note 10)
OTH	TPKU	U.S.A.	International trade	NT\$ 147,432 (approximately US\$ 4,800)	NT\$ 147,432 (approximately US\$ 4,800)	Note 3	100.00	NT\$ 191,338 (approximately US\$ 6,229)	NT\$ (5,944) (approximately US\$ -198)	NT\$ (5,944) (approximately US\$ -198)	Sub-subsiidary
RUSL	TPK HK	Hong Kong	Touch modules related product research, holding company and International trade	NT\$ 14,359,201 (approximately US\$ 467,498)	NT\$ 14,044,372 (approximately US\$ 457,248)	467,498,000	100.00	NT\$ 8,920,270 (approximately US\$ 290,421)	NT\$ (1,360,802) (approximately US\$ -45,255)	NT\$ (1,360,802) (approximately US\$ -45,255)	Sub-subsiidary
TPK HK	Cando	Taiwan	Touch modules research and manufacture	NT\$ 5,945,628 (approximately US\$ 193,574)	NT\$ 5,945,628 (approximately US\$ 193,574)	77,124,591	19.78	-	-	-	Associate accounted for using equity method (Note 6)
	TPKF HK	Hong Kong	Holding company	NT\$ 461,186 (approximately US\$ 15,015)	NT\$ 369,041 (approximately US\$ 12,015)	18,000,000	100.00	NT\$ (556,164) (approximately US\$ -18,107)	NT\$ (100,433) (approximately US\$ -3,340)	NT\$ (94,675) (approximately US\$ -3,149)	Sub-subsiidary
TPKA	TPKT	Taiwan	Touch related material sales and machinery manufacture, wholesale and retail	NT\$ 2,911,700 (approximately US\$ 116,433)	NT\$ 2,911,700 (approximately US\$ 116,433)	50,717,000	100.00	NT\$ 2,770,078 (approximately US\$ 90,187)	NT\$ 11,715 (approximately US\$ 390)	NT\$ 11,715 (approximately US\$ 390)	Sub-subsiidary
	TCS	Taiwan	Chemically strengthened glass processing and sales	NT\$ 330,000 (approximately US\$ 11,061)	NT\$ 330,000 (approximately US\$ 11,061)	-	-	-	NT\$ (4,709) (approximately US\$ -157)	NT\$ (2,590) (approximately US\$ -86)	Sub-subsiidary (Note 8)
TPKT	RSSL	Hong Kong	Holding company	NT\$ 408,817 (approximately US\$ 13,310)	NT\$ 408,817 (approximately US\$ 13,310)	13,310,000	100.00	NT\$ 579,539 (approximately US\$ 18,868)	NT\$ (38,905) (approximately US\$ -1,294)	NT\$ (38,905) (approximately US\$ -1,294)	Sub-subsiidary
TPKJ	TPKJ HK	Hong Kong	International trade	NT\$ 15,358 (approximately US\$ 500)	-	500,000	100.00	NT\$ 15,623 (approximately US\$ 509)	NT\$ 259 (approximately US\$ 9)	NT\$ 259 (approximately US\$ 9)	Sub-subsiidary (Note 7)

Note 1: The exchange rate from US dollars to New Taiwan dollars as of December 31, 2018 was US\$1=NT\$30.715.

Note 2: The average exchange rate from US dollars to New Taiwan dollars for the year ended December 31, 2018 was US\$1=NT\$30.0696.

Note 3: There are no shares since it is a limited liability no-shares company.

Note 4: Except for Cando, intercompany balances and transactions were eliminated upon consolidation.

(Continued)

- Note 5: Please refer to Table 7 for information on investment in mainland China.
- Note 6: Based on assessments, the recoverable amounts of the Company’s interests in Cando were less than their carrying amounts. Hence, impairment losses of the total carrying amounts were recognized. Refer to Note 15 to the consolidated financial statements for more information.
- Note 7: To meet TPKJ’s need of overseas material procurement and agency trading, the Company’s board of directors resolved to set up TPKJ HK with a capital of less than US\$500 thousand, which was invested by TPKJ on December 21, 2016. TPKJ HK was set up on January 3, 2018 with a capital investment of US\$500 thousand in December 2018.
- Note 8: The Company resolved to dissolve and liquidate TCS in order to simplify its organizational structure, and the process of liquidation was completed in November 2018.
- Note 9: On February 20, 2019, the Company’s board of directors resolved to annul the registration of UYH Hong Kong Branch in order to simplify its organizational structure.
- Note 10: On February 20, 2019, the Company’s board of directors resolved to dissolve and liquidate TPKA in order to simplify its organizational structure.

(Concluded)

TABLE 7

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands)

Investee Company	Main Business and Products	Paid in Capital (Notes 1 and 2)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 2)	Net Income (Loss) of the investee (Note 3)	% Ownership of Direct or Indirect investment	Investment Income (Loss) Recognized (Notes 3 and 5)	Carrying Amount as of December 31, 2018 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
TPKC	Touch related material sales and machinery manufacture, wholesale and retail	NT\$ 7,475,846 (approximately US\$ 243,394)	Direct investment	\$ -	\$ -	\$ -	\$ -	NT\$ 1,514,051 (approximately US\$ 50,352)	100.00	NT\$ 1,514,051 (approximately US\$ 50,352)	NT\$ 35,017,693 (approximately US\$ 1,140,084)	\$ -
TPKL	Optical glass processing and sales	NT\$ 1,345,010 (approximately US\$ 43,790)	Direct investment	-	-	-	-	NT\$ (10,029) (approximately US\$ -334)	100.00	NT\$ (10,029) (approximately US\$ -334)	NT\$ (5,167) (approximately US\$ -168)	-
TPKS	Touch modules research, development, manufacture and sales	NT\$ 767,875 (approximately US\$ 25,000)	Direct investment	-	-	-	-	NT\$ 602,054 (approximately US\$ 20,022)	100.00	NT\$ 602,054 (approximately US\$ 20,022)	NT\$ 1,659,522 (approximately US\$ 54,030)	-
RSO	Optical glass processing and sales	NT\$ 573,449 (approximately US\$ 18,670)	Direct investment	-	-	-	-	NT\$ 3,984 (approximately US\$ 132)	100.00	NT\$ 3,984 (approximately US\$ 132)	NT\$ (3,332) (approximately US\$ -108)	-
TPKG	Optical glass processing and sales	NT\$ 11,420,451 (approximately US\$ 371,820)	Direct investment	NT\$ 408,510 (approximately US\$ 13,300)	-	-	NT\$ 408,510 (approximately US\$ 13,300)	NT\$ (1,495,110) (approximately US\$ -49,722)	100.00	NT\$ (1,495,110) (approximately US\$ -49,722)	NT\$ 2,546,594 (approximately US\$ 82,910)	-
MTOH	Touch modules research, development, manufacture and sales	NT\$ 2,641,408 (approximately US\$ 85,997)	Direct investment	-	-	-	-	NT\$ (61,463) (approximately US\$ -2,044)	100.00	NT\$ (53,675) (approximately US\$ -1,785)	NT\$ 1,034,869 (approximately US\$ 33,693)	-
TPKP	Touch modules research, development, manufacture and sales	NT\$ 4,607,250 (approximately US\$ 150,000)	Direct investment	-	-	-	-	NT\$ (1,014,697) (approximately US\$ -33,745)	100.00	NT\$ (1,014,697) (approximately US\$ -33,745)	NT\$ (3,873,151) (approximately US\$ -126,100)	-
TPKM	Touch related electronic materials manufacture	NT\$ 107,503 (approximately US\$ 3,500)	Direct investment	-	-	-	-	NT\$ 10,441 (approximately US\$ 347)	100.00	NT\$ 10,441 (approximately US\$ 347)	NT\$ 298,318 (approximately US\$ 9,712)	-
TPKMS	Trade	NT\$ 6,920 (approximately US\$ 225)	Direct investment	-	-	-	-	NT\$ (469) (approximately US\$ -16)	100.00	NT\$ (469) (approximately US\$ -16)	NT\$ 7,443 (approximately US\$ 242)	-
TPKD	Touch modules research, development, manufacture and sales	NT\$ 3,929,415 (approximately US\$ 127,931)	Direct investment	-	-	-	-	NT\$ 1,803,653 (approximately US\$ 59,983)	100.00	NT\$ 1,803,653 (approximately US\$ 59,983)	NT\$ 14,729,734 (approximately US\$ 479,562)	-
TPKJ	Protective film and optical adhesive manufacture and sales	NT\$ 110,574 (approximately US\$ 3,600)	Indirect investment	-	-	-	-	NT\$ 300,545 (approximately US\$ 9,995)	51.00	NT\$ 152,982 (approximately US\$ 5,088)	NT\$ 364,494 (approximately US\$ 11,867)	NT\$ 191,676 (approximately US\$ 6,240)

(Continued)

Investee Company	Main Business and Products	Paid in Capital (Notes 1 and 2)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 2)	Net Income (Loss) of the investee (Note 3)	% Ownership of Direct or Indirect investment	Investment Income (Loss) Recognized (Notes 3 and 5)	Carrying Amount as of December 31, 2018 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
JT	Protective film and optical adhesive manufacture and sales	NT\$ 179,068 (approximately US\$ 5,830)	Indirect investment	\$ -	\$ -	\$ -	\$ -	NT\$ 11,520 (approximately US\$ 383)	51.00 (Note 6)	NT\$ 5,875 (approximately US\$ 195)	\$ -	\$ -
TPKF	Touch modules research, development, manufacture and sales	NT\$ 543,656 (approximately US\$ 17,700)	Direct investment	-	-	-	-	NT\$ (100,252) (approximately US\$ -3,334)	100.00	NT\$ (100,252) (approximately US\$ -3,334)	NT\$ (562,327) (approximately US\$ -18,308)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Note 2)	Investment Amount Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Notes 2 and 4)
NT\$408,510 (approximately US\$13,300)	NT\$500,655 (approximately US\$16,300)	NT\$1,662,047 (approximately US\$54,112)

- Note 1: It is calculated based on historical cost.
- Note 2: The exchange rate from US dollars to New Taiwan dollars as of December 31, 2018 was US\$1=NT\$30.715.
- Note 3: The average exchange rate from US dollars to New Taiwan dollars for the year ended December 31, 2018 was US\$1=NT\$30.0696.
- Note 4: The limit cannot exceed 60% of TPKT’s net asset value as of December 31, 2018.
- Note 5: The investee company’s financial report was reviewed by parent company’s auditors.
- Note 6: In May 2018, TPKJ sold all its interests in JT which amounted to RMB49,950 thousand; after disposal, JT was excluded in the consolidated financial statements.

(Concluded)

TABLE 8

TPK HOLDING CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands)**

No. (Note 1)	Company Name (Note 2)	Counterparty (Notes 2)	Relationship (Note 3)	Transactions Details				
				Financial Statements Account	Amount (US\$)	Amount (Approximately NT\$)	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
1	TPKH	UYH TPK HK	1 1	Loan to related parties - short-term	\$ 30,000	\$ 921,450	-	1.10
				Short-term borrowings	73,001	2,242,221	-	2.67
2	TPKA	TPK HK	3	Loan to related parties - long-term	39,000	1,197,885	-	1.43
3	TPKT	TPK HK TPKD	3 3	Loan to related parties - short-term	30,000	921,450	-	1.10
				Sales	33,498	1,007,263	-	0.89
4	TPKC	TPKS	3	Loan to related parties - short-term	8,887	272,957	-	0.33
		TPKS	3	Trade payables	8,315	255,395	-	0.30
		TPKS	3	Purchase	26,605	800,016	-	0.70
		TPKU	3	Sales	21,072	633,629	-	0.56
		TPKG	3	Loan to related parties - short-term	97,343	2,989,899	-	3.56
		TPKG	3	Trade payables	3,632	111,548	-	0.13
		TPKG	3	Purchase	39,145	1,177,074	-	1.04
		TPKG	3	Sales	4,268	128,343	-	0.11
		TPK HK	3	Trade receivables, net	268,503	8,247,059	-	9.82
		TPK HK	3	Short-term borrowings	48,601	1,492,794	-	1.78
		TPK HK	3	Trade payables	42,858	1,316,394	-	1.57
		TPK HK	3	Research expense	19,263	579,234	-	0.51
		TPK HK	3	Purchase	201,736	6,066,112	-	5.35
		TPK HK	3	Sales	1,360,972	40,923,874	-	36.06
		MTOH	3	Loan to related parties - short-term	49,192	1,510,944	-	1.80
		TPKP	3	Loan to related parties - short-term	196,719	6,042,236	-	7.20
		TPKP	3	Interest revenue	5,291	159,099	-	0.14
		TPKM	3	Short-term borrowings	8,727	268,051	-	0.32
		TPKD	3	Other current assets	4,873	149,689	-	0.18
		TPKD	3	Loan to related parties - short-term	34,151	1,048,938	-	1.25
		TPKD	3	Trade receivables, net	7,146	219,480	-	0.26
		TPKD	3	Rental revenue	11,032	331,730	-	0.29
		TPKD	3	Sales	46,856	1,408,956	-	1.24
		TPKD	3	Non-operating income	8,595	258,439	-	0.23
		TPKF	3	Loan to related parties - short-term	22,414	688,444	-	0.82
		TPKJ	3	Trade payables	10,768	330,739	-	0.39
		TPKJ&JT	3	Purchase	51,676	1,553,891	-	1.37

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Notes 2)	Relationship (Note 3)	Transactions Details				
				Financial Statements Account	Amount (US\$)	Amount (Approximately NT\$)	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
5	TPKS	TPKG	3	Purchase	\$ 9,961	\$ 299,511	-	0.26
		TPK HK	3	Trade receivables, net	61,127	1,877,528	-	2.24
		TPK HK	3	Sales	185,541	5,579,140	-	4.92
6	TPKG	TPK HK	3	Short-term borrowings	100,000	3,071,500	-	3.66
		TPKD	3	Sales	30,810	926,441	-	0.82
7	TPK HK	MTOH	3	Trade payables	6,719	206,360	-	0.25
		MTOH	3	Purchase	66,430	1,997,531	-	1.76
		TPKP	3	Loan to related parties - short-term	69,936	2,148,084	-	2.56
		TPKD	3	Trade receivables, net	166,011	5,099,028	-	6.07
		TPKD	3	Trade payables	460,023	14,129,609	-	16.83
		TPKD	3	Purchase	2,046,509	61,537,709	-	54.23
		TPKD	3	Sales	1,328,885	39,959,053	-	35.21
		RSSL	3	Short-term borrowings	18,740	575,599	-	0.69
8	MTOH	TPKP	3	Purchase	9,847	296,088	-	0.26
		TPKJ&JT	3	Purchase	5,421	163,014	-	0.14
9	TPKD	TPKJ	3	Trade payables	9,476	291,068	-	0.35
		TPKJ&JT	3	Purchase	42,204	1,269,044	-	1.12

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

Note 2: The Company name and counterparty are listed in Note 14 to the financial statements.

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

Note 4: The sales prices and payment terms of intercompany sales and purchases were not significantly different from those transactions with third parties. For other intercompany transactions, prices and terms are determined based on mutual agreements.

Note 5: Other transactions that were less than 0.1% of total assets or sales are not disclosed.

Note 6: Intercompany balances and transactions were eliminated upon consolidation.

Note 7: In May 2018, TPKJ sold all its interests in JT which amounted to RMB49,950 thousand; after disposal, JT was excluded in the consolidated financial statements.

(Concluded)