



TPK Holding Co., Ltd.

Annual Report 2019

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.

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

Name of Spokesperson: Michael Chao-Juei Chiang	Job Title: Chairman
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Name of Deputy Spokesperson: Li-Chien Hsieh	Job Title: President/CEO
Freddie Liu	Job Title: Chief Strategy Officer
Tel: (886)2-7727-1199	E-mail: Stock@tpk.com

1. 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

Business Address Address: 199, Banshang Road, Information Photoelectric Park, Torch Development Zone For HighTechnology Industries, Xiamen, Fujian, China

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

Tel: (86)592-573-8999

(2) Subsidiary and branch office

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

Tel: (886)2-7727-1199

TPK Universal Solutions Limited Taiwan Branch

Address: 6 F, No. 13-18, Sec. 6, Minquan E. Rd., Neihu Dist., Taipei City, Taiwan

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>

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Improve Idea Investments Ltd.

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TPK Technology International Inc.

Address: Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa

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Tel: (886)2-7727-1199

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Address: 160 Greentree Drive, Suite 101, Dover, Delaware, 19904, U.S.A.

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Tel: (886)2-7727-1199

Ray-Star Universal Solutions Limited

Address: Units 610-611, 6/F., Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong

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

Tel: (886)2-7727-1199

TPK Universal Solutions Limited

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TPK Film Solutions Limited	Tel: (886)2-7727-1199
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TPK Touch Solutions (Xiamen) Inc.	Tel: (886)2-7727-1199
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TPK Touch Solutions (Pingtan) Inc.	Tel: (86)592-573-8999
Web Site: https://www.tpk.com	Address: 1, Ruyi East Road, Beicuo Town, Pingtan County, Fujian, China
TPK Material Solutions Inc.	Tel: (86)592-573-8999
Web Site: https://www.tpk.com	Address: 19, Quanyuan Road, Jinjiang Economic Development Zone, Fujian, China
TPK Advanced Solutions Inc.	Tel: (86)592-573-8999
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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, China
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Jan Jia Trading Company Limited	Address: Units 610-611, 6/F., Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
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Amplifi Technologies Inc.	Address: PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Web Site: https://www.tpk.com	Tel: (886)2-7727-1199
Amplifi Technologies Inc. Taiwan Branch	Address: 1F., No. 222, Huaya 2nd Rd., Guishan Dist., Taoyuan City, Taiwan
Web Site: https://www.tpk.com	Tel: (886)2-7727-1199
Amplifi Tech Hong Kong Co., Limited	Address: Units 610-611, 6/F., Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
Web Site: https://www.tpk.com	Tel: (886)2-7727-1199

(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

2. Share Transfer Agent:

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

3. 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

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

Global Depository Shares	Trading office: Luxembourg Stock Exchange	Web Site: www.bourse.lu/Accueil.jsp
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5. Web Site: <https://www.tpk.com>

6. Board members:

April 12, 2020

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	Horng-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 Professor Department of Communications Management, Shih 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

Table of Contents

I.	Letter to Shareholders.....	1
II.	Company Profile.....	5
1.	Date of Incorporation:	5
2.	Company History:	5
III.	Corporate Governance Report	13
1.	Organization	13
2.	Director, Supervisor, President, Vice President, Assistant Vice President, departments, and branch heads.....	15
3.	Remuneration of the Director, Supervisor, President and Vice President	26
4.	Implementation of Corporate Governance	32
5.	Information on CPA Professional Fees	78
6.	Information on Replacement of CPA:	79
7.	Audit Independence :	79
8.	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:	80
9.	Information on relationships among the Top 10 Shareholders	81
10.	The Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company	82
IV.	Capital Overview.....	83
1.	Capital and Shares	83
2.	Issuance of corporate bonds (includes overseas bonds):	88
3.	Issuance of preferred shares:	88
4.	Issuance of GDR:	89
5.	Employees stock options:	91
6.	Restriction on employee's issuance of new shares: None	94
7.	Merger or issuance of new shares from other companies: None.....	94
8.	Implementation of Capital Allocation Plans:	94
V.	Business Overview	95
1.	Company Operation.....	95
2.	Market and business overview	103
3.	Employee information from past two years to this report's printing.....	108
4.	Information of environment-oriented expenditures:	108
5.	Labor/Management relations:	108
6.	Important Agreement:	110
VI.	Financial Status	111
1.	Condensed Balance Sheets, Statements of Comprehensive Income, Name of CPA and Auditors' Opinions for the Most Recent Five Years	111

2.	Financial Analysis for the Most Recent Fiscal Years	113
3.	Audit Committee's Review Report for the Most Recent Year	115
4.	Consolidated Financial Statements for The Most Recent Fiscal Year, Certified by CPA:	116
5.	Financial Difficulties to TPK or its affiliates:	116
VII.	Review and Analysis of Financial Status and Performance, and Risk Assessment	117
1.	Financial Status	117
2.	Financial Performance	118
3.	Cash Flow	118
4.	Effect upon Financial Operations of Major Capital Expenditures from Recent Years	119
5.	Reinvestment Policies, Main Reasons for Profit or Loss and Improvement Plans from Recent Year, and Investment Plans for the Coming Year	119
6.	Risks from last year up to the time of report publication:	120
7.	Other Events	126
VIII.	Special Events	127
1.	Information Related to Affiliates	127
2.	Private Placement Securities in 2019 and as of the Date of the Annual Report :	127
3.	Status of TPK Common Shares and GDRs Acquired, Disposed of, and Held by Subsidiaries in 2019 and as of the Date of the Annual Report :	127
4.	Other Necessary Supplements :	127
5.	Any Events in 2019 and as of the Date of the Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan :	127
6.	Significant Differences in Shareholders' Equity guaranteed regulations in the R.O.C. :	127

I. Letter to Shareholders

Global economy circumstances have been negatively affected by the U.S.-China trade war in 2019, and meanwhile sales of end market product decreased due to weak demand. Although the company has encountered various challenges during difficult times, TPK continuously strengthen the relationship with our customers, and improves the yield rate and production efficiency as well. Hence, the company has gain significant market share in 2019, resulting in year-on-year revenue growth. However, the profit from new launched products decreased owing to severe market competition. In addition, there is one-time impairment charge on outdated equipments due to low utilization rate. Thus, TPK's profitability has slightly decreased in 2019.

Looking forward to 2020, due to longer replacement cycle for mobile devices, and 5G applications is not yet widespread, both brand customers and supply chain manufacturers are facing the pressure of shrinking end demand. Coupled with the impact of COVID-19, which influences the world economy and causes the uncertainties of the supply chain both upstream and downstream, the company's prospects for 2020 are full of challenges. However, the company still spares no effort in developing advanced technologies and new products. As a leading touch technology company, TPK could observe the market trends for the development of electronic products, and guides the industry toward the next generation of technology development and leads the industry to experience another peak.

Review of 2019 company policy

The primary strategy of the company in 2019 is to seek firmness from staying stable. The company pursues the continuous improvement of yield rate and efficiency in the existing product line, and looks for any opportunities to cooperate with all kinds of customers in terms of the development of new material and manufacturing process. The executed objective items are as below:

1. Optimize existing touch technology, and improve the yield rate and manufacturing efficiency continuously

As a touch leading company, TPK keeps optimizing the product spec and improving manufacturing efficiency, and makes lots of efforts to develop the new touch material for foldable related solutions. TPK has obtained significant IPs on Silver Nano Wire (SNW) material and has possessed major manufacturing know-how. In addition, TPK has sequentially gained market share on its major products in 2019, and kept the leading position in the industry.

2. Upgrade the service content continually and strengthen the relationship with customers

TPK has played an important role in developing new product with major customers all the time. In terms of sales strategy, the company has maintained close relationship with the existing customers, and has tried to provide more services to fulfill customers' requests. At the same time, TPK has co-developed the new products with customers by adopting advanced technology and new material, and made efforts to more diversify the applications of touch solutions. For instance, TPK has successfully installed a production line of super-large-sized products, and has mass produced in the end of 2019. The new business has led the company to enter the super-large-sized touch market,

a whole new opportunity.

3. Control the expenses, and remain the stable financial structure to respond to the volatile economic environment and industry

Under the strict control of expenses, the operating expense rate of TPK has decreased from 3.9% in 2018 to 3.4% in 2019. Besides, increasing the automation proportion of manufacturing process has been one of the company's major targets. The yield rate and manufacturing efficiency has sequentially improved as the automation proportion has been increased. The number of employees has decreased from about 24,000 at the end of 2018 to about 22,000 at the end of 2019 as well. Furthermore, the company could enjoy the flexibility of human resources arrangement according to the seasonality, and reduce the influences of the uncertainty issues, such as the increasing labor salary or the lack of labors during peak season.

Financial Results

TPK reported sales of NT\$136.6 million in 2019, up 20.4% year-on-year, and net profit for the parent company totaled NT\$209 million, equivalent to earnings per share of NT\$0.51.

Research and Development

TPK plays an important role in the process of touch industry development. As of December 31st 2019, the Company has granted 2,644 patents, including 1,491 invention patents and 1,153 utility model patents. In 2020, TPK will continue to protect our proprietary IPs 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 believes the foldable and flexible design will be the spotlight and the mainstream of next generation products. TPK will spare no effort in researching and development for new material and creative manufacturing process to possess the key know-how of the upstream component and the backend manufacturing process. Besides, Company will look for potential opportunities to cooperate with other companies.

Summary of Business Plans for 2020

In 2020, there are full of challenges in the global market. TPK will not only consolidate the leading position in existing market, but also speed up to codevelop the remarkable advanced products with customers in terms of super large interactive display and flexible touch products. Many customers have shown their interests in the new technology and would like to engage in a variety of new product designs with the Company. Our business plans for 2020 summarize as below:

1. Create our own value for the customers stably and steadily

As a leading company in the industry, TPK possess the cutting-edge knowledge in terms of new material development, advanced technology creation, and manufacturing process optimization. Owing to the close relationship with the customers, the Company will help to provide customized touch solutions to fulfill customers' requests and further dig the potential

requests out. In the meantime, TPK could enhance the quality and the content of services, and create the company's own value for strengthening the relationship with the customers.

2. Provide more integrated services for the customers actively

TPK has made lots of efforts to research and develop SNW material in order to expand the touch applications to more diversified areas by means of the specific characteristic of SNW. The super large SNW touch panel, including commercial displays, educational interactive whiteboards, and interactive multimedia information machines have been designed in. The company would like to collaborate with customers to co-develop flexible commercial electronic products, and further provide integrated services with more complete and multiple touch solutions.

3. Cost control under conservative management strategy

TPK will implement the automation manufacturing process and strict cost control as being conservative given the competitive industry circumstances and uncertainty of the economic situation. The Company will maintain a relatively low financial leverage level for preparations to face the volatile revenue and profitability by virtue of obvious seasonality of high-tech electronic industry.

Embrace the future

TPK has been sequentially profitable for the third year despite the interference of U.S.-China trade war and the stagnant touch industry development. In 2020, with the challenges from the global economic environment and COVID-19 pandemic, the Company hopes to adhere to the concepts of maintaining steady operations and positive enterprise. We will continue to develop the innovation of new materials and technologies, leveraging the healthy foundation we have established through the Company's proactive optimizations over recent years. With the eager anticipation for the next generation of flexible product designs, and by providing exceptional services in customized products and touch solutions with leading technology and design to our customers, we would like to join hand with our customers to establish what the mainstream specification for the market of flexible touch products will be together. By doing so, we will lead the touch industry to break through bottlenecks and advance toward the next growth trend.

Although TPK have spent lots of efforts on operations, we have never forgotten our responsibility for the society. The Company has spared no effort in showing its concern and feedback for the society and the vulnerable group. 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. We sincerely 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. While the industry is experiencing the transformation stage, we will be brave to embrace the challenges and work hard to 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 24 subsidiaries distributed in the businesses of the development, manufacturing, and sale of touch applications.

TPK Touch Solutions Inc., as a base for TPK group, strives to develop touch technology. The company has become the smartphone touch sensor development partner of international companies after the successful ITO glass touch solution invented. Since then, the company settled the technology development directions and business strategy, which pursues capacitive touch related technology and manufacturing process. To fulfill capacity requests from the customers, and consider the amount of labors for manufacturing production, the company set up factories in Xiamen in 2005.

This company is the leading company in professional touch technology with vertical integrated manufacturing capability, and can provide customers with comprehensive touch solutions, from advanced research and development to product design and mass production, and hence the company can help customers to significantly reduce the lead time and streamline the production process of product development in order to confront the quickly changing electronics industry.

Touch is the most instinctive and humanized means of communication. Among a variety of recent touch technologies, the capacitive touch, which has multi-touch function with outstanding sensitivity and durability, has brought the best user experience to our customers. Capacitive touch related components, touch module and lamination services are TPK’s major business. TPK has the cutting edge touch technology in terms of yield rate and production capacity, and has the orders from worldwide brand name companies.

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

Date	Milestone
December 2005	Subsidiary Optera Technology (Xiamen) Co., Ltd. established
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

Date	Milestone
	TPK Touch Solutions (Xiamen) Inc. was awarded 2010 Xiamen top ten excellent enterprise
	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 Compensation Committee
	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

Date	Milestone
	enterprise of China by Chinese Association of Productivity Science
	CEO Ta-Min Sun was awarded 2012 excellent innovative entrepreneur by 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 office 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.

Date	Milestone
November 2013	<p>and Cambrios Technologies Corp. to develop Silver Nanowire together</p> <p>Subsidiary Jin Shun Xin Development (Pingtan) Co., Ltd. established</p> <p>TPK Holding Co., Ltd. won the gold metal of management by The Asset Magarizonaine</p> <p>TPK Glass Solutions (Xiamen) Inc. was awarded the safe production standard three qualification enterprise by Xiamen Safety Production Management Association</p>
December 2013	<p>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</p>
February 2014	<p>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</p>
May 2014	<p>President Ta-Min Sun won the prize of most influential people in touch screen industry issued by China Communications Industry Association and Nikkei BP</p> <p>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</p> <p>TPK Touch Solutions Inc. was awarded 1000 enterprises across the Taiwan Straits by CommonWealth Magazine</p>
July 2014	<p>Subsidiary Ray-Star Optical Solutions (Xiamen) Inc. was awarded water saving enterprise by Xiamen Construction and Administration Bureau</p> <p>Subsidiary TPK Advanced Solutions Inc. established</p>
November 2014	<p>Subsidiary TPK Advanced Solutions Inc. established</p> <p>Previous President Ta-Min Sun became Vice Chairman, Yi-Hua Chung was employed as President</p>
January 2015	<p>TPK Holding Co., Ltd. won “Best Quality Award” prize issued by ZTE</p> <p>TPK Holding Co., Ltd. won the 2015 Best Quality Planning Prize issued by ZTE Corporation’s Terminal Business Unit</p>
March 2015	<p>TPK Holding Co., Ltd. won the best investor relation prize issued by FinanceAsia</p>
April 2015	<p>Issue of 2015 overseas unsecured convertible corporate bonds and overseas depository receipts</p>
December 2015	<p>XiaMen Jan Jia Optoelectronics Co., Ltd. purchase the 100% stock right of Jin Tong suzhou Optoelectronics Co., Ltd.</p> <p>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</p>

Date	Milestone
	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 committee of Fujian Jinjiang Economic Development Zone
August 2016	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
February 2017	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
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	Selected Hwai-Hai Chiang as President
September 2017	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 Jia Chong dream equity investment Partnership (limited 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

Date	Milestone
	Taxpaying Enterprise by the Management Committee of Xiamen Torch Hi-Tech Industrial Development Zone
July 2018	<p>Subsidiary XiaMen Jan Jia Optoelectronics Co., Ltd. won the 2017 Taxation Star Enterprise prize issued by the Management Committee of Xiamen 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> <p>TPK has been independent assessed according to the FTSE4GOOD criteria, and has satisfied the requirements to become a constituent of the FTSE4GOOD TIP Taiwan ESG Index. Demonstrating strong Environmental, Social and Governance (ESG) practices.</p>
January 2019	Subsidiary TPK Touch Solutions (Xiamen) Inc. won the top ten benchmark projects of corporate financial management in 2018 issued by China Merchants Bank
February 2019	Subsidiary TPK Touch Solutions (Xiamen) Inc. and TPK Advanced Solutions Inc. won the assessment certificate of Integration of Informationization and Industrialization Management System Certificate issued by the Ministry of Industry and Information Technology (MIIT).
March 2019	Subsidiary TPK Touch Solutions (Xiamen) Inc. won the Workers' Home (Four Star) awarded by Xiamen City Federation of Trade Unions.
May 2019	Subsidiary TPK Touch Solutions (Xiamen) Inc. won the sample enterprise of China's foreign trade export index issued by the General Administration of Customs of the People's Republic of China.
June 2019	Chairman Michael Chao-Juei Chiang was awarded the Excellent builders of non-public economy in Fujian Province by the People’s Government of Fujian Province.
July 2019	Subsidiary TPK Touch Solutions (Xiamen) Inc. became the top 500 Chinese patent company, ranking 63 rd .
August 2019	Subsidiary TPK MasTouch Solutions(Xiamen) Inc. won the Laboratory Accreditation Certificate issued by China National Accreditation Service for Conformity Assessment (CNAS).

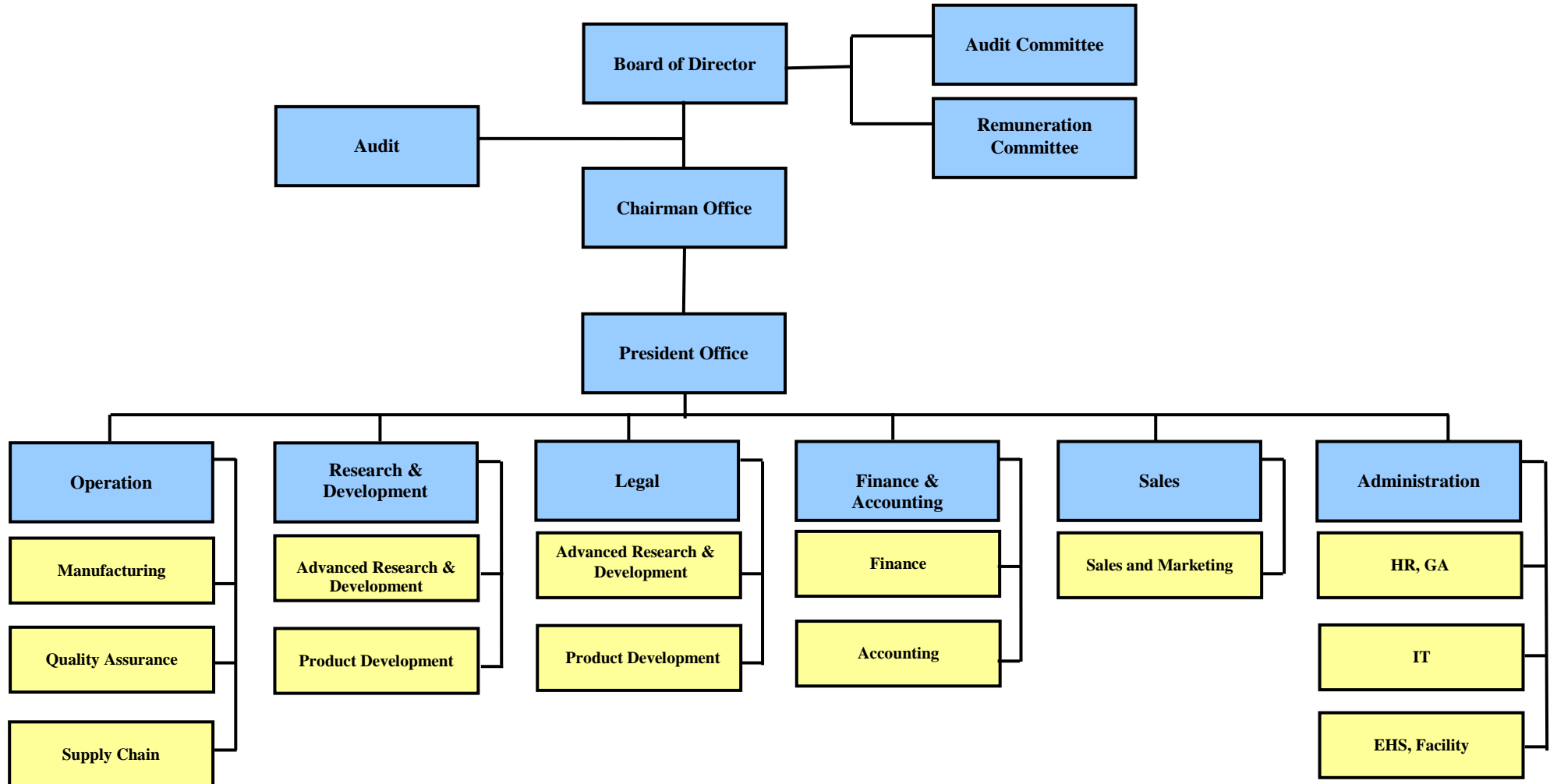
Date	Milestone
October 2019	Subsidiary TPK Touch Solutions (Xiamen) Inc. won the Best Customer Focus-Europe from the 2019 Visteon Strategic Supplier Conference.
November 2019	Subsidiary TPK Touch Solutions (Xiamen) Inc. won the 2019 Touch Display Industry Leading Enterprise Award from Shenzhen International Touch and Display Exhibition; Won the Xiamen Key Laboratory of Touch Control issued by Xiamen Science and Technology Bureau.
December 2019	Subsidiary Amplifi Technologies Inc. established. Subsidiary TPK Touch Solutions (Xiamen) Inc. was awarded the 2019 Intellectual Property Demonstration Enterprise by the National Intellectual Property Administration, PRC. Subsidiary TPK Advanced Solutions Inc. won the OUTSTANDING SUPPLIER in 2019 (2019 Best Quality Supplier Award) from Compal Smart Device (ChongQing) Co.,LTD; won the 2019 Best Service Award from CD-FATP PSD IDSBG (Chengdu Foxconn)

III. Corporate Governance Report

1. Organization

(1) Organization Chart

As of December 31, 2019



(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.
Compensation 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.)

April 12, 2020

Position	Nationality/ registered address	Name	Gender	Elected Date	Term year	Date of the initial election	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			Remarks (Note 11)
							Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Position	Name	Relation	
Chairman	Canada	Michael Chao- Juei Chiang	M	2019/05/16	3	2006/10/20	17,720,401	4.36%	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	2019/05/16	3	2013/05/22	—	—	—	—	—	—	—	—	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)	—	2019/05/16	3	2010/01/08	23,139,855	5.69%	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	M				—	—	—	—	—	—	—	—						
Director	Samoa	Max Gain Management Limited (Note 10)	—	2019/05/16	3	2005/11/21 (2005/11/21~ 2006/10/20)	25,222,643	6.20%	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	M				543,643	0.13%	543,643	0.13%	—	—	—	—						

Position	Nationality/ registered address	Name	Gender	Elected Date	Term year	Date of the initial election	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			Remarks (Note 11)
							Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Position	Name	Relation	
Director	Samoa	High Focus Holdings Limited (Note 10)	—	2019/05/16	3	2010/01/08	13,273,610	3.26%	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	M				50,372	0.01%	50,372	0.01%	—	—	—	—						
Director	Samoa	Global Yield International Co., Ltd. (Note 10)	—	2019/05/16	3	2016/05/27	1,114,000	0.27%	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	M				70,945	0.02%	70,945	0.02%	—	—	—	—						
Independent Director	Taiwan	Hong-Yan Chang	M	2019/05/16	3	2010/01/08	—	—	—	—	—	—	—	—	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	2019/05/16	3	2013/05/22	—	—	—	—	—	—	—	—	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	2019/05/16	3	2013/05/22	323	0.00%	—	—	—	—	—	—	MBA, University of Southern California Citi Bank- Vice President Salomon Smith Barney Inc. Taipei Branch, Citi Group- General Manager	Note 9	—	—	—	

Position	Nationality/ registered address	Name	Gender	Elected Date	Term year	Date of the initial election	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			Remarks (Note 11)
							Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Position	Name	Relation	
															Lehman Brothers Securities Taiwan Ltd.- Chairman Nomura International (Hong Kong) Limited, Taipei Branch -Managing Director					

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 Touch Solutions (Pingtan) Inc.-Executive Director , TPK Advanced Solutions 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 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, 32 in total.

Note 2 : Foster Chiang's current position in this company and in other company : TPK Touch Solutions Inc.-Director, TPK Universal Solutions Limited-Director,Amplifi Technologies 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, Cambrios Advanced Materials Corporation -Chairman, and Jubilee Glory Investments Limited-Director, 10 in total.

Note 3 : 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 Advanced Solutions Inc.-Director and Manager, XiaMen Jan Jia Optoelectronics Co., Ltd.- Chairman, Fichtner Pacific Engineers Inc. – Director, 7 in total.

Note 4 : Heng-Yao Chang doesn't hold a position in this company and other company.

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, 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, 8 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, Ability opto-Electronics Technology Co., Ltd. –Independent Director, Department of Communications Management and Department of Business Administration, Shih Hsin University, Taiwan - Full-time Professor (Joint Appointment), 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 : Millerful Capital Partners Inc.- Senior Partner, Lion Travel Service Co., Ltd.-Director, Egis Technology Inc. -Independent Director, Clientron Corp. -Independent Director, and United Renewable Energy Co., Ltd -Independent Director,5 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..

Note 11: The chairman and the general manager or the equivalent (the top manager) are the same person, and are spouses or relatives of one parent: none.

1. Main Shareholders of Juridical Person

April 12, 2020

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 Global Yield International Co. Ltd. entrusted by CTBC Bank Co., Ltd..

2. Main shareholder is juridical person

April 12, 2020

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)

April 12, 2020

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	11	12	
Michael Chao-Juei Chiang			✓	✓						✓	✓		✓		✓	✓	0
Foster Chiang			✓				✓		✓	✓	✓	✓	✓		✓	✓	0
Capable Way Investments Limited Representative: Li-Chien Hsieh			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Max Gain Management Limited Representative: Heng-Yao Chang			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓		0
High Focus Holdings Limited Representative: Tsung-Liang Tsai			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Global Yield International Co., Ltd. Representative: Shih-Ming Liu			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Horng-Yan Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Fong-Nien Chiang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ming-Jeng Weng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Note: Please add "✓" in the field under each criteria number if the director meets the criteria two years prior to being elected and during his/her term of service.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children,

or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or is ranked in the top 10 in shareholdings.

- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons under (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.).
- (6) Not a director, supervisor, or employee of other company if a majority of the company's director seats or voting shares and those of that other company are controlled by the same person. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.).
- (7) Not a director, supervisor, or employee of other company or institution if the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at that other company or institution are the same person or are spouses.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Do not apply in cases where the specified company or institution holds more than 20 percent but less than 50 percent of the Company's issued shares and are the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the Compensation Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or a relative within the second degree of kinship to any director.
- (11) Not been involved in any of situations defined in Article 30 of the Company Act.
- (12) Not elected on behalf of a government agency or corporate or as a representative of these organizations as defined in Article 27 of the Company Act.

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

April 12, 2020

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			Remarks
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Position	Name	Relation	
President	Taiwan	Li-Chien Hsieh	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 Advanced Solutions Inc.-Director and Manager XiaMen Jan Jia Optoelectronics Co., Ltd-Chairman Fichtner Pacific Engineers Inc. - 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	TPK Holding Co., Ltd.-Representative of Corporate Director TPK Touch Solutions	—	—	—	

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			Remarks
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Position	Name	Relation	
											(PRC) Corporation- Assistant Vice President Amkor Co. Ltd.- Assistant Vice President	Inc.-Supervisor TPK Film Solutions Limited-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 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 MasTouch Solutions(Xiamen) Inc.-Supervisor TPK Touch Solutions (Pingtan) Inc.-	—	—	—	

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			Remarks
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Position	Name	Relation	
												Supervisor TPK Advanced Solutions Inc.- Supervisor TPK Film Solutions (Xiamen) Inc.- Supervisor TPK Asia Pacific Sdn. Bhd.-Director Ray-Star 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	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	—	—	—	—	

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			Remarks
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Position	Name	Relation	
Senior Vice Presiden	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	XiaMen Jan Jia Optoelectronics Co., Ltd- Director	—	—	—	
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 Asia Limited-Director Canadian Imperial Bank of Commerce- Vice President The Sanwa Bank Limited, New York Branch - Vice President	XiaMen Jan Jia Optoelectronics Co., Ltd -Supervisor TPK Film Solutions Limited-Director Kingyoup Optronics Co. Ltd. -Director Jenisa Biotechnology Corp -Director	—	—	—	
Vice President	Taiwan	Pei-Ching Tsai (Note 1)	F	2020/02/21	6,264	0.00%	6,000	0.00%	—	—	Master of Finance, Saint Louis University. TPK Touch Solutions Inc- Senior Diretor of Finance Division TVM Corp.- Assistant Vice President of Finance and Accounting Division TAIWAN VIDEO & MONITOR CORP.-.Manager of Finance Division	—				

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			Remarks
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Position	Name	Relation	
Accountant Officer	Taiwan	Hu-Yao Lin	M	2017/09/01	—	—	—	—	—	—	Master of Accounting, Soochow University Manz Taiwan Ltd. - Manager of Accounting Department	—	—	—	—	
Senior Vice President	Taiwan	Heng-Yao Chang (Note 2)	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	—			
Vice President	Taiwan	Jong-Yih Chen (Note 3)	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	TPK Material Solutions (Xiamen) Inc.- Supervisor	—	—	—	

Note 1: Appointed of Financial Executive on February 21, 2020.

Note 2: Resigned on May 31, 2019

Note 3: Discharged of Financial Executive on February 21, 2020, and resigned on February 29, 2020.

3. Remuneration of the Director, Supervisor, President and Vice President

(1) Remuneration of Director and Independent Director

Unit: NT\$1,000

Position	Name	Remuneration of Director								The ratio of the total amount of A, B, C and D to the net profit after tax (%)		Remuneration in the capacity as an employee								The proportion of A, B, C, D, E, F, and G in the total net profit after tax (%)		Remuneration from an Invested Company Other than the Company's Subsidiary or parent Company
		Remuneration (A)		Pension (B)		Remuneration of Director (C)		Professional fees (D)				Salary, bonus & other fees (E)		Pension (F)		Employee Rewards (G)						
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The company		All companies included in the financial report		The Company	All companies included in the financial report	
Cash	Stock															Cash	Stock					
Chairman	Michael Chao-Juei Chiang	-	-	-	-	-	-	216	216	0.10%	0.10%	-	34,825	-	-	-	-	-	0.10%	16.78%	-	
Director	Foster Chiang																					
Director	Capable Way Investments Limited Representative: Li-Chien Hsieh																					
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																					

Independent Director	Horng-Yan Chang																					
Independent Director	Fong-Nien Chiang	3,294	3,294	-	-	-	-	108	108	1.63%	1.63%	-	-	-	-	-	-	-	-	1.63%	1.63%	-
Independent Director	Ming-Jeng Weng																					

Note 1: Please describe Independent Directors' remuneration policies, procedures, standards , structure and connection between the amount of remuneration according to the responsibilities, risks, time spent and other factors:Independent directors' remuneration is base on participation in the Company's operations and the individual contribution. The board of directors offer a fair remuneration according to the company's operating performance, risks of future and trends, also refer to domestic and foreign market standards.

Note 2: In addition to the above table, Directors remunerations earned by providing services (i.e. non-employee consulting services) to all consolidated enterites in the financial statements: None

(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)	
	The company	All companies included in the financial report (H)	The company	All companies included in the financial report (I)
Below NT\$ 1,000,000	Michael Chao-Juei Chiang, Foster Chiang, Capable Way Investments Limited, Max Gain Management Limited, High Focus Holdings Limited, Global Yield International Co., Ltd.	Michael Chao-Juei Chiang, Foster Chiang, Capable Way Investments Limited, Max Gain Management Limited, High Focus Holdings Limited, Global Yield International Co., Ltd.	Michael Chao-Juei Chiang, Foster Chiang, Capable Way Investments Limited, Max Gain Management Limited, High Focus Holdings Limited, Global Yield International Co., Ltd.	Michael Chao-Juei Chiang
NT\$ 1,000,000 (include)~2,000,000 (not include)	Horng-Yan Chang, Fong-Nien Chiang, Ming-Jeng Weng	Horng-Yan Chang, Fong-Nien Chiang, Ming-Jeng Weng	Horng-Yan Chang, Fong-Nien Chiang, Ming-Jeng Weng	Horng-Yan Chang, Fong-Nien Chiang, Ming-Jeng Weng
NT\$ 2,000,000 (include)~3,500,000 (not include)	—	—	—	Foster Chiang
NT\$ 3,500,000 (include)~5,000,000 (not include)	—	—	—	Global Yield International Co., Ltd.
NT\$ 5,000,000 (include)~10,000,000 (not include)	—	—	—	Max Gain Management Limited, High Focus Holdings Limited
NT\$ 10,000,000 (include)~15,000,000 (not include)	—	—	—	Capable Way Investments Limited
NT\$ 15,000,000 (include)~30,000,000 (not include)	—	—	—	—
NT\$ 30,000,000 (include)~50,000,000 (not include)	—	—	—	—
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\$ thousands

Position	Name	Salary (A)		Pension (B)		Bonus and extraordinary charge (C)		Employee Rewards (D)				The ratio of the total amount of A, B, C and D to the net profit after tax (%)		Remuneration from an Invested Company Other than the Company's Subsidiary or parent Company
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company		All companies included in the financial report		The Company	All companies included in the financial report	
								Cash	Stock	Cash	Stock			
Vice Chairman	Foster Chiang	-	46,163	-	-	-	28,056	-	-	-	-	-	35.53%	-
President	Li-Chien Hsieh													
Senior Vice President	Heng-Yao Chang (Note2)													
Senior Vice President	Tsung-Liang Tsai													
Senior Vice President	Shih-Ming Liu													
Senior Vice President	Freddie Liu													
Senior Vice President	Ming-Chung Chung													
Senior Vice President	Jen-I Tai													
Vice President	Yu-Sheng Kai													
Vice President	Jong-Yih Chen													
Accountant Officer	Hu-Yao Lin													

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: Resigned on May 31, 2019.

Note 3: As of December 31, 2019.

(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	
	The company	All companies included in the financial report (E)
Below NT\$ 1,000,000	—	—
NT\$ 1,000,000 (include)~2,000,000 (not include)	—	—
NT\$ 2,000,000 (include)~3,500,000 (not include)	—	Foster Chiang, Hu-Yao Lin
NT\$ 3,500,000 (include)~5,000,000 (not include)	—	Shih-Ming Liu, Yu-Sheng Kai, Jong-Yih Chen
NT\$ 5,000,000 (include)~10,000,000 (not include)	—	Heng-Yao Chang, Freddie Liu, Tsung-Liang Tsai, Ming-Chung Chuang, Jen-I Tai
NT\$ 10,000,000 (include)~15,000,000 (not include)	—	Li-Chien Hsieh
NT\$ 15,000,000 (include)~30,000,000 (not include)	—	—
NT\$ 30,000,000 (include)~50,000,000 (not include)	—	—
NT\$ 50,000,000 (include)~100,000,000 (not include)	—	—
Above NT\$ 100,000,000	—	—
Total	—	11

(6)Employee's rewards paid to managers, the names and allocation: None

(7)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. Analysis of the proportion of the total remuneration paid by the company and all companies to its director, supervisor, president, and vice president in net income.

Unit : NT\$ thousands

Item	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income.			
	2018		2019	
	Amount	%	Amount	%
Director	3,755	1.68%	3,618	1.73%
President and Vice President	96,961	43.32%	74,219	35.53%

Note: Net Income attributed to parent company in 2019 and in 2018 amounted to NT\$208,882 thousands and

NT\$223,832 thousands respectively.

2. Policy, standards, and portfolio of remuneration paid, procedure for remuneration formulated and relationship with operation performance and future risks
 - (1) 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.
 - (2) 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.
 - (3) The remuneration paid to the managerial officers over the past two years is divided into salaries and bonuses. Reasonable remuneration shall be distributed in consideration of the company's operating results, risk and development trends in the industry, and personal performance and contribution to the company's operating results. Evaluation of performance and reasonable of remuneration shall be reviewed by the Compensation Committee and the board of directors and may be adjusted in a timely manner according to the operations and related law and regulations, so as to achieve the company's sustainable development and risk management.

4. Implementation of Corporate Governance

(1) Operation of the Board of Directors:

The Board of Directors had convened 7 times (A) from 2019 to April 12, 2020.

Attendance records are as follows:

Position	Name	Actual attendance (B)	Attendance through proxy	Actual attendance ratio (%) (B/A)	Remarks (Note)
Chairman	Michael Chao-Juei Chiang	7	0	100%	Re-election
Director	Foster Chiang	7	0	100%	Re-election
Director	Capable Way Investments Limited Representative: Li-Chien Hsieh	7	0	100%	Re-election
Director	Max Gain Management Limited Representative: Heng-Yao Chang	7	0	100%	Re-election
Director	High Focus Holdings Limited Representative: Tsung-Liang Tsai	7	0	100%	Re-election
Director	Global Yield International Co., Ltd. Representative: Shih-Ming Liu	7	0	100%	Re-election
Independent Director	Horng-Yan Chang	6	1	85.7%	Re-election
Independent Director	Fong-Nien Chiang	5	2	71.4%	Re-election
Independent Director	Ming-Jeng Weng	6	1	85.7%	Re-election

Note:

The fifth board of directors has been elected at the shareholders' meeting on May 16, 2019. The term of office is from May 16, 2019 to May 15, 2022.

Other items that shall be disclosed:

- When one of the following situations occurred to the operations of the Board, state the date and term of the Board meeting, content of proposals, opinions of all Independent Directors and the Company's actions in response to the opinions of the Independent Directors:
(I) Matters included in Article 14-3 of the Securities and Exchange Act: regulations from Article 14-3 are not applicable since the Company has already established an Audit Committee. For explanations on matters stipulated in Article 14-5 of the Securities and Exchange Act, please see Operations of the Audit Committee.
(II) In addition to the aforementioned matters, any other resolutions from the Board of Directors where an Independent Director expressed a dissenting or qualified opinion that has been recorded or stated in writing: None.
- 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
--------------	-------------------	--

January 17, 2019	Decide to pass the year-end bonus plan for senior managers	Director Foster Chiang, Li-Chien Hsieh, Heng-Yao Chang, Tsung-Liang Tsai and Shih-Ming Liu and 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	Director Michael Chao-Juei Chiang, Foster Chiang, Li-Chien Hsieh, Heng-Yao Chang, Tsung-Liang Tsai, Shih-Ming Liu, Ming-Jeng Weng and Fong-Nien Chiang (Not included Horng-Yan Chang who has entrusted directors to attend) avoid of conflicts of interests; after the opinions of Directors were inquired by the chairman, the plan passed without objection.
May 28, 2019	Appointment of the members of the 4th Compensation committee	Directors Horng-Yan Chang and Ming-Jeng Weng (Not included Fong-Nien Chiang who has entrusted directors to attend) avoid conflicts of interest; after the opinions of the Directors were inquired by the chairman, the plan passed without objection.
August 13, 2019	2018 Independent Directors' compensation	Directors Horng-Yan Chang and Fong-Nien Chiang (Not included Ming-Jeng Weng who has entrusted directors to attend) avoid conflicts of interest; after the opinions of the Directors were inquired by the chairman, the plan passed without objection.
	Decide to pass the promotion and salary adjustment plan of senior managers	Director Li-Chien Hsieh, Foster Chiang, Shih-Ming Liu, Tsung-Liang Tsai, Heng-Yao Chang and three attended supervisors Chief Strategy Officer Freddie Liu, chief financial officer Jong-Yih Chen and Accountant Officer Hu-Yao Lin avoid of conflicts of interests; after the opinions of Directors were inquired by the chairman, the plan passed without objection.
3. Performance evaluation of the Board of Directors: TPK will establish and implement processes to evaluate Board performance in 2020.		
4. 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 Compensation Committee 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:

The Audit Committee had convened 6 times (A) from 2019 to April 12, 2020.

Attendance records are as follows:

Position	Name	Actual attendance (B)	Attendance through proxy	Actual attendance ratio (%) (B/A)	Remarks (Note)
Independent Director	Horng-Yan Chang	5	1	83.3%	Re-election
Independent Director	Fong-Nien Chiang	4	2	66.7%	Re-election
Independent Director	Ming-Jeng Weng	5	1	83.3%	Re-election

Note: The General Shareholders' Meeting on May 16, 2019 was elected as an independent director of the company and became a member of the audit committee. The term of office is from May 16, 2019 to May 15, 2022.

Other items that shall be disclosed:

1. When one of the following situations has occurred to the operations of the Audit Committee, state the date, term and content of proposals of the Board meeting, result of resolutions of the Audit Committee and the Company's actions in response to the resolutions:

(I) Matters included in Article 14-5 of the Securities and Exchange Act::

All resolutions have been approved with the consent of one-half or more of all Audit Committee members before a resolution has been reached at the Board meeting. There were no other resolutions which had not been approved with the concurrence of one-half or more of all Audit Committee members but were undertaken upon the consent of two-thirds or more of all directors. (Please see 4. Implementation of Corporate Governance - (11) Major resolutions of the board of shareholders and board of directors)

(II) Except the items in the preceding issues, other resolutions which had not been approved with the concurrence of one-half or more of all Audit Committee members but were undertaken upon the consent of two-thirds or more of all directors: None

2. In regards to the recusal of independent directors from voting due to conflict of interests, the name of the independent directors, the resolutions, reasons for recusal due to conflict of interests and voting outcomes should be stated: None.

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):

CPA attended the Audit Committee meeting on February 20, 2019, November 12, 2019 and

February 21, 2020. 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 2019. Audit Committee communicates well with internal auditing supervisor.
- (2) Company's 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, CPA will also report to members of the Audit Committee. There is no such special situation in 2019. Audit Committee communicates well with CPA.

Meeting Date	Communication with internal auditing supervisor	Communication with CPA
February 20, 2019	Review audit deficiency 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	
May 13, 2019	Review audit deficiency trace report of the first quarter in 2019	<ul style="list-style-type: none"> ● Discuss any review problems in the financial report of the first quarter in 2019.
	Amend the Procedures of the Internal Control System and the Enforcement Rules of the Internal Audit	
August 13, 2019	Review audit deficiency trace report of the second quarter in 2019	<ul style="list-style-type: none"> ● Discuss any review problems in the financial report of the second quarter in 2019 and the responses of managers.
November 12, 2019	Review audit deficiency trace report of the third quarter in 2019	<ul style="list-style-type: none"> ● Discuss any review problems in the financial report of the third quarter in 2019. ● Together inspect the new SNW factory in Xiamen and TPK Material Solutions (Xiamen) Inc. .
	Review the 2020 "annual audit plan"	
February 21, 2020	Review audit deficiency trace report in the fourth quarter of 2019	<ul style="list-style-type: none"> ● Discuss any review problems in the financial report in 2019 and the responses of managers. ● Report on any changes to laws. ● Review the independent and suitability of the certifying CPA. ● CPA conveyed the requirements of the company's self-editing to the financial report and discussed to the board of directors .
	Review the 2019 annual internal control system statement	

4. Annual key functions and operations:

(I) Annual key functions

1. Financial statements, business reports and Profit Distribution.
2. The assessment of the effectiveness of the internal control system and the plan of the audit program.
3. Appointment, dismissal and independence assessment of CPA.

4. To review Procedures of the Internal Control System, Procedures Engaging for Derivatives Transactions, and The Acquisition or Disposal of Assets Procedure.

5. Significant assets, capital loans, endorsement guarantees and derivative transactions.

6. New subsidiary case

(II) 2019 operations:

Matters included in Article 14-5 of the Securities and Exchange Act have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.

(3) Corporate Governance Implementation Status and Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”:

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
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 deviation.
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 (7777@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	There is no big deviation.

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(2) Whether this company has the name list of main shareholders and the final controller of shareholders?	✓		<p>personnel’s reporting system for illegal (including corruption) and unethical behavior, the company has set an appeal mailbox (whistle.blowing@tpk.com), and special personnel will be assigned to handle relative affairs.</p> <p>(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.</p>	There is no big deviation.
(3) This company’s efforts to set up and implement risk control mechanism and firewall with affiliates?	✓		<p>(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.</p>	There is no big deviation.
(4) Whether the company has formulated internal	✓		(4) This company has formulated a	There is no big deviation.

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
regulations to forbid purchasing and selling of securities by internal employees with the use of undisclosed information in the market?			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.	
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 (note): 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.	There is no big deviation.

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(2) Except for the establishment of Compensation Committee, whether this company has set other functional committees on its own?		✓	3. Multiple composition of board of directors and execution condition, refer to note 1. (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.	There is no big deviation.
(3) Does the company formulate the performance evaluation methods for the Board of Directors, conduct performance evaluations annually and regularly, and report the results of the performance evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?		✓	(3) The company regularly reviews the effectiveness of the board of directors and gradually improves the degree of corporate governance. This year, the company's board performance evaluation methods and methods will be formulated and submitted to the board of directors.	There is no big deviation.
(4) Regular assessment of the independent performance of the CPA in the auditing practice?	✓		(4) The company has submitted the 2019 independent evaluation plan of the certifying CPA to the board of directors and Audit Committee on February 21, 2020, all directors decided that Deloitte	There is no big deviation.

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>Touche Tohmatsu Limited Kuo, Tzu-Jung and CPA Chuang, Pe-Yu can accord with independent and suitability standards, the evaluation is based on the “Certifying Accountant Review and Evaluation Form” prepared by the 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 report 4. Expertise of audit personnel 5. Evaluate and supervise the existing or potential risks of the Company 6. Communication with top management 7. Reasonable fees 	
4. Does the company set up an appropriate number of		√	The Company has set special personnel to	There is no big deviation.

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
suitable personnel responsible for corporate governance matters and appoint a corporate governance manager responsible for corporate governance matters (including but not limited to providing information for directors to perform their functions, assisting directors with legal compliance, handling work related to meetings of the board of directors and the shareholders' meetings in accordance with law, and producing minutes of board meetings and shareholders' meetings).			<p>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:</p> <ol style="list-style-type: none"> 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 parties shall avoid, and finish the meeting notes 20 days after. 3. Notice important information to top management after its announcement at the time to ensure that top management can know important information 	

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>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. Immediately notify directors of relevant laws and regulations and assist them to comply.</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	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			take part in external investment forums to establish multiple communication channels with investors.	
5. Whether the 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 the Company has responded to the enterprise social responsibility topics concerned by interested parties?	✓		The 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.	There is no big deviation.
6. Whether the company has entrusted an agent to handle affairs of the board of shareholders?	✓		The Company has entrusted Yuanta Securities Co. LTD. to handle affairs of the board of shareholders.	There is no big deviation.
7. Disclosure of information (1). Whether the Company has installed a website to fully disclose the information regarding this company's financial business standing as well as management?	✓		(1). The Company has installed a website (www.tpk.com) to disclose relative information at time, company	There is no big deviation.

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(2). Whether other methods have been adopted by the 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>overview, Corporate Governance Information and financial information will be declared to the public information website according to the regulations of authority.</p> <p>(2). 1. The Company has installed a website, and has set the website for financial information and business operation information.</p> <p>2. The 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. The 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</p>	There is no big deviation.

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(3). Did the company publicly disclose and file its financial report within two months of the end of the fiscal year and publicly disclose and file financial reports for the first, second, and third quarters and monthly operational status reports prior to the time limits set by regulations?			<p>website and company website.</p> <p>(3). The company's first, second, third and annual financial reports for 2019 and monthly revenues are announced and declared at the public information observatory before the prescribed deadline, and uploaded to the company's website simultaneously.</p>	There is no big deviation.
8. Whether the 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 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>(1) Employee right and benefit: The Company has formulated a employee remuneration method (refer to articles of association), employee performance award method, and employee stock option method.</p> <p>(2) Employee care: The Company pays attention to human rights and employee interests, except for basic requirements in labor laws, the Company has set up a welfare commission, Good News and Wecare to care for employee, and</p>	There is no big deviation.

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>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: The 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> <p>(4) Training of board of directors: Training courses for authority (shown in the following table).</p>	

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<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: The Company adheres to credit management and pays attention to customer rights, and the Company has set internal regulations for employees according to relative laws.</p> <p>(7) The situation of the company purchasing liability insurance for directors: The company has insured liability insurance for directors, which is regularly evaluated every year and reports to directors on the renewal of directors' liability insurance.</p>	

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
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.				
Business Operation Review No.	Business Operation Review Item		Improvement and execution condition	
4.14	Does the company's website or annual report disclose the identified stakeholders' identity, concerns, communication channels and response methods?		A stakeholder area has been set up on the company's website to disclose the communication channels and operations with various stakeholders such as investors, employees, customers, suppliers, media, communities and government departments.	
4.15	Does the company's website or annual report disclose the integrity management policy formulated, and specifies specific practices and plans to prevent dishonesty?		In the 2018 annual report-the implementation of integrity management and the company's website, the integrity management policy, specific practices and plans to prevent dishonesty were established.	

Evaluation Item	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons					
	Yes	No	Summary						
Note : 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	✓	✓	✓	✓		✓	✓	✓

Attached Table:

(1) Director and Supervisor (Supervisor is not set in the 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	Taiwan Investor Relations Institute	Management and Public Relations Strategies	December 13 th , 2019	3	Yes
			CSR and Corporate Values		3	Yes
Director	Foster Chiang	Taiwan Investor Relations Institute	Management and Public Relations Strategies	December 13 th , 2019	3	Yes
			CSR and Corporate Values		3	Yes
Director	Li-Chien Hsieh	Taiwan Investor Relations Institute	Management and Public Relations Strategies	December 13 th , 2019	3	Yes
			CSR and Corporate Values		3	Yes
Director	Heng-Yao Chang	Taiwan Investor Relations Institute	Management and Public Relations Strategies	December 13 th , 2019	3	Yes
			CSR and Corporate Values		3	Yes
Director	Tsung-Liang Tsai	Taiwan Investor Relations Institute	Management and Public Relations Strategies	December 13 th , 2019	3	Yes
			CSR and Corporate Values		3	Yes
Director	Shih-Ming Liu	Taiwan Investor Relations Institute	Management and Public Relations Strategies	December 13 th , 2019	3	Yes
			CSR and Corporate Values		3	Yes
Independent Director	Horng-Yan Chang	Taiwan Corporate Governance Association	Good Governance leads to better Corporate Performance	May 8 th , 2019	3	Yes
		Securities & Futures Institute	FinTech: Law and Regulation	May 13 th , 2019	3	Yes
		Taiwan Corporate Governance Association	Business model innovation through Industry 4.0	November 6 th , 2019	3	Yes
Independent Director	Fong-Nien Chiang	Taiwan Investor Relations Institute	Management and Public Relations Strategies	December 13 th , 2019	3	Yes
			CSR and Corporate Values		3	Yes
Independent Director	Ming-Jeng Weng	Chinese National Association of Industry and	Discuss Corporate Governance and Entrepreneurship - NCCU Griffins experience sharing	October 8 th , 2019	3	Yes

		Commerce, Taiwan				
		Taiwan Corporate Governance Association	Key Notes of acquisition of foreign assets	November 11 th , 2019	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”.

(2) Main manager and audit supervisor of the 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	Taiwan Investor Relations Institute	Management and Public Relations Strategies	December 13 th , 2019	3
			CSR and Corporate Values		3
Chief Strategy Officer	Freddie Liu	Taiwan Investor Relations Institute	Management and Public Relations Strategies	December 13 th , 2019	3
			CSR and Corporate Values		3
Financial Executive	Pei-Ching Tsai	Taiwan Investor Relations Institute	Management and Public Relations Strategies	December 13 th , 2019	3
			CSR and Corporate Values		3
Accountant Officer	Hu-Yao Lin	Juridical Person Accounting Research and Development Fund	Continuous training for issuer of securities	June 20 th , 2019 ~ June 21 st , 2019	12
Audit Supervisor	Pei-Chi Wang	Accounting Research and Development Foundation	Red Flags: How to Spot Fraud	January 29 th , 2019	3
		Internal Auditing Committee	Internal Audit vs Cost Control Strategies	March 4 th , 2019	6
		Internal Auditing Committee	IFRS(16- leases)&(9- Financial Instruments) Introduction and Audit Checklists	August 15 th , 2019	6

(4) Operation condition of Compensation Committee

1. Information of members of Compensation Committee

Position	Condition Name	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 Compensation Committee	Remarks
		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 the 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 the Company	Required experience in business, law, finance, accounting and others as in demand by the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Hong-Yan Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
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 an employee of the Company or any its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. (while the Independent Director set by the 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 corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company’s board based on Article 27 of the Company Law.
- (6) Not a Director, Supervisor, or employee of other company owned by the same individual who has more than half of the board seats and voting rights of the company. (The same does not apply, however, in cases where the person is an independent director of the company and concurrently in its parent company, subsidiary under the same parent company as regulated by local governing body.)
- (7) Not a director (or governor), supervisor, or employee of the company or institution which the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses.
- (8) Not a director, supervisor, manager or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company (the same does not apply, however, in cases where the specified company or institution holds 20 percent or more but 50 percent or less of

the company's shares and the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to the Securities and Exchange Act or local regulations).

- (9) Not a professional individual who, or an owner, partner, director, supervisor, officer or their spouse of a sole proprietorship, partnership, company, or institution that, provides audit or commercial, legal, financial, or accounting services with remuneration in the past two years with cumulative amounts exceeding NT\$ 500,000 to the company or to any affiliate of the company. However, this restriction does not apply to a member of the Compensation Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

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

2. Operation condition of Compensation Committee

- (1) There are three members in the Compensation Committee.

- (2) Tenure of members of committee: From May 28, 2019 to May 15, 2022. The Compensation Committee had convened 3 times (A) from 2019 to April 12, 2020.

Attendance condition is shown as follows:

Position	Name	Actual attendance (B)	Attendance through proxy	Actual attendance ratio (%) (B / A)	Remarks
Convener	Horng-Yan Chang	3	0	100%	Re-election (note)
Commission Member	Fong-Nien Chiang	3	0	100%	Re-election (note)
Commission Member	Ming-Jeng Weng	2	1	66.7%	Re-election (note)

Note: The board of directors appointed three independent directors - Horng-Yan Chang, Fong-Nien Chiang and Ming-Jeng Weng, as members of the Compensation Committee On May 28, 2019. The term of office is from May 28, 2019 until the re-election of Directors.

Responsibilities of the Compensation Committee

- (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.

Others:

1. If the board of directors does not adopt or revise the opinions of the Compensation Committee, the date, stage, proposal contents, decision results of the board of directors, and company's processing to the opinions of the Compensation Committee (if the remuneration passed by the board of directors is better than the remuneration proposal made by the Compensation Committee) shall be described: None.
2. If any members do not agree with the decision of the Compensation Committee with record or written statement, the date, stage, proposal contents, opinions of all members and processing to opinions of the Compensation Committee shall be described:

Compensation Committee	Agenda	Resolution	The Company's handling of the opinions of the Compensation Committee
The 11 st meeting of the 3 rd Compensation Committee 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
The 1 st meeting of the 4 th Compensation Committee August 13, 2019	1. Decide to pass remuneration distribution plan of Director for annual surplus in 2018.	All commission members agree	Submit to board of directors and all directors present agree to pass
	2. 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
The 2 nd meeting of the 4 th Compensation Committee February 21, 2020	1. Appointment of Financial Executive.	All commission members agree	Submit to board of directors and all directors present agree to pass

(5) Corporate Governance Implementation Status and Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies":

Evaluation Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
1. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy? (Note: The materiality principle refers to the relevant environmental, social and corporate governance topics that have a significant impact on the company's investors and other stakeholders.)	✓		<p>The company promises to observe the principles regarding corporate social responsibility (CSR), the labor laws as well as industry standards and international conventions that apply to the company. According to the Materiality Principle, the company has also established CSR policies and procedures to improve its management systems.</p> <p>(1) For Environment: the company remains committed to making eco-friendly products and encouraging our employees to participate in a variety of volunteer activities and public projects launched by company. We aim to build a resource-saving, environment-friendly home through our continuous efforts.</p> <p>(2) For Society: the company is working to improve the working conditions and staff welfare for a better Labor-Management cooperation and a harmonious workplace. We keep our environmental information open and transparent and set up contingency plans to respond to environment emergency. The occupational safety and health management system is regularly reviewed.</p>	There is no big deviation.

Evaluation Items	Implementation Status			Deviations from " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
			<p>(3) For corporate governance: the internal controls of company are strictly carried out to ensure that each staff complies with the laws and regulations and the company is legally operated.</p> <p>The company's existing regulations regarding CSR policies and procedures including: "TPK CSR Management Manual" , "Measures for Prohibiting Use of Child Labor and Protecting Underage Workers", " Measures to Guide TPK Employees with Honesty Behaviors", "Standards for TPK Suppliers to Conduct CSR", " Measures to Guide TPK Suppliers with Honesty Behaviors", "Policies on No Procurement of Conflict Minerals in TPK "</p>	
2. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	√		The Board of Directors has authorized the Chairman Office, with the assistance of senior management to promote the establishment of dedicated organization on CSR issues. Each department is also required to fulfill CSR in line with its duties, and the Board must be kept regularly informed of CSR execution.	There is no big deviation.
3. Environmental Topic (1) Has the Company set an environmental management system designed to industry characteristics?	√		<p>(1) The company has formulated every environmental management systems suitable for industry characteristics, which are highlighted as following:</p> <p>a) The company has offered a safe and healthy</p>	There is no big deviation.

Evaluation Items	Implementation Status			Deviations from " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
			<p>workplace to minimize security risks and taken effective approaches to prevent work-related incidents hazardous to public health.</p> <p>b) The company has established documented management systems covering public health, safety, environmental risks control, and has adopted required management system certifications including ISO45001:2018,ISO14001:2015,ISO14064-1:2006, ISO50001:2011.</p> <p>c) The company has formulated “ Management Manual on Environment, Occupational Health and Safety” and introduced ISO 45001&ISO14001 that contain regular health and safety inspection, environmental safety audit, target improvements, plans as well as staff training and communication. The company encourages our employees to provide feedbacks on OHS and EMS, and has established EHS committee of which the top executive of factory serves as the chairman. The committee holds meetings every two months to review EHS performance and to evaluate the applicability of existing systems.</p>	

Evaluation Items	Implementation Status			Deviations from " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	✓		<p>d) The company has established risk assessment and control procedures on identifying the occupational hazardous factors and carrying out JHA for medium and high risks. Moreover, we have set up regulations on occupational health and safety management and PPE management to ensure that the occupational hazardous posts are under strict management and the employees of these posts have pre-job, in-the-job and post-job physical examinations. We also employ the E-WAY system to monitor post maintenance and clarify PPE wearing requirements so as to guarantee a safe and healthy working environment.</p> <p>(2)</p> <p>a) The company has realized e-document management via the file management systems, an effort to cut the use of paper and thus to reduce environment protection.</p> <p>b) The company has taken energy-saving, resources-recycling approaches and has done a good job in 2019 including: 104,220 tons of reclaimed water, 4,789,300 KWH of reclaimed electricity through heat recovery of air compressor, 544,490 tons of reclaimed RO</p>	

Evaluation Items	Implementation Status			Deviations from " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	✓		<p>concentrated water.</p> <p>c) The company has made efforts to reduce the use of hazardous waste barrels since 2016, by recycling and reusing the empty barrels of original factories, and has reduced the amount of hazardous waste by 230 tons so far.</p> <p>(3) The company participates in CDP (carbon disclosure project) annually by filling out the questionnaires on climate change and water security containing the disclosure of updated information on climate system as well as water security. Whether the climate change will impact the company's strategy and financial plan is also described in the questionnaires with the aim to initiate the further discussion within the company on climate-related risk management.</p>	
(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		<p>(4)</p> <p>a) The company's greenhouse gas emission in 2018 reached 490,000 tons and in 2019 515,000 tons, which marks that we have achieved the goals set in 2015 of cutting emission by 10% for each year and by 30% within three years. As a result, we have obtained certification of ISO14064-1.</p>	

Evaluation Items	Implementation Status			Deviations from " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
			<p>b) The company has enforced greenhouse gas inventory audit in line with international standards, and formulated “Energy Management and Implementation Procedures”, “Energy Management Manual”. We have made plans to lower the emission of greenhouse gas during manufacturing process and set up a goal of reducing comprehensive energy consumption per unit product by 3% annually. Externally, we are trying our best to make sustainable improvements together with our customers and supplies; internally, we are working to refine our administration such as ceiling the air conditioner’s temperature in summer for the purpose of energy efficiency and carbon reduction.</p> <p>c) The company carried out 48 power-saving measures in 2018 and 39 in 2019, reducing the emission of greenhouse gas by 32,700 tons and by 20,300 tons respectively.</p> <p>d) The total water consumption in 2018 reached 7,277,000 tons and dropped to 6,818,000 tons in 2019 even if we have new plants built and increased the capacity. The amount of reclaimed water and concentrated water stood at 648,700 tons, saving RMB 2,449,000.</p>	

Evaluation Items	Implementation Status			Deviations from " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
			e) The company generated hazardous waste weighing 600.8 tons and 537.3 tons in 2018 and 2019 respectively. Thanks to the waste conversion rate hitting 100%, we got the highest-level certification from UL and became the first company of touching industry who has obtained the certification.	
<p>4. Social Topic</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p> <p>(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) Under the framework of labor laws and regulations, the company has established administrative rules on appointing and dismissing employees, salary system management and other procedures to guarantee the basic rights of our staff. Additionally, the company also has policies on human rights guarantee stipulated in “TPK CSR Management Manual”.</p> <p>(2) The company has set up code of conduct for employees and administrative rules on salary, rewarding and punishment, enabling the employees to get due pay as the company develops, an effort to fulfill the company’s social responsibility.</p> <p>(3) The company believes in that only a physically and mentally healthy employee could work effectively and efficiently, and therefore we are committed to provide an enabling environment for our employees to work safely. For the sake of staff’s physical and</p>	There is no big deviation.

Evaluation Items	Implementation Status			Deviations from " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(4) Has the Company established effective career development training plans?	✓		<p>mental health, the company is equipped with gym and carries out physical examinations regularly and organizes outdoor activities at times to relieve their pressure. To ensure workplace safety, the company strives to foster the capability to dealing with emergency and safety awareness and recognition ability among the employees by virtue of continuous training and promotion. We have established occupational injury prevention and tracing systems aiming to reduce occupational accidents in workplace and to mitigate the effects of accidents imposing on the company and the staff.</p> <p>(4) The whole staff is deemed as valuable commodity of the company, and that explains why we attach importance to talent training and designing diversified career development courses based on functions. We are working to improve staff cohesion, teamwork and leadership by means of a variety of activities.</p> <p>he company provides products and service according to corresponding laws and regulations and carries out hazardous substances inspection of raw materials and products.</p>	

Evaluation Items	Implementation Status			Deviations from " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
<p>(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?</p> <p>(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?</p>	<p>✓</p> <p>✓</p>		<p>(5) The company is able to provide our customers with advanced technology and after-sales service as per requirements, and to trace, evaluate, review and improve our service. We also promise a timely response to our customers.</p> <p>(6) According to "Standards for TPK Suppliers to Conduct CSR", "TPK Suppliers' Commitment to Social Responsibility and Ethics", the company has signed agreements with the suppliers to promote them to align with our operating targets of achieving sustainable management in eco-friendly way, ensuring an honesty business environment and fulfilling our social responsibility. As a part of CSR, we conduct regular review and ranking system on our suppliers to encourage them to join us in the endeavors to realize social responsibilities.</p>	
<p>5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?</p>	<p>✓</p>		<p>Although the company has not yet announced CSR Statements, we are acting with reference to compiling rules and guidelines of statements employed internationally, which can be checked on the company's website. In each year's CSR review carried out by our customers or their authorized third parties following RBA and the like, we get good results every time.</p>	<p>There is no big deviation.</p>

Evaluation Items	Implementation Status			Deviations from " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
6. If this company has formulated its own social responsibility rule according to “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the difference between the operation and formulated rules: The companys’ social responsibility is carried out fully according to relative rules.				
7. Other important information to facilitate the understanding of the operation condition of enterprise social responsibility: 1) Our Charity Foundation sponsored “Run for Dream”, the Autobiographical Documentary of Tommy Chen, the world's youngest super-Farazon player. We also invited Tommy Chen to theater speaking to audience expressing his feelings and thoughts which encouraged everyone to bravely face the difficulties, hold on love, and never give up. 2) Our Charity Foundation has arranged many exhibition activities, providing some limited charitable tickets to promote diverse exhibition performances to the public. These exhibition activities help many arts and cultural performance groups to operate normally. Activities include the Blue Man Orchestra, Taipei New Art Fair, Tutankhamen Exhibition, Edo Ukiyo-e Exhibition and Huffman's Healing Zoo Exhibition, etc. 3) We sponsored a Documentary Film of “Formosan B.B. is Coming” which records the current survival crisis faced by the Taiwan Black Bear, and how the Taiwan Black Bear Conservation Team is working hard to maintain this item, holding screenings and symposiums. We have also invited Film Director, Mai Jue-Ming to theater to share his idea of shooting, and promote the importance of Taiwanese black bear conservation through a high-quality artistic film. 4) To introduce more international art to the people of Taiwan, we chose some topic about British Music, Japanese Animation and American Hollywood film for everyone to watch for free. Through watching those films, the audience may experience different culture music, drama and dance which would cultivate their interest and habits in watching movies. This will help the development of Taiwanese film market and film production market. 5) In the second half of 2019, we chose several films that discussed the status of humanity and society, the issues of fraud and women ’s equality. These commercial movies are just for pleasure fun of watching without causing any opposition and debate. 6) The subsidiary of TPK in Xiamen has built a relationship with Xiamen University of Technology, providing learning and employment opportunities for its students. 7) The company remains committed to social activities to fulfill our social responsibility. We had organized the sixth charitable blood donation dedicated to our employees together with Xiamen Blood Donation Center, an official institution, in 2019. The total amount of donation from our 336 employees that met requirements came to 89,530ml. 8) The company has recruited 57 blind masseurs to express our caring for the disabled.				

Evaluation Items	Implementation Status			Deviations from " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
9)The company appointed the GA department to visit the Tongxing Children’s Welfare Home in Xiang’an District with the donations in September 2019. We also helped to repair the facilities for the children and teachers to express our concern for them.				
10)The company has always been caring for our employees with financial struggles. We had organized various activities to give our support and condolence to these employees such as visiting their rental houses with condolence payments and gifts, applying for the bank public fund for their left-behind children, and offering them transportation subsidies for returning home and back in Spring Festival holiday.				
11)The female employees are also a matter of our concern. We set up nursing rooms inside our company and arrange lectures on female health regularly. Besides, we also provide our woman workers with cervical cancer screening and breast cancer screening for free, having benefited 781 females in 2019.				
12)The company attaches great importance to environment protection. We hold a series of activities such as tree planting and knowledge competition on garbage sorting to raise our employees ’awareness. We refuse to use disposable tableware in our canteen in response to environmental protection.				
13)The company cares about our employees ’spiritual and cultural life. We have talent competitions enabling our workers to show their talents; we have a number of free training courses covering yoga, cheerleading, Jazz, breaststroke and Taichi. Moreover, we have arranged staff sports meet and “Bobing” (a traditional activity in Min-Autumn Festival originated in Xiamen) to enrich our employees ‘physical and mental life.				
14)The company follows a corporate culture of “be people-oriented”, bringing our employees and their family home-like caring We have organized several activities including photography competitions with the subject of Labor Day, contests on making “zongzi”(the stuffed rice dumplings wrapped in reed leaves) to celebrate the Dragon Boat Festival and competition on peeling off grapefruit at Double Ninth Festival. These timely activities have attracted thousands of participants, not only enriching their lives, but also encouraging cross-departments communication for higher cohesion.				
15)The company takes the safety of our employees seriously. We have set up police rooms just near the gate of our company to ensure the safety of our surrounding environment and our employees.				

(6) Implementation of Ethical Corporate Management and Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons:

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles For TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p>	~		<p>(1) The company has formulated the Ethical Corporate Management Best Practice Principles which has been supported and approved by the board of directors. The management of the company advocates its business philosophy that the company attaches importance to and implements integrity through group conferences or emails at irregular intervals.</p> <p>(2) In order to implement the Ethical Corporate Management Best Practice Principles, the company has formulated the Ethical Management Standard Operating Procedure and Behavior Guidelines to detailedly stipulate the matters to be noted by the company's personnel when carrying out business. The contents of the Ethical Corporate Management Best Practice Principles and the Ethical Management Standard Operating Procedure and Behavior Guidelines include but are not limited to the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>	<p>There is no big deviation.</p> <p>There is no big deviation.</p>

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles For TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(3) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?			<p>Under the guidance of the above two superordinate guidelines, there are relevant Standard Operating Procedures (SOPs) for business activities with high risk of dishonest behavior implemented, such as the Agreement on Protection of Trade Secrets, Intellectual Property Rights and Non Competition; the Regulation on Company Personnel Behaviors of Honesty-Trust of TPK Holding Co., Ltd (hereinafter referred to as TPK); the Supplier Honesty and Integrity Commitment Letter; and the Business Entertainment Expenses Application Standard Operating Procedure.</p> <p>(3) For internal employees, the company's Employee Handbook and various procedure books have provisions on punishment for violation of regulations, and a perfect and transparent complaint channel has been set up in the process of punishment, so as not to indulge any internal employees. For external partners including but not limited to all suppliers and clients, a channel for reporting violations of integrity is set up and disclosed on the company's website.</p> <p>The authority and responsible unit shall revise relevant systems according to the amendment of laws and regulations or the practical operation needs of the company at irregular intervals every year.</p>	There is no big deviation.

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles For TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
2. Ethic Management Practice				
(1) Whether the company has assessed the ethics records of which it has business relationship with and includes business conduct and ethics related clauses in the business contracts?	✓		(1) The company has formulated the Ethical Management Standard Operating Procedure and Behavior Guidelines, the Regulations of Management on Ethic Behavior for Suppliers of TPK Holding Co., Ltd and the Supplier Honesty and Integrity Commitment Letter. The company has clearly stipulated that all suppliers shall sign and abide by them. For suppliers, gift money, kickback and transactions with related parties are all prohibited. In case of any violation, the contact with the suppliers shall be cut off, in order to achieve the most reasonable offer, the best quality and the best service.	There is no big deviation.
(2) Whether the company has set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	✓		(2) The internal auditors of the company shall carry out the audit in accordance with the business ethic management policy and relevant procedures, evaluate their implementation effect, and report the audit results to the audit committee and the board of directors at least quarterly. The chairman office has set up the Discipline Department to accept the report, investigate and handle of the dishonest behavior of the company's internal personnel. The Discipline Department is committed to promoting the company's ethic	There is no big deviation.

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles For TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(3) Whether the company has established policies to prevent conflict of interests provide appropriate communication and complaint channels and implement such policies properly?	✓		management system and the construction of honesty culture. (3) The company has formulated “Regulation of Conflict of Interest Management” to stipulate the reporting and handling workflow for any situation that may cause potential conflict of interest. New employees are required to sign the Ethical Corporate Management Best Practice Principles and the Ethical Management Standard Operating Procedure and Behavior Guidelines. They are required to be honest and upright, and are prohibited to accept kickback, so as to avoid sacrificing the interests of the company due to the employees’ personal interests.	There is no big deviation.
(4) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	✓		(4) In order to ensure the ethic management practice, the company has established an effective accounting system and an internal control system. The company’s internal auditors carry out various audits according to the annual audit plan in accordance with the risk assessment results.	There is no big deviation.
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	✓		(5) All employees are required to sign the Integrity and Self-discipline Commitment Letter, promising that there will be no dishonest behavior. The company regularly organizes education trainings to advocate	There is no big deviation.

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles For TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
			the principle of employee integrity. In 2019, the number of trainees was 4,320, with a total of 8,564 hours, including three training courses for new employees, <i>i.e.</i> , “Abide by Ethic Principle and Build a Good Faith TPK”, “Law Popularization Special Lecture”, and “Prevention of Duty-related Crimes for Enterprise Employees”, respectively. In addition, an ethical advocacy mailbox has been set up, and t one issue with ethical theme is sent out every week to build good corporate integrity culture of TPK.	
3. Implementation of Complaint Procedures				
(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	✓		(1) The company has set a complaint mailbox (7777@tpk.com) and a dedicated unit to handle relevant affairs in accordance with the procedures stipulated.	There is no big deviation.
(2) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	✓		(2) The company has set procedures for reporting and investigation. After the investigation is completed, the company will put forward suggestions for improvement and ask the responsible department to conduct parallel inspection to avoid similar problems. The director and personnel unit are responsible for keeping confidential on the data of the parties.	There is no big deviation.
(3) Does the company adopt proper measures to prevent a complainant from retaliation for	✓		(3) The identity of the whistleblower shall be kept confidential during the company's whistleblowing	There is no big deviation.

Assessment Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles For TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
his/her filing a complaint?			process to prevent whistleblower from being misconducted.	
4. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	~		The company has a website to disclose information such as relevant measures, corporate culture, and business policies.	There is no big deviation.
5. If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation:None.				
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) The Company's "Rules of Board Meeting Procedures" 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: None.

(9) Implementation of Internal Control System

1. Statement of Internal Control System

TPK Holding Co., Ltd.

Statement of Internal Control System

Date: February 21, 2020

We hereby declare the results of the self-assessment of our internal control system in 2019 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, 2019 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 21, 2020. 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: None.

(10) Any penalties for violations of regulations or the Company's internal control systems; Major defects and the status of corrections of internal control systems for fiscal year 2019 and up to the publication date of this annual report: None

(11) Major resolutions of the board of shareholders and board of directors:

1. Major resolutions of the board of shareholders in 2019:

Meeting Date	Major Resolutions		Execution Status
May 16 th , 2019	Admit	1. Admit 2018 Business Report and Consolidated Financial Statements	Implement the resolution and disclosure on MOPS.
		2. Admit 2018 Profit Distribution	Implement the resolution and disclosure on MOPS.
	Election	1. The re-election of Directors	Election Result: Directors: Michael Chao-Juei Chiang 、oster Chiang 、Capable Way Investments Limited (Representative: Li-Chien Hsieh) 、Max Gain Management Limited (Representative: Heng-Yao Chang) 、High Focus Holdings Limited (Representative: Tsung-Liang Tsai) 、Global Yield International Co., Ltd. (Representative: Shih-Ming Liu) Independent Directors: Horng-Yan Chang 、Fong-Nien Chiang 、Ming-Jeng Weng
	Discuss	1. Amend the Amended and Restated Memorandum of Association and Articles of Association	Passed according to the decision of the board of directors and announced after 2019 General Shareholders' Meeting, began to implement relative operation according to the Amended and Restated Memorandum of Association and Articles of Association
		2. Amend the Procedures of the Acquisition or Disposal of Assets	Passed according to the decision of the board of directors and announced after 2019 General Shareholders' Meeting, began to implement Procedures of the Acquisition or Disposal of Assets.
		3. Amend the Procedures of	Passed according to the decision of

	Engaging in Derivatives Transactions	the board of directors and announced after 2019 General Shareholders' Meeting, began to implement Procedures of Engaging in Derivatives Transactions.
	4. Release the newly-elected Directors and its representative from non-competition restrictions	Implement the resolution after 2019 General Shareholders' Meeting.

2. Major Resolutions of board of directors of fiscal year 2019 and up to April 12th, 2020:

Meeting Date	Major Resolutions	Execution Status
The 22 nd meeting of the 4 th Board of Directors January 17 th , 2019	1. To conduct approval of banking facilities for the Company	Implement the resolution.
	2. Annual operation plan of 2019	Implement the resolution.
	3. Decide to pass the year-end bonus plan of senior managers	Implement the resolution.
The 23 rd meeting of the 4 th Board of Directors February 20, 2019	1. 2018 consolidated financial statements and operation report (Note)	It has been disclosure on MOPS on March 29 th , 2019 and submitted to authority on April 1 st , 2019; it has been approved after 2019 General Shareholders' Meeting.
	2. The distribution of employees' and directors' compensation of 2018 (Note)	It has been disclosure on MOPS on February 20 th , 2019; and it has been reported to the shareholders in the 2019 General Shareholders' Meeting.
	3. Proposal for 2018 profit distribution (Note)	It has been disclosure on MOPS on February 20 th , 2019; and it has been admitted in the 2019 General Shareholders' Meeting.
	4. Plan to pass 2018 internal control system validity assessment and issue statement (Note)	Compiled in the annual report according to regulations.
	5. Independent assessment plan of certifying CPA in 2018 (Note)	According to the evaluation results in 2018, Kuo, Tzu-Jung Accountant and Kuo, Cheng-Hung Accountant of Deloitte & Touche can accord with the company's independence and eligibility evaluation criteria.
	6. Decide to change the certifying CPA of financial report (Note)	It has been disclosure on MOPS on February 20 th , 2019.
	7. Amend the Amended and Restated Memorandum of Association and Articles of Association	It has been approved by the board of directors and it has been approved in the 2019 General Shareholders' Meeting.
	8. Amend the Procedures of the Acquisition or Disposal of Assets (Note)	It has been approved by the board of directors and also has been approved in the 2019 General Shareholders' Meeting.
	9. Amend the Procedures of Engaging in Derivatives Transactions (Note)	It has been approved by the board of directors and also has been approved in the 2019 General Shareholders' Meeting.
	10. Re-election of directors	It has been approved by the board of directors and the 5 th board of directors has been elected in the 2019 General Shareholders' Meeting.
	11. The nominations and the review of directors and independent directors	It has been approved by the board of directors; and the list of nominees has been disclosure on MOPS.
	12. Release the newly-elected Directors and its representative from non-competition restrictions	It has been approved by the board of directors and also has been approved in the 2019 General Shareholders' Meeting.
	13. Convene the 2019 General Shareholders' Meeting, the date, location and agenda for	It has been disclosure on MOPS.

Meeting Date	Major Resolutions	Execution Status
	the meeting	
	14. Affairs related to nominated directors/ /Independent Director by the 2019 General Shareholders' Meeting	It has been disclosure on MOPS.
	15. The matters related to the shareholders' proposal for the 2019 General Shareholders' Meeting	It has been disclosure on MOPS.
	16. The profit and loss and capital reserve of TPK Touch Solutions Inc. (Note)	Implement the resolution.
	17. The dissolution of TPK Asia Pacific Sdn. Bhd. (Note)	Assessing the book value of the company
	18. The cancellation of registration of Upper Year Holdings Limited Hong Kong Branch (Note)	Implement the resolution.
	19. Endorsement of TPK Touch Solutions (Xiamen) Inc. to TPK Universal Solutions Limited (Note)	Resolution was passed; the Board of Directors is authorized to proceed with the extension of the endorsement on February 21st, 2020.
The 24 th meeting of the 4 th Board of Directors May 13 th , 2019	1. To conduct approval of banking facilities for the Company	Implement the resolution.
	2. Amend the use of Seal policy (Note)	Implement the resolution.
	3. Amend the Procedures of the Internal Control System (Note)	Implement the resolution.
	4. Amend the Enforcement Rules of the Internal Audit (Note)	Implement the resolution.
The 1 st meeting of the 5 th Board of Directors May 28 th , 2019	1. Appointment of the members of the 4 th Compensation committee	Appointed Horng-Yan Chang 、Fong-Nien Chiang 、Ming-Jeng Weng to be the 4 th commissioners of Remuneration Committee.
	2. TPK Touch Solutions (Xiamen) acquires shares of Xiamen Jan Jia Optoelectronics Co., Ltd.	Implement the resolution.
	3. TPK Advanced Solutions Inc. plans to get Right-of-use Asset of operation equipment from unrelated party (Note)	Implement the resolution.
	4. The loans of TPK Universal Solutions Limited to the Company (Note)	No actual action toward this means has been taken yet as of the publication date of the Annual Report.
The 2 nd meeting of the 5 th Board of Directors August 13 th , 2019	1. To conduct approval of banking facilities for the Company	Implement the resolution.
	2. 2018 Independent Directors' remuneration	Implement the resolution.
	3. Decide to pass the promotion and salary adjustment plan of senior managers	Implement the resolution.
	4. TPK Advanced Solutions Inc. capitalized the retained earnings (Note)	Implement the resolution.
The 3 rd meeting of the 5 th Board of Directors November 12 th , 2019	1. To formulate 2020 "Annual Auditing Plan" (Note)	Implement the resolution and it has been disclosure on MOPS.
	2. TPK Touch Solutions Inc. capitalized the retained earnings (Note)	Implement the resolution.
	3. TPK Universal Solutions Limited acquires Wise Road Industry Investment Fund I, L.P. Private Equity Fund (Note)	Implement the resolution.
	4. To establish subsidiary in the Cayman Islands (Note)	Implement the resolution.
The 4 th meeting of the 5 th Board of Directors	1. 2019 consolidated financial statements and operation report (Note)	It has been disclosure on MOPS on March 30 th , 2020 and submitted to authority on March 31 st , 2020; and it has been listed on the agenda of 2020 General Shareholders' Meeting as

Meeting Date	Major Resolutions	Execution Status
February 21 st , 2020		Matters for Approval.
	2. The distribution of employees' and directors' compensations of 2019 (Note)	It has been disclosed on MOPS on February 21 st , 2020 and it has been listed on the agenda of 2020 General Shareholders' Meeting as Matters to Report.
	3. Proposal for 2019 profit distribution (Note)	It has been disclosed on MOPS on February 21 st , 2020 and it has been listed on the agenda of 2020 General Shareholders' Meeting as Matters for Approval.
	4. Plan to pass 2019 internal control system validity assessment and issue statement (Note)	Compiled in the annual report according to regulations.
	5. Independent assessment plan of certifying CPA in 2019 (Note)	According to the evaluation results in 2019, Kuo, Tzu-Jung Accountant and Chuang, Pe-Yu Accountant of Deloitte & Touche can accord with the company's independence and eligibility evaluation criteria.
	6. Annual operation plan of 2020	Implement the resolution.
	7. Amend the Amended and Restated Memorandum of Association and Articles of Association	It has been approved by the board of directors and it has been listed on the agenda of 2020 General Shareholders' Meeting as Matters for Discussion.
	8. Amend the Regulations Governing the Loaning of Funds to Others	It has been approved by the board of directors and it has been listed on the agenda of 2020 General Shareholders' Meeting as Matters for Discussion.
	9. Amend the Rules of Shareholders' Meeting Procedures	It has been approved by the board of directors and it has been listed on the agenda of 2020 General Shareholders' Meeting as Matters for Discussion.
	10. Amend the Rules of Board Meeting Procedures	It has been approved by the board of directors and it has been listed on the agenda of 2020 General Shareholders' Meeting as Matters to Report.
	11. Amend the Charter for the Audit Committee	Implement the resolution.
	12. Convene the 2020 General Shareholders' Meeting, the date, location and agenda for the meeting	It has been disclosed on MOPS.
	13. The matters related to the shareholders' proposal for the 2020 General Shareholders' Meeting	It has been disclosed on MOPS.
	14. Appointment of Chief Financial Officer	It has been disclosed on MOPS on February 21 st , 2020.
	15. Endorsement of Xiamen Jan Jia Optoelectronics Co., Ltd. to Jan Jia Trading Company Limited (Note)	No actual action toward this means has been taken yet as of the publication date of the Annual Report.
	16. The extension endorsement of TPK Touch Solutions (Xiamen) Inc. to TPK Universal Solutions Limited. extension (Note)	No actual action toward this means has been taken yet as of the publication date of the Annual Report.
	17. To conduct approval of banking facilities for the Company	Implement the resolution.

Note: Matters included in Article 14-5 of the Securities and Exchange Act.

(12) Major dissenting comments among directors over board meeting resolutions for fiscal year 2019 and up to the publication date of this annual report: None

- (13) In the most recent year and up to the date of publication of the annual report, Resignation or Dismissal of the Company related persons (include Chairman, President, Accounting Supervisor, CFO, Internal Audit Supervisor, Corporate Governance Supervisor and R&D Supervisor):

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
CFO	Jong-Yih Chen	2017.09.01	2020.02.21	Personal reasons

5. Information on CPA Professional Fees

CPA Professional Fees by Fee Range

Accounting Firm	Name of CPA		CPA's Audit Period	Remark
Deloitte & Touche	Tzu-Jung Kuo	Pe-Yu Chuang	01/01/2019-12/31/2019	—

Unit : NT\$ thousands

Fee Range	Item	Audit Fee	Non-audit Fee	Total
1	Less than NT\$ 2,000 thousands	—	—	—
2	NT\$ 2,000 thousands to NT\$ 4,000 thousands	—	—	—
3	NT\$ 4,000 thousands to NT\$ 6,000 thousands	—	5,618	—
4	NT\$ 6,000 thousands to NT\$ 8,000 thousands	—	—	—
5	NT\$ 8,000 thousands to NT\$ 10,000 thousands	—	—	—
6	More than NT\$ 10,000 thousands	13,200	—	18,818

The Company shall disclose CPA professional fees if given any one of the following conditions:

- (1). Non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliates of such accounting firm are one quarter or more of the audit fees paid thereto:

Information on CPA Professional Fees

Amount Unit : NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					CPA's Audit Period	Remark
			System Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Tzu-Jung Kuo	13,200	—	2,320	—	3,298	5,618	01/01/2019-12/31/2019	Non-audit fees, "Others" mainly includes fees paid for services to prepare transfer pricing report, tax filing and paper processing.
	Pe-Yu Chuang								

- (2). The company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year : Not applicable.
- (3). Audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more : Not applicable.

6. Information on Replacement of CPA:

- (1). Former CPAs : None.
- (2). Sucessor CPAs : None.
- (3). The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 to the Regulations Governing Information to be Published in Annual Reports of Public Companies : None.

7. Audit Independence :

TPK's Chairman, CEO, CFO, and Managers in Charge of Its Finance and Accounting Operations Did Not Hold Any Positions within the Accounting Firm or Its Affiliates of TPK's CPA in the Most Recent Year.

8. 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	2019		Current year (2020) as of April 12, 2020	
		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	—	—	—	—
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	(323)	—	—	—
Independent Director	Fong-Nien Chiang	—	—	—	—
President	Li-Chien Hsieh	—	—	—	—
Senior Vice President	Heng-Yao Chang(Note1)	—	—	—	—
Senior Vice President	Tsung-Liang Tsai	—	—	—	—
Senior Vice President	Shih-Ming Liu	—	—	—	—
Senior Vice President	Freddie Liu	—	—	—	—
Senior Vice President	Ming-Chung Chuang	—	—	—	—
Vice President	Jen-I Tai	—	—	—	—
Vice President	Yu-Sheng Kai	—	—	—	—
Vice President	Pei-Ching Tsai (Note2)			6,000	
Vice President	Jong-Yih Chen(Note3)	—	—	—	—
Accountant Officer	Hu-Yao Lin	—	—	—	—

Note 1: Resigned on May 31, 2019

Note 2: Appointed of Financial Executive on February 21, 2020.

Note 3: Discharged of Financial Executive on February 21, 2020, and resigned on February 29, 2020.

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

9. Information on relationships among the Top 10 Shareholders

April 12, 2020; 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
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	6,758,313	1.66%	—	—	—	—	—	—
Cai-Pan Wu	5,143,000	1.26%						
Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds	4,826,018	1.19%	—	—	—	—	—	—
Norges Bank	4,646,806	1.14%	—	—	—	—	—	—
Hsbc Bank Plc – IB Asian SBL	3,582,994	0.88%	—	—	—	—	—	—
Emerging Markets Core Equity Portfolio Of DFA Investment Dimensions Group Inc.	3,097,000	0.76%	—	—	—	—	—	—

10. The Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

As of December 31, 2019; Unit: Share; %

Long-term Investment(Note 1)	Ownership by TPK		Ownership by Directors, Supervisors, Managers and Directly/Indirectly Controlled Subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
TPK Touch Solutions Inc.	50,717,000	100.00%	—	—	50,717,000	100.00%
Cando Corporation	77,124,591	19.78%	—	—	77,124,591	19.78%
TPK Touch Solutions (Xiamen) Inc.	Note 2	100.00%	—	—	Note 2	100.00%
TPK Lens Solutions Inc.	Note 2	100.00%	—	—	Note 2	100.00%
TPK Touch Systems (Xiamen) Inc.	Note 2	100.00%	—	—	Note 2	100.00%
Ray-Star Optical Solutions (Xiamen) Inc.	Note 2	100.00%	—	—	Note 2	100.00%
TPK Glass Solutions (Xiamen) Inc.	Note 2	100.00%	—	—	Note 2	100.00%
XiaMen Jan Jia Optoelectronics Co., Ltd.	Note 2	100.00%	—	—	Note 2	100.00%
TPK Film Solutions (Xiamen) Inc.	Note 2 & 4	100.00%	—	—	Note 2 & 4	100.00%
TPK MasTouch Solutions (Xiamen) Inc.	Note 2	100.00%	—	—	Note 2	100.00%
TPK Touch Solutions (Pingtan) Inc.	Note 2	100.00%	—	—	Note 2	100.00%
TPK Material Solutions Inc.	Note 2	100.00%	—	—	Note 2	100.00%
TPK Advanced Solutions Inc.	Note 2	100.00%	—	—	Note 2	100.00%
TPK Chengi (Mainland) Solutions Inc.	Note 2	100.00%	—	—	Note 2	100.00%
TPK Material Solutions (Xiamen) Inc.	Note 2 & 3	100.00%	—	—	Note 2 & 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 2	100.00%	—	—	Note 2	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	100.00%	—	—	18,000,000	100.00%
Jan Jia Trading Company Limited	500,000(Note 4)	100.00%	—	—	500,000(Note 4)	100.00%

Note 1 : Invested by Equity Method

Note 2 : These firms do not issue shares. TPK's investment is measured as a percentage of ownership.

Note 3 : TPK had set up TPK Materials Solution (Xiamen) Inc. ("TPKMT") from TPK Universal Solutions Limited in October 2018, and a capital was invested in TPKMT in 2019

Note 4 : TPK acquired the remaining 49% ownership from external shareholders of XiaMen Jan Jia Optoelectronics Co., Ltd. ("TPKJ") in June 2019. After the acquisition, the proportion of ownership in TPKJ increased from 51% to 100%, the proportion of ownership in Jan Jia Trading Company Limited as well as increased from 51% to 100%.

IV. Capital Overview

1. Capital and Shares

(1). Source of share capital

1. Capital formation

Unit : NT\$ thousands/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 April 12, 2020

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

(2) Composition of shareholders

April 12, 2020; share; %

Composition of shareholders Quantity	Government entity	Financial institutions	Other judicial persons	Foreign entities and individuals	Individuals	Total
Shareholders	1	0	96	284	44,107	44,488
Shareholding (shares)	412,000	0	3,843, 632	166,617,999	235,790,128	406,663,759
Ratio of shareholding	0.1%	0%	0.94%	40.96%	58%	100.00%

Note 1: Shares held by China's ownership is 0.003%.

(3) Distribution Profile of Share Ownership

1. Common Share: NT\$10 par value

April 12, 2020; Unit: share/NT\$10 par value

Shareholding scale	Number of shareholders	Number of shares held	Percentage of shareholding
1 ~ 999	1,956	409,581	0.1%
1,000 ~ 5,000	33,679	70,479,527	17.33%
5,001 ~ 10,000	4,758	37,366,339	9.19%
10,001 ~ 15,000	1,430	18,536,193	4.56%
15,001 ~ 20,000	865	16,037,973	3.94%
20,001 ~ 30,000	714	18,487,306	4.55%
30,001 ~ 40,000	297	10,720,410	2.64%
40,001 ~ 50,000	193	9,005,797	2.21%
50,001 ~ 100,000	342	24,330,408	5.98%
100,001 ~ 200,000	130	17,721,567	4.36%
200,001 ~ 400,000	57	15,860,613	3.9%
400,001 ~ 600,000	21	9,978,757	2.45%
600,001 ~ 800,000	9	6,215,000	1.53%
800,001 ~ 1,000,000	8	7,126,922	1.75%
More than 1,000,001	29	144,387,366	35.51%
Total	44,488	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 (Top 10 shareholders):

April 12, 2020; shares

Number of shares Names of major shareholders	Shareholding (Shares)	Percentage
Max Gain Management Limited	25,222,643	6.20%
Capable Way Investments Limited	23,139,855	5.69%
Michael Chao-Juei Chiang	17,720,401	4.36%
High Focus Holdings Limited	13,273,610	3.26%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	6,758,313	1.66%
Cai-Pan Wu	5,143,000	1.26%
Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds	4,826,018	1.19%
Norges Bank	4,646,806	1.14%
Hsbc Bank Plc - IB Asian SBL	3,582,994	0.88%
Emerging Markets Core Equity Portfolio Of DFA Investment Dimensions Group Inc.	3,097,000	0.76%

(5) Market Price, Net Worth, Earnings, and Dividends per Common Share

Unit: NT\$/thousand shares

Item		Year	2018	2019
Market Price Per Share	Highest		105.00	69.70
	Lowest		43.50	45.55
	Average		62.97	55.21
Net Worth Per Share	Before Distribution		90.72	88.94
	After Distribution		90.72	88.94(Note 1)
Earnings Per Share	Weighted Average Shares		406,720	406,717
	Diluted Earnings Per Share		0.55	0.51
Dividends Per Share (Note 6)	Cash Dividends		—	— (Note 1)
	Stock Dividend Distribution	From Retained Earnings	—	— (Note 1)
		From Capital Reserve	—	— (Note 1)
	Accumulated Undistributed Dividend (Note 2)		—	—
Return on Investment	Price/Earnings Ratio (Note 3)		114.49	107.50
	Price/Dividend Ratio (Note 4)		—	(Note 1)
	Cash Dividend Yield (Note 5)		—	(Note 1)

Note 1 : Pending the shareholders' meeting approval.

Note 2 : If the undistributed dividends for current year will be accumulated and distributed on next profit year in accordance with terms of Securities Issuance, accumulated unpaid dividends at the end of the year shall be disclosed.

Note 3 : Price/Earnings Ratio = Average Market Price/ Diluted Earnings Per Share

Note 4 : Price/Dividend Ratio = Average Market Price/Cash Dividends Per Share

Note 5 : Cash Dividend Yield = Cash Dividends Per Share/Average Market Price

Note 6 : Dividends Per Share are approved by the Members by a resolution adopted at next general meeting.

(6) TPK's Dividend Policy and Implementation

1. Dividend Policy in Company's Articles of Incorporation :

Under the Company's Article 34.1 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 shareholders' meeting. While distributing any profit, the net profit after income tax 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. 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 are 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. The Company may decide not to distribute any Dividends (including cash dividends or stock dividends) if the Distributable Profits in a Given Year is less than 10% of the Paid-in Capital at the end of the relevant financial year.

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 shareholders' meeting resolved to amend appropriation of earnings in the Articles and set up the policies on the distribution of employees' compensation.

2. Proposal to Distribute 2019 Earnings

As resolved by TPK's Board of Directors on February 21, 2020, a proposal for 2019 earnings distribution was passed. This proposal will be discussed at the shareholders' meeting.

(7) Effect Upon Business Performance and Earnings Per Share of Any Stock Dividend Distribution Proposed or Adopted at The Most Recent Shareholders' Meeting :

Not applicable.

(8) Compensation to Directors and Employees

1. The percentages or ranges with respect to employee and director compensation, as set forth in the company's articles of incorporation

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.

2. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of any discrepancy between the actual distributed amount and the

estimated figure, for the current period :

(1) The basis for estimating the amount of employee and director compensation in 2019 :

⌚The basis for estimating employee compensation : The net profit before income tax should be retained for offsetting the amount of losses of previous years, and the remuneration is in accordance with the distribution percentage under the Articles.

⌚The basis for estimating director compensation : Not applicable.

(2) The basis for calculating the number of shares to be distributed as employee compensation : Not applicable.

(3)The accounting treatment of any discrepancy between the actual distributed amount and the estimated figure : 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.

3. Information on approval by the Board of Directors of distribution of compensation

(1)2019 director and employee compensation were approved by the Board of Directors at its meeting on February 21, 2020.

Employee Compensation (Cash) : US\$ 100,000.

Director Compensation : None.

(2)The amount of employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of after-tax net income in 2019 and total employee compensation : Not applicable.

4. The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated

(1)2018 director and employee compensation

Employee Compensation (Cash) : US\$ 100,000.

Director Compensation : None.

(2)The discrepancy between the above amount and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated : None.

(9) Company shares purchased by this company itself: None.

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 (processing) date	October 1, 2012	April 8, 2015	September 8, 2017
Items			
Issuing (processing) 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 Number 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 Number 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 based on the original units held according to depository deeds and relevant laws; or the institution can</p>		

		<p>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	N/A
Depository institution		Citibank, N.A.	Citibank, N.A.	Citibank, N.A.
Custodian		Citibank Taiwan Limited	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)	2019	Highest	2.22	
		Lowest	1.51	
		Average	1.788	
	From this year (2020) to April 12, 2020	Highest	1.92	
		Lowest	1.04	
		Average	1.489	

5. Employees stock options:

(1) Information of employee stock option

April 12, 2020; unit: Share/NT\$

Type of employee stock option certificate	First employee stock option in 2010	First employee stock option in 2014
Approval date of declaration	July 27, 2010 (Note 1)	December 1, 2014
Issuance Date	May 1, 2010	November 5, 2015
Duration	10	5
Number of issuing units	9,000 units	10,000 units
Ratio of subscribed shares to the total amount of issued shares (%)	2.21%	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
Method of performance	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
Implemented subscription No.	8,050	30
Implemented subscription amount	912,343	3,000
Number of shares not executed	93	5,570
Subscription price per share for those who do not implement subscription	94.2	100
Ratio of non-subscribed shares to total issued shares (%)	0.02%	1.37%
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

Note 1: Public release day of this company.

Note 2: 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:

None.

(3) List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

April 12, 2020; 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	3,156	0.78%	1,640	136.2 100.2 96.7 94.8	182,459	0.40%	1,516	100	151,600	0.37%
	President	Li-Chien Hsieh										
	Senior Vice President	Tsung-Liang Tsai										
	Senior Vice President	Shih-Ming Liu										
	Senior Vice President	Freddie Liu										
	Senior Vice President	Ming-Chung Chuang										
	Senior Vice President	Jen-I Tai										
	Vice President	Yu-Sheng Kai										
	Vice President	Pei-Ching Tsai (Note 2)										
	Accountant Officer	Hu-Yao Lin										
	Senior Vice President	Heng-Yao Chang (Note 2)										
	Vice President	Jong-Yih Chen (Note 2)										

	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
Employee (Note 1)	Employee	Jien-Hsun Wang (resignation)	1,524	0.37%	616	136.2 100.2 96.7 94.8	68,264	0.15%	908	94.2 100	90,684	0.22%
		Te-Chuan Yeh										
		Kuang-Ta Huang (resignation)										
		Chun-Min Hu										
		Chun-An Wei										
		Chung-Chen Hsieh										
		Sheng-Pin Su										
		Yu-Chia Lin										
		Kwan-Sin Ho										
		Chih-Sheng Wang										

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

Note 2: Pei-Ching Tsai appointed of Financial Executive on February 21, 2020. Heng-Yao Chang resigned on May 31, 2019. Jong-Yih Chen discharged of Financial Executive on February 21, 2020, and resigned on February 29, 2020.

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: None.
7. Merger or issuance of new shares from other companies: None.
8. Implementation of Capital Allocation Plans:
 - (1) Description of Plans
 - 1.Uncompleted public issue or private placement of securities : None.
 - 2.Issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits : None.
 - (2) Status of Implementation : Not applicable.

V. Business Overview

1. Company Operation

(1) Business Category

1. Business Scope

(1) Major business contents

The company's major business includes research and development, production and sales of touch modules, touch module total solutions and ITO glasses.

(2) Major products and percentage of sales

Unit : NT\$ thousands; %

Major Products	2017		2018		2019	
	Amount	%	Amount	%	Amount	%
Touch module	105,542,553	98.45	110,569,755	97.43	126,099,353	92.31
Others	1,665,929	1.55	2,911,753	2.57	10,507,342	7.69
Total	107,208,482	100.00	113,481,508	100.00	136,606,695	100.00

(3) Current Products

The company provides customers solutions to all kinds of sizes of touch modules, and provides laminations of precise components. The major end-products of the company's touch solutions are as follows:

1. Below 7-inch: Wearable device, e-Reader, smart phone.
2. Above 7-inch (include) and below 11-inch: Tablet.
3. Above 11-inch (include) and below 16-inch: Large-sized tablet, 2-in-1 PC, notebook PC.
4. Above 16-inch (include): All-in-One PC, automotive control control 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 extraordinary functions with thinner and lighter designs.
2. Expand touch solutions to more diversified scopes of applications and enter into more brand-new end-product markets.
3. Provide customers with more advanced lamination services by customizing product designs.
4. Expand the innovative touch materials for new applications, such as flexible and super larger-sized touch solutions. Meanwhile, we strive to evolve new business models to enhance the company's value in the supply chain.

2. Industry overview

(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 end demand growth rate has slowed down as well as the saturation of touch product penetration, and many manufactures have quit the touch industry market due to tough market environment. Therefore, the overall supply and demand of touch industry has gradually gone back to the stable and healthy status.

2. Touch product application scope continues to expand

In recent years, touch products are widely applied to mobile electronic devices such as smart phones, e-Readers, tablets and wearable products. Touch has become the interface that customers get used to. A variety of innovative touch application has been launched one after the other, such as interactive whiteboards for meeting room or for education, home electronics, POS and slot machine.

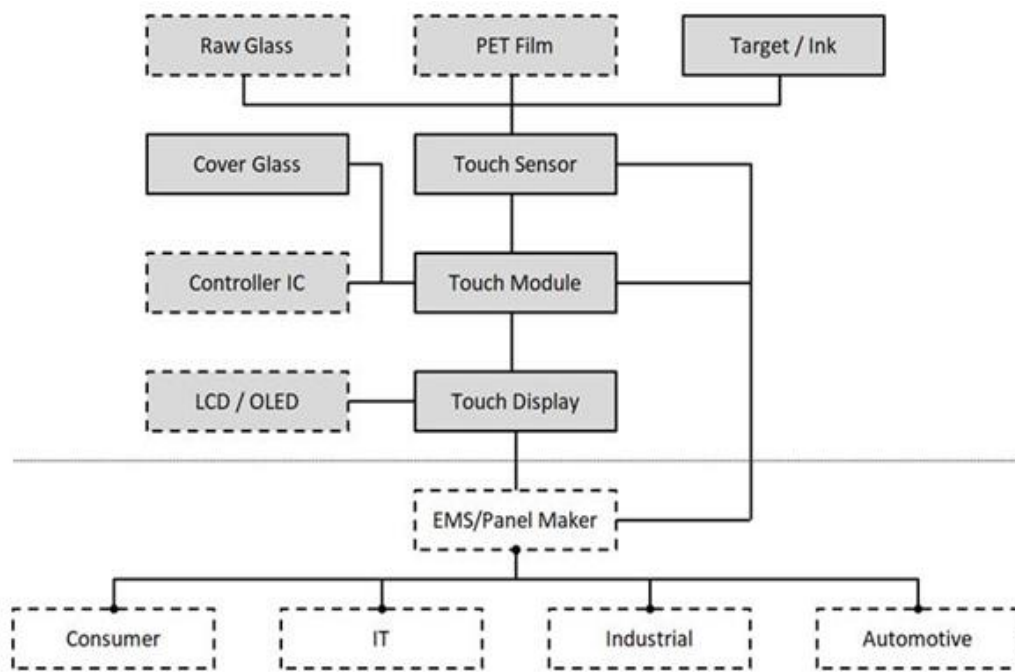
3. Flexible touch will be the next generation trend

Consumer electronics has been in the mature stage of the development. The worldwide main brand companies struggle to increase the sales and stimulate the demand by seeking for breakthrough in terms of product design, product spec and customers' user habit. As the high speed internet progresses, consumers will rely more on their mobile devices. Furthermore, bigger size devices and foldable / flexible mobile device products will be the main stream and will lead the industry to move toward the next generation.

(2) Industry supply chain

TPK provides total solutions of projected capacitive touch. The company is positioned in the mid-downstream of the supply chain. Upstream manufacturers include material suppliers, such as glass substrate, chemical material, Silver nanowire ink and PET film. Midstream manufacturers include suppliers of touch sensors (ITO film, SNW film and ITO glass), Flex, and control IC. Mid-downstream manufacturers include supplier of LCD panel, OLED panel and cover glass. Down stream manufacturers are system integration.

TPK possesses the technology of ITO and SNW coating technology, yellow etching, laser printing, cutting, lamination for flex, cover glass and panels. In the meantime, we provide the services of glass strengthening, surface coating and cutting. The company could provide total solutions for customers in order to enhance the production efficiency and shorten the leadtime for the new products to go mass production from product design, so that we could face the challenges of the fast changing industry and shortening product life cycle. The touch industry supply chain is shown as follows:



(3) The trends of product development

As the touch technology has become mature, there are different structures for touch sensors, including G/G, P/F/F, G/F/F, G1F, G/F, OGS and TOL. After the integration of touch technology, every technology and sensor structure has its own place in the market. The company could provide customized touch solutions and product designs based on the electronic products' characteristics and customers' products market segment. Therefore, we can optimize the market price and production efficiency by providing different touch solutions to meet customers' requests for their high, mid and low end products respectively.

In the near future, the flexible touch products 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 consumer electronic product manufacturers demonstrate their interest in flexible touch products. It is certain that once these flexible touch products are launched to the market, it can lead the industry to the next peak.

(4) Competition

After rapid growth and market integration, the touch industry steps into stable development in recent years. The oversupply situation, causing by manufacturers entered the industry and expanded their capacity at the same time due to explosive growth rate of market demand, has been improved after some manufacturers has been eliminated from the severe competition.

Moreover, upstream manufacturers and downstream manufacturers tend to form a partnership with each other when developing new technologies and expanding the capacity. It totally shifts the strategy of the industry from competing on the price by increasing the capacity. On the other hand, customers were experiencing consolidation as well. Some of the customers either exited the market or were

merged by others because their products were not attractive to the consumers, and turned out to be failure. As the supply and demand of touch industry has become stable, there is no abnormal profit, meaning no incentive for new entrants. “The big one get bigger” and “Winner takes all” will remain unchanged.

Our company is known for leading technology and extraordinary production integration ability in this industry. As the stable development of the touch industry, the company will continue to concentrate on the development and promotion of new materials, silver nanowire, customer services, product development and innovative technology. In addition, we will continue to optimize the production process to maintain our leading position in the touch industry and improve overall benefits.

3. Overview of touch technology and research & development

(1) TPK’s technology and research development

As a touch technology leading application manufacturer, the company provides a variety of projected capacitive touch solutions, and plays an important role in the touch industry development. The company mainly concentrates on development of self-owned technology, and at the same time, continues to cooperate with worldwide 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 the worldwide customers.

The company focuses on various touch technology, applications and vertical integrated production. The screen sizes range from 1 inch to 100 inch, of which include wearable devices, smart phones, DSC, PND, PMP, hand-held game consoles, eReaders, tablets, notebooks, AIO PCs, screens of entertainment system in automobile 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. The mobile electronic devices are still the mainstream of touch applications, and we believe foldable or flexible product design will be the next generation trend. However, ITO, the material adopting by traditional touch solutions, is not able to be foldable / flexible. Hence, TPK has devoted itself to the innovation of new material and new manufacturing process at the request of foldable devices in the future.

(3) R&D costs of recent year (2019) and year 2020 as of March 31, 2020

Unit : NT\$ thousands

Year	2019	March 31, 2020
R&D Expenditure	1,124,585	197,124
Net revenue	136,606,695	28,191,732
% to net revenue (%)	0.82%	0.70%

(2) Developed technology or product

Developed technology or product	Important Application	Manufacturing Process
1. Process of double-sided ITO projected capacitive touch sensor and double-sided photolithography	Smart phone, GPS, and eReader etc.	Double-sided ITO coating, double-sided ITO sensing, circuit structure etching, conductive metal coating, metal wire etching, protective layer coating and photolithography, laser cutting
2. Process of single-sided ITO projected capacitive touch sensor and single-sided photolithography	Smart phone, GPS, and eReader etc.	Single-sided ITO coating, ITO sensing circuit structure etching, insulating layer coating and yellow light forming, conductive metal coating, metal wire etching, protective layer coating and photolithography, laser cutting
3. Pressing technology of projected capacitive touch sensor and double-sided flexible circuit board (FPC)	Smart phone, GPS, and eReader etc.	Positive anisotropic conductive adhesive (ACF) attachment, front FPC fit, back ACF attachment, back FPC fit, double-sided hot pressing
4. Lamination technology of projected 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	Manufactureing process of cover glass: Glass touch grinding and polishing, cleaning polishing powder and crushing, chemical strengthening, cleaning and residual, and then decorative ink printing
6. Full-screen 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 to make thinner and lighter mobile phone and tablets	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 make thinner and lighter mobile phone and tablets	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 photolithography equipment and the process. After completion, the single piece of six-sided reinforced touch glass is removed.
9. Silver nanowire borderless touch module	Borderless design touch interface of hand-held device	Silver nanowire bendable signal line, curved surface lamination technology, higher wire width and line spacing resolution, up to 12/12um, and can hide the signal line to the back
10. Writable silver nanowire touch module	In addition to the original finger-sensing capacitive touch sensor, the sensor has developed a more sensitive pen-writing sensor to meet the user's habits.	Low-resistance transparent silver nanowire for higher touch resolution, from centimeters (cm) to millimeters (mm)
11. Manufacturing of high resolution, low visibility silver nanowire photolithography process technology	Smart phones, tablets, e-Readers, etc.	Silver nanowire patterning process. Improve the silver nanowire spacing pattern through the photolithography process, while matching the pattern design to reduce the visibility of the pattern
12. Thin film capacitive silver nanowire 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 silver nanowire projected capacitive touch sensor structure, and the thickness is reduced by more than 65%.
13. Roll-to-roll single-sided silver nanowire film	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 notebooks, 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. Super large sized automatic silver nanowire touch module	Interactive education whiteboard, electronic whiteboard of meeting room, public displayer	The full-surface surface-treated glass cover and the silver nanowire film are patterned to form a sensing layer that fits perfectly into the super large sized 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, notebook	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 for pen writing)	Tablet, notebook	PET double-coated SNW, sensing circuit structure etching, conductive metal printing, molding, FPC Bonding, Display bonding

25. Display for automotive	Display devices in automotive	Provide more solutions with adjusted coating condition and special black ink to make the product design more beautiful
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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 enhancing economic scale and optimizing manufacturing 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. Sales breakdown by area

Unit : NT\$ thousands

Area	2018		2019	
	Amount	(%)	Amount	(%)
America	50,306,792	44.33	64,716,789	47.38
Asia	26,503,807	23.36	38,608,349	28.26
Other	36,670,909	32.31	33,281,557	24.36
Total	113,481,508	100.00	136,606,695	100.00

2. Future supply and demand of the market and the market 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, in the aspect of hand-held devices, owing to the slowing down growth rate of end-demand of the electronic consumer devices, and fewer and fewer differences between new launched and existed products, the consumer electronic products life cycle has become longer. Hence, the brand name customers has tried their best to innovate next generation product to stimulate the replacement cycle. In the aspect of new application, such as bigger sized tablets and super-large sized interactive whiteboard, though the addressable market is relatively smaller, the demand could remain growing in the future.

As for current technology development, OLED technology has become mature and more and more foldable/flexible related manufacturers have started to make the effort to develop the next generation product. From the technology development trend, it's obvious that the foldable/flexible market has started booming. We believe the foldable/flexible products could bring another growing motivation for the industry once the technology becomes more mature and the related applications is completed.

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

The 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 tablets, 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 super large sized 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. Possess key materials and technology for next-generation flexible touch solution

According to the prediction of market trend, since flexible products has been launched by few brand name companies, and many manufacturers has started to provide foldable/flexible related product designs, the whole new foldable/flexible products could stimulate the stagnation market of smartphones and tablets. TPK has started to develop SNW material for many years, and possessed key material and technology. We look forward to co-develop the representative next generation product with our customers, and set up the main stream spec of foldable/flexible touch products for the industry.

(2) Weaknesses

1. High market concentration

Projected capacitive technology is mainly adopted in smart phones and tablets, so the market growth of smart phones and tablets 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 cameras, notebooks, 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 growth rate of end demand market has slowed down, some manufacturers has started to integrate their business to up/down –stream of the supply chain in order to provide customers with more services..

Countermeasures:

A. Continue to shorten the time-to-market and increase the yield rate

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.

B. Expand the scope of product content and services

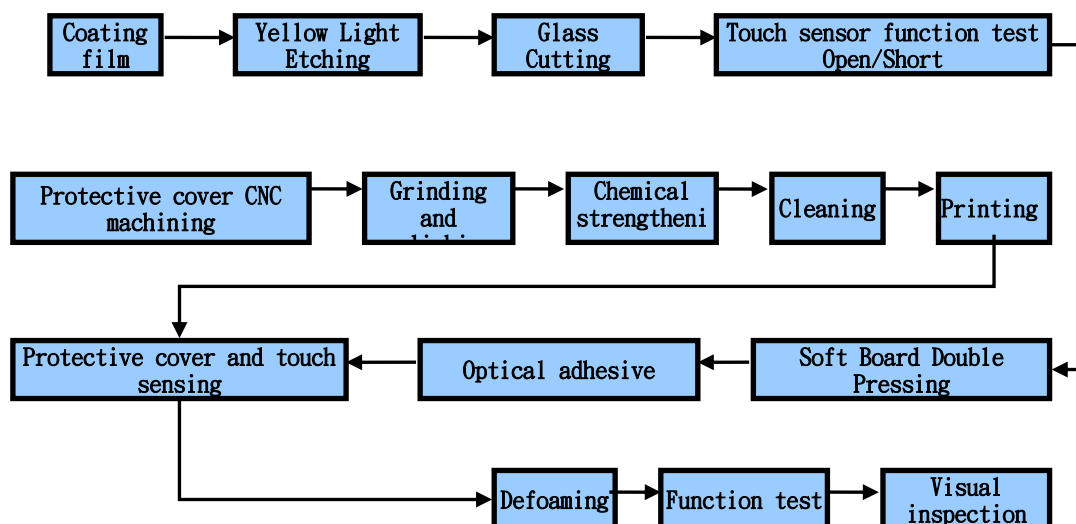
To fulfill the customers' requests, the company not only increase the quality of their services, but also expand the choices of solutions and services. Meanwhile, the company could help the customers to enhance the production efficiency and increase the company's value-add of their products or services, so that the relationship with the customers could be closer.

(2). Purpose and production process of main products

1. Important purpose of major products

Company's products mainly apply in high-end smart phone, GPS, eReader, PMP, tablets, notebooks and AIO PC etc..

2. Manufacturing process of main products



(3). Major Raw Materials Supply

Raw Materials consist of Glass Substrate, Metal Sputtering Targets, FPC, Cover/Raw Glass, Conductive Adhesives, Protective Film, Optical Clear Adhesive, LCD/LCM and Touch Sensor, etc.

Major Raw Materials	Major Suppliers	Market Status
FPC	Company B, Fujikura	Stable
LCD / LCM	Company B, Company D, Prime	Stable
Cover / Raw Glass	Company B, Hon Hai, Corning	Stable

(4). Suppliers / Customers that Accounted for at Least 10% of Annual Consolidated Net Procurement / Net Revenue : A list of any suppliers and clients accounting for 10% or more of the company's total procurement (sales) amount in either of the recent 2 years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures. Where the company is prohibited by contract from revealing the name of a client, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

1. Suppliers in 2018 and 2019

Unit : NT\$ thousands

Item	2018				2019			
	Supplier	Procurement Amount	As % of 2018 Total Net Procurement	Relation to TPK	Supplier	Procurement Amount	As % of 2019 Total Net Procurement	Relation to TPK
1	Company B	42,955,426	44.72	None	Company B	47,531,717	42.93	None
2	Company D	10,818,610	11.26	None	Company D	16,675,694	15.06	None
3	Others	42,283,481	44.02	None	Others	46,506,539	42.01	None
	Total Net Procurement	96,057,517	100.00		Total Net Procurement	110,713,950	100.00	

Reason for Increase or Decrease : Due to production transition and revenue growth changes in 2019, the purchase was increased from Company B and Company D. The proportion of procurement was slight declined from Company B by the products application

transformation.

2. Customers in 2018 and 2019

Unit : NT\$ thousands

Item	2018				2019			
	Customer	Net Revenue	As % of 2018 Total Net Revenue	Relation to TPK	Customer	Net Revenue	As % of 2019 Total Net Revenue	Relation to TPK
1	Company B	65,745,659	57.94	None	Company B	78,278,744	57.30	None
2	Company C	18,025,433	15.88	None	Company C	16,985,308	12.43	None
3	Others	29,710,416	26.18	None	Others	41,342,643	30.27	None
	Total Net Revenue	113,481,508	100.00		Total Net Revenue	136,606,695	100.00	

Reason for Increase or Decrease : The sales proportion was declined from Company B and Company C but increased from Others by the touch products application transformation in 2019.

(5). Indication of Production Volume in 2018 and 2019

Unit : Thousand Pieces/NT\$ thousands

Major Products	2018			2019		
	Capacity	Output	Amount	Capacity	Output	Amount
Touch Modules	290,471	151,858	111,765,900	360,971	157,600	123,685,997
Others	2,184	2,306	3,746,125	10,932	4,730	10,853,144
Total	292,655	154,164	115,512,025	371,903	162,330	134,539,141

Reason for Increase or Decrease : The capacity increase was mainly due to adjustments for production line and products in 2019. The output and amount increase were mainly due to production line expansion for revenues growth in 2019.

Note 1 : Capacity includes the productivity by current equipments under normal operation after measuring necessary shutdown and holidays.

Note 2 : Combined the capacity units and described as supplementary information by the production substitutability of products.

(6). Indication of Volume of Units Sold in 2018 and 2019

Unit: Thousand Pieces /NT\$1000

Major Products	2018				2019			
	Domestic		Export		Domestic		Export	
	Unit	Net Revenue	Unit	Net Revenue	Unit	Net Revenue	Unit	Net Revenue
Touch Modules	60	42,856	149,612	110,526,899	9	5,952	162,125	126,093,401
Others	—	—	927	2,911,753	—	—	3,735	10,507,342
Total	60	42,856	150,539	113,438,652	9	5,952	165,860	136,600,743

Reason for Increase or Decrease : The units and revenue of partial products increase were mainly due to revenues growth in 2019.

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

Year		2018	2019	This year up to March 20, 2020
Number of employees	Manager	338	354	349
	R&D Personnel	565	578	570
	General employee	23,039	20,792	19,833
	Total	23,942	21,724	20,752
Average age		28.48	30.00	30.32
Average Seniority		2.1	2.68	2.8
Educational background	Doctor	0.11%	0.13%	0.13%
	Master	1.13%	1.23%	1.25%
	College	16.69%	16.80%	17.44%
	High School	28.29%	27.49%	27.89%
	Below High School	53.78%	54.35%	53.29%

4. Information of environment-oriented expenditures:

- (1) In the most recent year and up to the date of publication of the annual report, the losses suffered due to pollution of the environment (including compensation and environmental protection audit results that violate environmental protection laws and regulations, the date of punishment, the font size of the punishment, the provisions of the statute violation, the content of the statute violation, and the punishment Content): None.
- (2) Estimated amount and corresponding measures that may occur at present and in the future: Comply with government regulations and fulfill environmental protection responsibilities, and pay according to the actual situation.

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 Household)		People from Outsiders (not Xiamen Household)	
	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 average monthly basic monthly salary of employees in the previous year, the contribution base of Xiamen ’s employees is lower than 60% of the average salary of the province’s full-caliber urban employees this year, with 60% (RMB 3,234) as the payment base; % (RMB 16,168), according to the provincial social average salary 300% as the payment base.		According to the minimum monthly salary of Xiamen City as the payment base (from July 1 st , 2017 to December 31 st , 2019, the minimum monthly salary is RMB 1,700, and the minimum monthly salary from January 1 st , 2020 is RMB 1,800), where the medical insurance base is lower This year is 60% of the average monthly salary of the province’s full-caliber urban employees (RMB 3,234).	

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 $\times 1.3\% \times (\text{the average contribution index} + 0.25) \times \text{the cumulative payment period before June 30, 1997}$.
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) In the most recent year and up to the date of publication of the annual report, the company suffered losses due to labor disputes (including labor inspection results that violated the Labor Standards Law, and the date of punishment, the font size of the punishment, the provisions of the regulations, the content of the regulations and the content of the punishment should be listed: None.

(3) Present and future possible estimated amount and countermeasures: None.

6. Important Agreement:

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

VI. Financial Status

1. Condensed Balance Sheets, Statements of Comprehensive Income, Name of CPA and Auditors' Opinions for the Most Recent Five Years

(1) Condensed Balance Sheet

Unit : NT\$ thousands

Item \ Year		Financial Results from 2015 to 2019 (Note 1)				
		2015	2016	2017	2018	2019
Current Assets		61,033,689	40,881,064	44,680,077	45,539,413	51,661,338
Property, Plant and Equipment		48,030,343	40,744,104	32,994,649	33,237,605	25,417,590
Intangible Assets		177,116	129,151	92,372	111,225	95,834
Other Assets		5,810,192	5,733,244	5,211,214	5,079,362	8,318,355
Total Assets		115,227,724	87,683,387	82,978,312	83,967,605	85,493,117
Current Liabilities	Before Distribution	68,417,205	48,471,877	39,907,817	34,368,726	33,534,975
	After Distribution	68,417,205	48,471,877	41,127,808	34,368,726	33,534,975 (None 2)
Noncurrent Liabilities		15,283,941	9,799,311	5,899,876	12,357,170	15,789,432
Total Liabilities	Before Distribution	83,701,146	58,271,188	45,807,693	46,725,896	49,324,407
	After Distribution	83,701,146	58,271,188	47,027,684	46,725,896	49,324,407 (None 2)
Equity Attributable to Shareholders of the Parent		31,103,486	29,172,763	36,947,695	36,891,602	36,168,710
Capital Stock		3,516,318	3,466,338	4,066,638	4,066,638	4,066,638
Capital Surplus		21,483,184	21,537,232	28,073,650	28,146,706	28,162,570
Retained Earnings	Before Distribution	2,790,827	1,179,998	3,581,405	2,412,900	2,559,058
	After Distribution	2,790,827	1,179,998	2,361,414	2,412,900	2,559,058 (Note 2)
Other Equity		3,746,515	3,232,790	1,226,002	2,265,358	1,380,444
Treasury Shares		(433,358)	(243,595)	—	—	—
Non-Controlling Interests		423,092	239,436	222,924	350,107	—
Total Equity	Before Distribution	31,526,578	29,412,199	37,170,619	37,241,709	36,168,710
	After Distribution	31,526,578	29,412,199	35,950,628	37,241,709	36,168,710 (None 2)

Note 1 : The financial statements for 2015-2019 were audited by CPA.

Note 2 : Pending the shareholders' meeting approval.

(2) Condensed Statement of Comprehensive Income

Unit : NT\$ thousands (Except EPS: NT\$)

Item \ Year	Financial Results from 2015 to 2019 (Note)				
	2015	2016	2017	2018	2019
Net Revenue	121,363,612	89,216,284	107,208,482	113,481,508	136,606,695
Gross Profit(Loss)	(6,561,215)	3,266,280	7,534,547	4,212,553	4,739,879
Income (Loss) from Operations	(18,354,429)	(1,871,659)	2,610,969	(199,012)	124,127
Non-operating Income and Expenses	(2,664,613)	628,560	664,942	895,019	655,975
Income (Loss) before Income Tax	(21,019,042)	(1,243,099)	3,275,911	696,007	780,102
Net Income(Loss)	(20,075,685)	(1,503,967)	2,386,036	364,734	302,739
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	1,579,802	(526,202)	(2,007,929)	1,039,260	(869,311)
Total Comprehensive Income (Loss) for the Year	(18,495,883)	(2,030,169)	378,107	1,403,994	(566,572)
Net Income (Loss) Attributable to Shareholders of the Parent	(20,006,508)	(1,467,402)	2,404,390	223,832	208,882
Net Income (Loss) Attributable to Non-controlling Interests	(69,177)	(36,565)	(18,354)	140,902	93,857
Total Comprehensive Income (Loss) Attributable to Shareholders of the Parent	(18,477,718)	(1,982,024)	394,619	1,264,724	(670,831)
Total Comprehensive Income (Loss) Attributable to Non-controlling Interests	(18,165)	(48,145)	(16,512)	139,270	104,259
Diluted Earnings (Loss) Per Share	(57.86)	(4.27)	6.63	0.55	0.51

Note : The financial statements for 2015-2019 were audited by CPA.

(3) Name of CPA and Auditors' Opinions from 2015 to 2019

Year	CPA	Accounting Firm	Audit Opinion
2015	Chun-Hung, Chen Cheng-Hung Kuo (Note)	Deloitte & Touche	An Unqualified Opinion
2016	Chun-Hung, Chen Cheng-Hung Kuo	Deloitte & Touche	An Unqualified Opinion
2017	Chun-Hung, Chen Cheng-Hung Kuo	Deloitte & Touche	An Unqualified Opinion
2018	Cheng-Hung Kuo Tzu-Jung Kuo (Note)	Deloitte & Touche	An Unqualified Opinion
2019	Tzu-Jung Kuo Pe-Yu Chuang (Note)	Deloitte & Touche	An Unqualified Opinion

Note : Regulatory requirements on rotation in Deloitte & Touche.

2. Financial Analysis for the Most Recent Fiscal Years

Item \ Year (Note 1)		Financial Analysis from 2015 to 2019				
		2015	2016	2017	2018	2019
Capital Structure Analysis (%)	Debts Ratio	72.64	66.46	55.20	55.65	57.69
	Long-term Fund to Property, Plant and Equipment	97.46	96.24	130.54	149.23	204.42
Liquidity Analysis (%)	Current Ratio	89.21	84.34	111.96	132.50	154.05
	Quick Ratio	75.70	67.99	93.94	100.52	129.23
	Times Interest Earned (Times) (Note 3)	(15.50)	(0.12)	4.40	1.98	1.85
Operating Performance Analysis	Average Collection Turnover (Times)	9.31	8.96	16.52	14.38	11.70
	Days Sales Outstanding	39	41	22	25	31
	Average Inventory Turnover (Times)	14.27	9.27	11.93	11.36	13.19
	Average Payment Turnover (Times)	7.21	6.35	6.51	5.76	6.99
	Average Inventory Turnover Days	26	39	31	32	28
	Property, Plant and Equipment Turnover (Times)	2.17	2.01	2.91	3.43	4.66
	Total Assets Turnover (Times)	0.91	0.88	1.26	1.36	1.61
Profitability Analysis	Return on Total Assets (%) (Note 3)	(14.03)	(0.62)	3.62	0.88	0.78
	Return on Equity (%) (Note 3)	(51.69)	(4.94)	7.17	0.98	0.82
	Pre-tax Income to Paid-in Capital Ratio (%) (Note 3)	(597.76)	(35.86)	80.56	17.12	19.18
	Net Margin (%) (Note 3)	(16.54)	(1.69)	2.23	0.32	0.22
	Diluted Earnings (Loss) Per Share (NT\$)	(57.86)	(4.27)	6.63	0.55	0.51
Cash Flow	Cash Flow Ratio (%)	8.05	26.33	44.46	12.67	22.76
	Cash Flow Adequacy Ratio (%)	(Note 2)	0.84	1.18	1.35	1.60
	Cash Flow Reinvestment Ratio (%)	5.27	13.15	17.57	2.72	6.51
Leverage	Operating Leverage	0.44	(3.91)	4.38	(38.04)	64.20
	Financial Leverage	0.94	0.63	1.59	0.22	(0.16)

Note 1 : The financial statements for 2015-2019 were audited by CPA.

Note 2 : Not applicable

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

Note 4 : The calculation formulas of financial analysis are listed as follows :

1. Capital Structure Analysis
 - (1) Debt Ratio = Total Liabilities / Total Assets
 - (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Liquidity Analysis
 - (1) Current Ratio = Current Assets / Current Liabilities
 - (2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities
 - (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance Analysis
 - (1) Average Collection Turnover = Net Sales / Average Trade Receivables
 - (2) Days Sales Outstanding = 365 / Average Collection Turnover
 - (3) Average Inventory Turnover = Cost of Sales / Average Inventory
 - (4) Average Payment Turnover = Cost of Sales / Average Trade Payables
 - (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
 - (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
 - (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Profitability Analysis
 - (1) Return on Total Assets = [Net Income + Interest Expenses × (1 – Effective Tax Rate)] / Average Total Assets
 - (2) Return on Equity = Net Income / Average Equity
 - (3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
 - (4) Net Margin = Net Income / Net Sales
 - (5) Earnings (Loss) Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividends) / Weighted Average Number of Shares Outstanding
5. Cash Flow
 - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividends
 - (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities – Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)
6. Leverage :
 - (1) Operating Leverage = (Net Sales – Variable Cost and Expense) / Income from Operations
 - (2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

Analysis of deviation of 2019 vs. 2018 over 20% :

1. Long-term Fund to Property, Plant and Equipment Turnover increased by 37% and 36% respectively, mainly due to an increase in disposal of equipments and a decrease in net worth of Property, Plant and Equipment for assets impairment charges.
2. Quick Ratio increased by 29% mainly due to an increase in financial assets at amortized cost of current assets.
3. Days Sales Outstanding increased by 24% mainly due to a decrease in trade receivables factoring
4. Average Payment Turnover increased by 21% mainly due to cost increase from revenues growing.
5. Net Margin decreased by 31% mainly due to higher revenue but lower net income by income tax increasing in 2019.
6. Operating Leverage increased by 269% mainly due to increase in revenue and income from operations.
7. Cash Flow Ratio and Cash Flow Reinvestment Ratio increased by 80% and 139% respectively, mainly due to an increase in net cash generated from operating activities
8. Financial Leverage decreased by 174% mainly due to lower income from operations and higher leverage in 2018.

3. Audit Committee's Review Report for the Most Recent Year

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for allocation of earnings. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of TPK Holding Co., Ltd.. According to relevant requirements of the Securities and Exchange Act, we hereby submit this report.

TPK Holding Co., Ltd.

Chairman of Audit Committee: Chang, Horng-Yan

February, 21, 2020

4. Consolidated Financial Statements for The Most Recent Fiscal Year, Certified by CPA:

Please refer to Annual Report page 137 to page 244.

5. Financial Difficulties to TPK or its affiliates:

TPK's affiliate, Cando Corporation ("Cando") suffered from a lack of new funding, falling revenue, and financial difficulty, and so Cando declared bankruptcy on July 21, 2016, and the court announced its bankruptcy on January 17, 2018. As a result, the impairment loss was recognized at the end of the calendar year 2015, the carrying amount of the investment in Cando was zero. The bankruptcy declaration was not able to be significant influence over TPK.

VII. Review and Analysis of Financial Status and Performance, and Risk Assessment

1. Financial Status

Comparison to Financial Status

Unit : NT\$ thousands

Item	2018	2019	Deviation	
			Difference	(%)
Current Assets	45,539,413	51,661,338	6,121,925	13.44
Property, Plant and Equipment	33,237,605	25,417,590	(7,820,015)	(25.53)
Intangible Assets	111,225	95,834	(15,391)	(13.84)
Other Assets	5,079,362	8,318,355	3,238,993	63.77
Total Assets	83,967,605	85,493,117	1,525,512	1.82
Current Liabilities	34,368,726	33,534,975	(833,751)	(2.43)
Noncurrent Liabilities	12,357,170	15,789,432	3,432,262	27.78
Total Liabilities	46,725,896	49,324,407	2,598,511	5.56
Capital Stock	4,066,638	4,066,638	—	—
Capital Surplus	28,146,706	28,162,570	15,864	0.06
Retained Earnings	2,412,900	2,559,058	146,158	6.06
Other Equity	2,265,358	1,380,444	(884,914)	(39.06)
Equity Attributable to Shareholders of the Parent	36,891,602	36,168,710	(722,892)	(1.96)

Analysis of Deviation over 20%

1. Decrease in Property, Plant and Equipment was mainly due to an increase in disposal of equipments and a decrease in net worth of Property, Plant and Equipment for assets impairment charges.
2. Increase in other assets was mainly due to an increase in right-of-use assets with the application of IFRS 16 starting from January 1, 2019.
3. Increase in Noncurrent Liabilities was mainly due to increase in long-term borrowings and non-current lease liabilities with the application of IFRS 16 starting from January 1, 2019.
4. Decrease in other equity was mainly due to a decrease in exchange differences on translating foreign operations.

2. Financial Performance

Analysis to Operating Results

Unit : NT\$ thousands

Item	2018	2019	Deviation	
			Difference	(%)
Net Revenue	113,481,508	136,606,695	23,125,187	20.38
Gross Profit (Loss)	4,212,553	4,739,879	527,326	12.52
Income (Loss) from Operations	(199,012)	124,127	323,139	162.37
Non-operating Income and Expenses	895,019	655,975	(239,044)	(26.71)
Income (Loss) before Income Tax	696,007	780,102	84,095	12.08
Net Income (Loss)	364,734	302,739	(61,995)	(17.00)
Total Net Income (Loss) Attributable to Shareholders of the Parent	223,832	208,882	(14,950)	(6.68)
Diluted Earnings (Loss) Per Share	0.55	0.51	(0.04)	(7.27)

Analysis of Deviation over 20%

1. Increase in net revenue and income from operations were mainly due to mitigate the risk for unfavorable product transition from customers by gaining significant market share in the tablet segment in 2019.
2. Decrease in non-operating income and expenses was mainly due to higher finance costs.

3. Cash Flow

(1) Analysis of cash flow changes

Unit : NT\$ thousands; %

Year Item	2018	2019	Difference	(%)
Operating Activities	4,354,367	7,632,600	3,278,233	75.29
Investing Activities	(4,279,281)	(8,375,586)	(4,096,305)	(95.72)
Financing Activities	(2,609,302)	1,972,131	4,581,433	175.58

Analysis

1. Increase in net cash generated from operating activities was mainly due to higher operating income before tax.
2. Increase in net cash used in investing activities was primarily for net purchase of financial assets at amortized cost.
3. Increase in net cash generated from financing activities was primarily for repayments of corporate bonds in 2018.

(2) Liquidity Aanalysis for the Coming year and Remedial Actions for Liquidity Shortfall:

Unit : NT\$ thousands

Cash Balance 12/31/2019	Net Cash Flow from Operating Activities in 2020	Cash used in 2020	Estimate Cash Balance 12/31/2020	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
17,202,387	7, 133,330	8,103,840	16,231,877	None	None

1. Analysis of Cash Flow in 2020

(1)Operating Activities : Mainly results from operation.

(2)Investing Activities : Primarily for capital expenditures.

(3)Financing Activities : Primarily for bank borrowings reimbursement.

2. Remedial Actions for Liquidity Shortfall : None.

4. Effect upon Financial Operations of Major Capital Expenditures from Recent Years

(1) Excution Status of Capital Expenditures and Sources of Funding:

Unit : NT\$ thousands

Project	Source of Funding	Actual or Planned Completion Date	Total Amount	Capital Expenditures Plan	
				2020	2021
Equipments	Cash flows generated from operations and bank loans	2020 Q4	4,160,000	3,536,000	624,000

(2) Expected Benefit from Capital Expenditures : Increase in production capacity and improve production efficiency.

5. Reinvestment Policies, Main Reasons for Profit or Loss and Improvement Plans from Recent Year, and Investment Plans for the Coming Year

(1) Reinvestment Policies

TPK's reinvestment policy is focused on the investment of main and relative business in long-term strategic plan, and it is implemented by the departments concerned in accordance with "investment cycle" of internal control systems and "Procedures for the Acquisition and Disposal of Assets" that were approved by Audit Committee, Board of Directors or shareholders' meeting.

(2) Main Reasons for Profit or Loss and Improvement Plans from Recent Year

Based on TPK and subsidiaries' 2019 consolidated financial statements, Cando Corporation ("Cando") is an investment accounted for using equity method which was originally the upstream touch sensor manufacturer. TPK invested in Cando was mainly expected to increase the penetration rate of touch notebook and higher demand in the market after the launch of Win 8, the advantages of the single-chip touch sensor module proposed by Cando were lighter, thinner and low cost. However, the penetration rate of Win 8 and touch notebook was far less than expected, the market demand fell sharply and

other touch manufacturers successively created varieties of touch technology capacities, many companies use price cuts to grasp orders in order to consume the capacities. Under the situation, Cando was in business difficulties on competitive pricing and fixed cost charges, and the court announced its bankruptcy on January 17, 2018. As a result, the impairment loss was recognized at the end of the calendar year 2015, the carrying amount of the investment in Cando was zero.

In consideration of market trends and application scenario of the production line, TPK keeps leveling up the product specifications, optimizes production processes, focuses on scalable and competitive businesses that leverage on the core competence of technology and manufacturing excellence, strengthens customer relationship to create more market business opportunities. For future plan, TPK will continue to improve yield rate, manufacturing efficiency and cost competitiveness on the core business. It expects to enhance the core competitiveness and profitability with strict investment strategies.

(3) Investment Plans for the Coming Year:

TPK's investment for the coming year will mainly concentrate on operations and cooperate with the medium strategic purposes and beyond. In addition to cooperating with customer demands for capacity establishment, it also actively participates in processes improvement and equipment automation, while searching proper industry-related investment objectives to achieve multifaceted 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\$ thousands

Item	2018	2019
Interest Income (cost) (net amount)	(176,061)	(236,190)
Exchange Gains (loss) (net amount)	85,992	216,684

1. Interest rate

The Company's 2019 annual net interest expense amount is NT\$236,190,000 (the following currencies are subject to NT\$ unless otherwise specified) which is higher than the 2018 net interest expense NT\$176,061,000. It is mainly caused by the applicable the IFRS16 in 2019, the interest expense on lease liabilities is NT\$79,005,000. If the interest expense on the lease liabilities is deducted, the net interest expense due to financing activities in 2019 is lower than the 2018 net interest expense.

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 time deposits and capital-guaranteed structured deposits) and liabilities (such as operating expenses in Mainland China and RMB loans) 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 3.90% 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. to reduce the risk of 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 COVID-19 and China-US trade wars. 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

The COVID-19 has become a pandemic disease in the world; it brings

uncertain risks and global economic slowdown. US Federal Reserve had cut the interest rate urgently, and the market expects will cut the interest rate again. It is estimated that the interest rate of the US dollar loan in 2020 will be lower than in the past.

(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). US Federal Reserve had cut the interest rate urgently and expects will cut the interest rate again. It promoted the funds flow into Japanese market for hedging, and the yen has appreciated recently. However, the global economy is affected by the COVID-19 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, the epidemic situation of the COVID-19 had improved in China, and the inflow of overseas funds into the Chinese stock and bond markets. It makes the RMB against the US dollar is showing an upward trend in the short term, but the US-China

trade war have not reached a consensus, so there is still pressure to depreciate the RMB against the US dollar. In the long run, the Chinese economy will also be hindered in the global economic slowdown. There is a possibility of depreciation RMB against US dollar. However, the Chinese government may resume economic growth through fiscal policy, and there is a possibility 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). The epidemic situation of COVID-19 brings the uncertain risks and US Federal Reserve had cut the interest rate urgently and expect will cut the interest rate again. It will make the US dollar depreciate against New Taiwan Dollar. 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 estimated expenses:

1. Future R&D plan

This company is dedicated to the principle of self-owned technology. In addition to independent R&D, this company also cooperates with research units, obtains new technology through technology 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 key technology, from materials to processes and even to back-end lamination. The company functions as the leading touch manufacturer and will lead this industry into a new stage.

2. Estimated R&D expenses

The R&D investment of 2018 and 2019 was NT\$978,503 thousands and NT\$1,124,585 thousands respectively. The R&D investment in 2020 is expected to be NT\$1,010,575 thousands. 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. The company will continue to input development resources based on the product development plan in order to remain our competitive market strength.

(4) Risks Associated with Changes in Domestic and Foreign Government Policies and Regulations that Impact Business and Financial Operations:

TPK is incorporated in the Cayman Islands and its main operation located in mainland China, while its products are mainly sold to developed countries as those in North America and Europe. The economic activity in the Cayman Islands is mainly financial services, and the United States and mainland China are the major economies in the world with stable economic development and political environment. Products developed and sold by TPK are the important consumer components in the non-franchised or restricted industry. TPK complies with national policies and laws; it keeps abreast with major policy and legal changes at all times and takes proper measures to adapt to environment changes. It is not expected that other governmental policies or regulatory changes would materially impact TPK’s operations or financial condition.

(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 company is conservative and fairly cautious about the capacity expansion.

- (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's ranking will change according to customers' demands and arrangement, and therefore the company should be no risk of stock concentration.
2. Sales concentration risk: The 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 major competitor 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, the company has expanded touch technology to various consumer and commercial electronics, such as smart phones, wearable devices, e-readers, hand-held gaming consoles, tablets, 2-in-1 PCs, notebooks, All-in-One PCs, and entertainment system screen in automobile, achieving the goal 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 Compensation Committee 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: None.

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: None.

7. Other Events

None.

VIII. Special Events

1. Information Related to Affiliates

- (1) Affiliated Organization Chart : Please refer to Annual Report page 128.
- (2) TPK Subsidiaries : Please refer to Annual Report page 129 to 131.
- (3) Shareholders in Common of TPK and Its Subsidiaries with Deemed Control and Subordination : None.
- (4) Rosters of Directors, Supervisors, and Presidents of TPK's Subsidiaries : Please refer to Annual Report page 132 to 134.
- (5) Operational Highlights of TPK Subsidiaries : Please refer to Annual Report page 135 to 136.
- (6) Consolidated Financial Statements Covering Affiliates : Same as the consolidated financial statements of TPK and its subsidiaries, please refer to Annual Report page 137 to 244.

2. Private Placement Securities in 2019 and as of the Date of the Annual Report :

None.

3. Status of TPK Common Shares and GDRs Acquired, Disposed of, and Held by Subsidiaries in 2019 and as of the Date of the Annual Report :

None.

4. Other Necessary Supplements :

None.

5. Any Events in 2019 and as of the Date of the Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan :

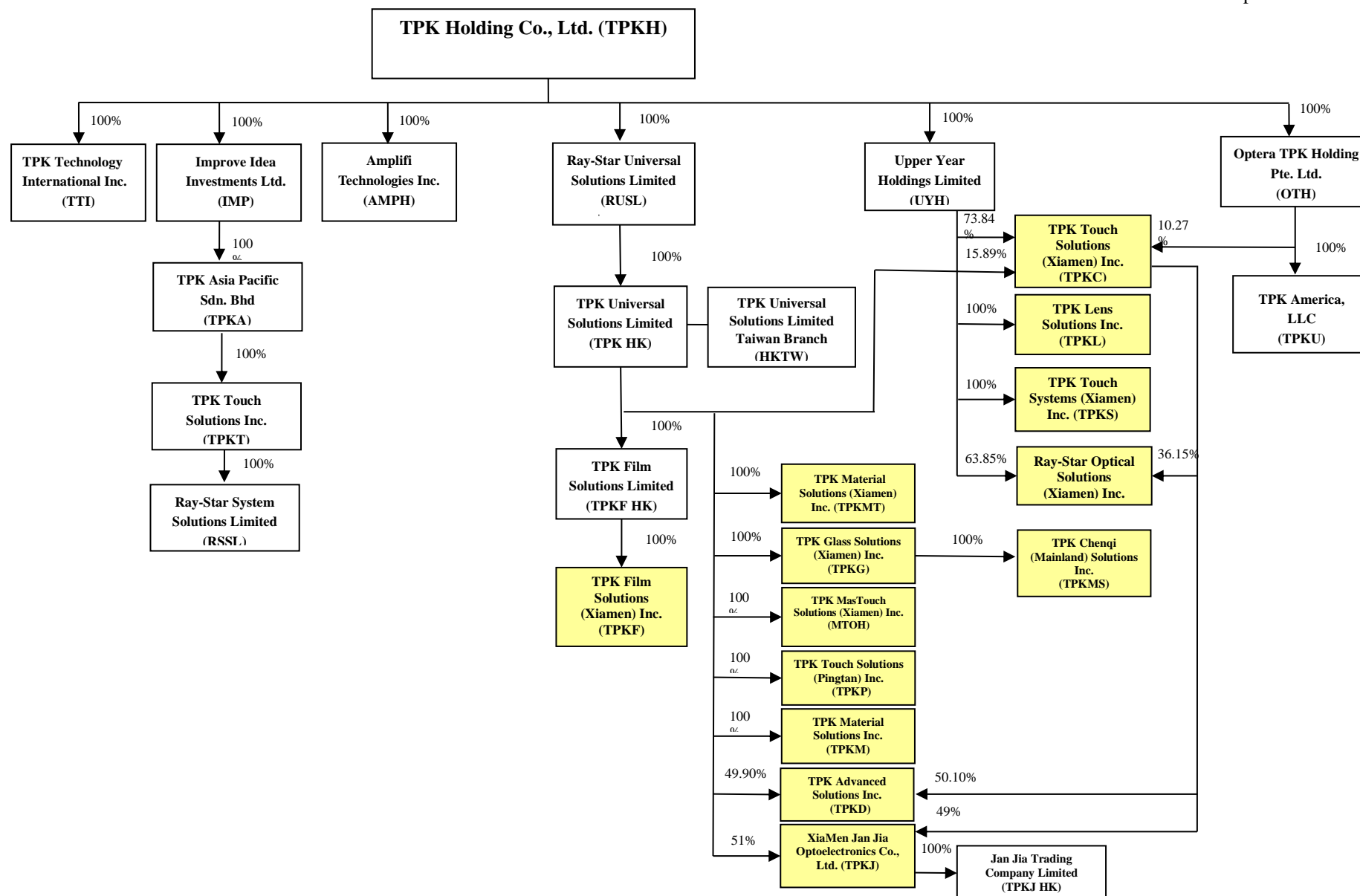
None.

6. Significant Differences in Shareholders' Equity guaranteed regulations in the R.O.C. :

None.

TPK Holding Co., Ltd. Affiliated Organization Chart

Up to December 31, 2019



TPK Subsidiaries

As of December 31, 2019

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
TPK Touch Solutions Inc.	May 09, 2003	6 F, No.13-18, Sec. 6, Min-quan E. Rd., Neihu District., Taipei City, Taiwan	NT\$ 507,170,000	Touch related material sales and machinery manufacture, wholesale and retail
Upper Year Holdings Limited	Jan. 17, 2006	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 196,250,000	Holding company and International trade
Improve Idea Investments Ltd.	Jan. 17, 2006	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 154,490,000	Holding company
Optera TPK Holding Pte. Ltd.	Nov. 24, 2005	80 Robinson Road, #02-00, Singapore 068898	US\$ 24,800,000	Holding company
TPK Technology International Inc.	Jan. 08, 2007	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 500,000	International trade
TPK America, LLC	Apr. 16, 2010	160 Greentree Drive, Suite 101, Dover, Delaware, 19904, U.S.A.	US\$ 4,800,000	International trade
Ray-Star Universal Solutions Limited	Dec. 17, 2010	Units 610-611, 6/F., Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	US\$ 469,498,000	Holding company
TPK Universal Solutions Limited	Dec. 23, 2010	Suites 1204-07, 12/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong	US\$ 467,498,000	Touch module related product research, holding company and International trade
TPK Asia Pacific Sdn.Bhd.	Dec. 03, 2010	Unit 3(I), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan, F.T. Labuan, Malaysia	US\$ 196,808	Holding company
Ray-Star System Solutions Limited	Apr. 01, 2011	Units 610-611, 6/F., Tower 2, Lippo Centre,	US\$ 13,310,000	Holding company

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
	(Note 1)	89 Queensway, Admiralty, Hong Kong		
TPK Touch Solutions (Xiamen) Inc.	Aug. 26, 2004	199, Banshang Road, Information Photoelectric Park, Torch Development Zone For High Technology Industries, Xiamen, Fujian, China	US\$ 354,066,610	Touch related material sales and machinery manufacture, wholesale and retail
TPK Lens Solutions Inc.	May 30, 2006	40, Haijing Middle Road, Haicang, Xiamen EPZ, Fujian, China	US\$ 55,790,000	Optical glass processing and sales
TPK Touch Systems (Xiamen) Inc.	Jun. 21, 2006	Floor 1-8, No.1 Workshop, No. 190, Jimei Avenue, Jimei District, Xiamen, Fujian, China	US\$ 25,000,000	Touch modules research, development, manufacture and sales
Ray-Star Optical Solutions (Xiamen) Inc.	Apr. 15, 2010	Technology Center Building, No.18, Xiafei Road, Xinyang Industrial Park, Haicang, Xiamen, Fujian, China	US\$ 18,670,000	Optical glass processing and sales
TPK Glass Solutions (Xiamen) Inc.	Feb. 14, 2011	996, Minan Avenue, Xiangnan Industrial District, Torch Development Zone For High Technology Industries, Xiamen, Fujian, China	US\$ 371,820,000	Optical glass processing and sales
XiaMen Jan Jia Optoelectronics Co., Ltd.	Apr. 01, 2012 (Note 1)	Middle Building, No.1, Xiangming Road, Xiangnan Industrial District, Torch Development Zone For High Technology Industries, Xiamen, Fujian, China	US\$ 3,600,000	Protective film and optical adhesive manufacture and sales
Jan Jia Trading Company Limited	Jan. 03, 2018	Units 610-611, 6/F., Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	US\$ 500,000	International trade
TPK Film Solutions Limited	Jun. 14, 2012	Units 610-611, 6/F., Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	US\$ 18,000,000	Holding company
TPK Film Solutions (Xiamen) Inc.	Aug. 07, 2012	D Zone, The Fifth Floor Of Complex Building, No.191, Banshang Road, Information Photoelectric Park, Torch Development Zone For High Technology	US\$ 17,700,000	Touch modules research, development, manufacture and sales

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
		Industries, Xiamen, Fujian, China		
TPK MasTouch Solutions (Xiamen) Inc.	Feb. 04, 2013 (Note 1)	No.1, Haijing North Road, Haicang, Xiamen EPZ, Fujian, China	US\$ 86,000,000	Touch modules research, development, manufacture and sales
TPK Touch Solutions (Pingtan) Inc.	Feb. 18, 2013	1, Ruyi East Road, Beicuo Town, Pingtan County, Fujian, China	US\$ 218,852,000	Touch modules research, development, manufacture and sales
TPK Material Solutions Inc.	Aug. 01, 2013	No.19, Quanyuan Road, Jinjiang Economic Development Zone, Fujian, China	US\$ 3,500,000	Eelectronic materials manufacture
TPK Advanced Solutions Inc.	Jul. 15, 2014	The Second, Third And Fourth Floor, No. 515, Qishan North Road, Information Photoelectric Park, Torch Development Zone For High Technology Industries, Xiamen, Fujian, China	US\$ 177,931,460	Touch modules research, development, manufacture and sales
TPK Chengi (Mainland) Solutions Inc.	Jul. 31, 2014	E Zone, The Fifth Floor Of Complex Building, No.191, Banshang Road, Information Photoelectric Park, Torch Development Zone For High Technology Industries, Xiamen, Fujian, China	RMB 1,500,000	Trade
TPK Material Solutions (Xiamen) Inc.	Oct. 22, 2018	A Zone, The First Floor, No.3 Workshop Of Bathroom Ironmongery, No. 2168, Tongan Avenue, Tongan District, Xiamen, Fujian, China	US\$ 10,000,000	Eelectronic materials manufacture
Amplifi Technologies Inc.	Dec. 19, 2019	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	-(註2)	Holding company

Note 1 : Date of TPK acquired the ownership.

Note 2 : A capital of US\$ 400 thousand and US\$ 5,600 thousand were invested in Amplifi Technologies Inc. in February and April 2020, respectively.

Rosters of Directors, Supervisors, and Presidents of TPK's Subsidiaries

As of December 31, 2019

Enterprise Name	Position	Name/Representative	Shares Held	
			Number 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	—	—
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	Foster Chiang	—	—
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	—	—
	Director	Yu-Sheng Kai	—	—

Enterprise Name	Position	Name/Representative	Shares Held	
			Number of Shares (Amount of contribution)	Ratio of Shareholding % (Ratio of contribution)
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 & President	Qing-Xiong Xiao	—	—
	Chairman	Li-Chien Hsieh	—	—
	Director	Jen-I Tai	—	—
	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	—	—
TPK Touch Solutions (Pingtan) Inc.	Executive Director	Michael Chao-Juei Chiang	—	—

Enterprise Name	Position	Name/Representative	Shares Held	
			Number of Shares (Amount of contribution)	Ratio of Shareholding % (Ratio of contribution)
	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	—	—
Amplifi Technologies Inc.	Director	Foster Chiang	—	—

Operational Highlights of TPK Subsidiaries

As of 12/31/2019, Unit : NT\$ thousands, except EPS (NT\$)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earnings (Loss) Per Share
TPK Touch Solutions Inc.	NT\$ 507,170,000	2,752,265	671,960	2,080,305	897,395	153,880	193,648	3.82
Upper Year Holdings Limited	US\$ 196,250,000	33,986,293	2,617,385	31,368,908	-	2,365	1,988,410	10.13
Improve Idea Investments Ltd.	US\$ 154,490,000	4,160,229	-	4,160,229	-	(55)	178,749	1.16
Optera TPK Holding Pte. Ltd.	US\$ 24,800,000	2,063,513	225,598	1,837,915	-	(341)	124,013	4,000.42
TPK Technology International Inc.	US\$ 500,000	178,070	-	178,070	(19,642)	(22,929)	(13,366)	(26.73)
TPK America, LLC	US\$ 4,800,000	200,696	29,743	170,953	550,128	(16,527)	(16,303)	(Note1)
Ray-Star Universal Solutions Limited	US\$ 469,498,000	7,313,359	90	7,313,269	-	(133)	(1,495,433)	(3.19)
TPK Universal Solutions Limited	US\$ 467,498,000	43,709,298	36,454,428	7,254,870	179,316,943	411,774	(1,495,379)	(3.20)
TPK Asia Pacific Sdn.Bhd.	US\$ 196,808	4,149,082	24,689	4,124,393	-	(2,313)	178,639	282.57
Ray-Star System Solutions Limited	US\$ 13,310,000	563,830	-	563,830	-	(290)	(1,899)	(0.14)
TPK Touch Solutions (Xiamen) Inc.	US\$ 354,066,610	51,447,455	16,068,513	35,378,942	44,161,464	455,216	1,304,997	(Note1)
TPK Lens Solutions Inc.	US\$ 55,790,000	1,124	21	1,103	-	7,982	6,339	(Note1)
TPK Touch Systems (Xiamen) Inc.	US\$ 25,000,000	6,682,065	3,968,944	2,713,121	16,045,105	687,397	1,127,029	(Note1)
Ray-Star Optical Solutions (Xiamen) Inc.	US\$ 18,670,000	734	20	714	-	11	4,091	(Note1)
TPK Glass Solutions (Xiamen) Inc.	US\$ 371,820,000	6,969,294	5,857,429	1,111,865	2,593,548	(1,479,330)	(1,417,616)	(Note1)
XiaMen Jan Jia Optoelectronics Co., Ltd.	US\$ 3,600,000	1,964,854	827,736	1,137,118	5,172,928	583,311	497,998	(Note1)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earnings (Loss) Per Share
Jan Jia Trading Company Limited	US\$ 500,000	42,293	22,995	19,298	118,203	5,116	4,176	8.35
TPK Film Solutions Limited	US\$ 18,000,000	(574,560)	76	(574,636)	-	(124)	(32,779)	(1.82)
TPK Film Solutions (Xiamen) Inc.	US\$ 17,700,000	98,789	679,328	(580,539)	-	(23,895)	(32,663)	(Note1)
TPK MasTouch Solutions (Xiamen) Inc.	US\$ 86,000,000	2,976,946	1,857,206	1,119,740	2,544,819	(9,957)	11,027	(Note1)
TPK Touch Solutions (Pingtan) Inc.	US\$ 218,852,000	3,963,316	6,823,203	(2,859,887)	454,614	(1,184,161)	(1,179,554)	(Note1)
TPK Material Solutions Inc.	US\$ 3,500,000	275,973	657	275,316	47,850	(9,177)	(16,399)	(Note1)
TPK Advanced Solutions Inc.	US\$ 177,931,460	38,005,282	23,463,661	14,541,621	72,065,262	(112,571)	166,372	(Note1)
TPK Chengi (Mainland) Solutions Inc.	RMB 1,500,000	7,218	127	7,091	5,983	37	(59)	(Note1)
TPK Material Solutions (Xiamen) Inc.	US\$ 10,000,000	468,861	174,384	294,477	205,465	481	(1,286)	(Note1)
Amplifi Technologies Inc.	-(Note2)	-	-	-	-	-	-	-

Note 1 : These firms do not issue shares. TPK's investment is measured as a percentage of ownership.

Note 2 : A capital of US\$ 400 thousand and US\$ 5,600 thousand were invested in Amplifi Technologies Inc. in February and April 2020, respectively.

TPK Holding Co., Ltd. and Subsidiaries

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

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, 2019 and 2018 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (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, 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Valuation of Inventory

The description of key audit matter:

As of December 31, 2019, the carrying amount of inventory was NT\$8,202,304 thousand (less the allowance for inventory valuation and obsolescence losses of NT\$336,142 thousand), which accounted for 10% 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 (e) and 11 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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Jung Kuo and Pi-Yu Chuang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS (Note 4)				
Cash and cash equivalents (Notes 4 and 6)	\$ 17,202,387	20	\$ 17,063,897	20
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	149,870	-	44,275	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	156,325	-	100,000	-
Financial assets at amortized cost - current (Notes 4, 9, 33 and 35)	8,554,285	10	4,128,958	5
Notes and trade receivable, net (Notes 4, 10, 33 and 34)	12,893,862	15	10,452,126	13
Other receivables, net (Notes 4, 10, 33 and 34)	4,328,134	5	2,752,599	3
Current tax assets (Notes 4 and 27)	51,368	-	6,025	-
Inventories (Notes 4, 5 and 11)	8,202,304	10	10,810,362	13
Other current assets (Note 18)	<u>122,803</u>	-	<u>181,171</u>	-
Total current assets	<u>51,661,338</u>	<u>60</u>	<u>45,539,413</u>	<u>54</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 33)	77,755	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	-	-	158,932	-
Property, plant and equipment (Notes 4, 14, 34 and 35)	25,417,590	30	33,237,605	40
Right-of-use assets (Notes 3, 4, 15 and 34)	2,849,990	3	-	-
Investment properties (Notes 3, 4 and 16)	326,599	1	121,281	-
Intangible assets (Notes 4 and 17)	95,834	-	111,225	-
Deferred tax assets (Notes 4, 5 and 27)	2,422,152	3	2,455,497	3
Prepayments for equipment	2,469,047	3	1,149,996	2
Refundable deposits (Note 34)	172,409	-	153,839	-
Long-term prepayments for leases (Notes 3, 4 and 18)	-	-	1,039,450	1
Other non-current assets	<u>403</u>	-	<u>367</u>	-
Total non-current assets	<u>33,831,779</u>	<u>40</u>	<u>38,428,192</u>	<u>46</u>
TOTAL	<u>\$ 85,493,117</u>	<u>100</u>	<u>\$ 83,967,605</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Short-term borrowings (Notes 19 and 33)	\$ 6,492,737	8	\$ 5,208,695	6
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	180,953	-	40,327	-
Notes and trade payable (Note 34)	18,327,590	21	19,418,432	23
Payables for purchase of equipment (Notes 21 and 34)	1,004,691	1	2,140,489	3
Other payables - others (Notes 21, 26 and 34)	2,315,974	3	2,664,452	3
Current tax liabilities (Notes 4 and 27)	60,427	-	128,734	-
Provisions - current (Notes 4, 5, 11 and 22)	2,103,289	3	1,749,927	2
Lease liabilities - current (Notes 3, 4, 15 and 34)	296,282	-	-	-
Current portion of long-term borrowings (Notes 4, 14, 19, 34 and 35)	2,606,330	3	2,822,862	4
Other current liabilities	<u>146,702</u>	-	<u>194,808</u>	-
Total current liabilities	<u>33,534,975</u>	<u>39</u>	<u>34,368,726</u>	<u>41</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 14, 19, 34 and 35)	10,570,515	13	9,239,237	11
Deferred tax liabilities (Notes 4 and 27)	2,780,286	3	2,768,936	3
Lease liabilities - non-current (Notes 3, 4, 15 and 34)	1,648,609	2	-	-
Net defined benefit liabilities - non-current (Notes 4 and 23)	6,304	-	11,870	-
Guarantee deposits received	30,749	-	15,959	-
Other non-current liabilities (Note 16)	<u>752,969</u>	<u>1</u>	<u>321,168</u>	<u>1</u>
Total non-current liabilities	<u>15,789,432</u>	<u>19</u>	<u>12,357,170</u>	<u>15</u>
Total liabilities	<u>49,324,407</u>	<u>58</u>	<u>46,725,896</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 12, 20, 23, 24, 29 and 31)				
Share capital				
Ordinary shares	<u>4,066,638</u>	<u>5</u>	<u>4,066,638</u>	<u>5</u>
Capital surplus	<u>28,162,570</u>	<u>33</u>	<u>28,146,706</u>	<u>33</u>
Retained earnings				
Legal reserve	3,268,129	4	3,246,461	4
Accumulated deficits	<u>(709,071)</u>	<u>(1)</u>	<u>(833,561)</u>	<u>(1)</u>
Total retained earnings	<u>2,559,058</u>	<u>3</u>	<u>2,412,900</u>	<u>3</u>
Other equity				
Exchange differences on translating foreign operations	<u>1,380,444</u>	<u>1</u>	<u>2,265,358</u>	<u>3</u>
Total equity attributable to owners of the Company	36,168,710	42	36,891,602	44
NON-CONTROLLING INTERESTS	-	-	<u>350,107</u>	-
Total equity	<u>36,168,710</u>	<u>42</u>	<u>37,241,709</u>	<u>44</u>
TOTAL	<u>\$ 85,493,117</u>	<u>100</u>	<u>\$ 83,967,605</u>	<u>100</u>

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4, 25, 34 and 40)	\$ 136,606,695	100	\$ 113,481,508	100
OPERATING COSTS (Notes 4, 11, 14, 15, 17, 22, 23, 26, 29 and 34)	<u>131,866,816</u>	<u>97</u>	<u>109,268,955</u>	<u>96</u>
GROSS PROFIT	<u>4,739,879</u>	<u>3</u>	<u>4,212,553</u>	<u>4</u>
OPERATING EXPENSES (Notes 3, 4, 10, 14, 15, 17, 23, 26, 29 and 34)				
Selling and marketing expenses	571,068	-	639,589	1
General and administrative expenses	2,920,099	2	2,793,473	2
Research and development expenses	<u>1,124,585</u>	<u>1</u>	<u>978,503</u>	<u>1</u>
Total operating expenses	<u>4,615,752</u>	<u>3</u>	<u>4,411,565</u>	<u>4</u>
OPERATING INCOME (LOSS)	<u>124,127</u>	<u>-</u>	<u>(199,012)</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Government grant revenue (Note 4)	529,779	-	621,892	1
Interest income (Notes 4, 26 and 34)	682,503	1	535,529	-
Other income (Notes 4, 15, 26 and 34)	218,967	-	223,015	-
Gain on disposal of investments (Notes 4, 12 and 30)	-	-	56,755	-
Gain on financial products at fair value through profit or loss (Notes 4, 7 and 33)	-	-	5,282	-
Finance costs (Notes 3, 4, 15, 19, 20, 26 and 34)	(918,693)	(1)	(711,590)	(1)
Foreign exchange gain, net (Notes 4 and 38)	216,684	-	85,992	-
Gain on disposal of financial products (Notes 4 and 20)	-	-	131,545	-
Loss on financial products at fair value through profit or loss (Notes 4, 7 and 33)	(37,243)	-	-	-
Other losses (Notes 4 and 16)	<u>(36,022)</u>	<u>-</u>	<u>(53,401)</u>	<u>-</u>
Total non-operating income and expenses	<u>655,975</u>	<u>-</u>	<u>895,019</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	780,102	-	696,007	-
INCOME TAX EXPENSE (Notes 4 and 27)	<u>477,363</u>	<u>-</u>	<u>331,273</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>302,739</u>	<u>-</u>	<u>364,734</u>	<u>-</u>

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 23)	\$ 5,201	-	\$ 1,536	-
Exchange differences arising on translation to presentation currency (Notes 4 and 24)	(887,444)	-	1,144,623	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 24)	<u>12,932</u>	<u>-</u>	<u>(106,899)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(869,311)</u>	<u>-</u>	<u>1,039,260</u>	<u>1</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (566,572)</u>	<u>-</u>	<u>\$ 1,403,994</u>	<u>1</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 208,882	-	\$ 223,832	-
Non-controlling interests	<u>93,857</u>	<u>-</u>	<u>140,902</u>	<u>-</u>
	<u>\$ 302,739</u>	<u>-</u>	<u>\$ 364,734</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (670,831)	-	\$ 1,264,724	1
Non-controlling interests	<u>104,259</u>	<u>-</u>	<u>139,270</u>	<u>-</u>
	<u>\$ (566,572)</u>	<u>-</u>	<u>\$ 1,403,994</u>	<u>1</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 0.51</u>		<u>\$ 0.55</u>	
Diluted	<u>\$ 0.51</u>		<u>\$ 0.55</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company							
			Retained Earnings		Other Equity Exchange Differences on Translating Foreign Operations (Notes 4 and 24)		Non-controlling Interests (Notes 4, 12, 24 and 31)	Total Equity
	Share Capital (Notes 4 and 24)	Capital Surplus (Notes 4, 20, 24, 29 and 31)	Legal Reserve (Note 24)	Accumulated Deficits (Notes 4, 23, 24 and 31)		Total		
BALANCE AT JANUARY 1, 2018	\$ 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 profit 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 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
Appropriation of 2018 earnings								
Legal reserve	-	-	21,668	(21,668)	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	208,882	-	208,882	93,857	302,739
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	5,201	(884,914)	(879,713)	10,402	(869,311)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	214,083	(884,914)	(670,831)	104,259	(566,572)
Recognition of employee share options by the Company	-	15,864	-	-	-	15,864	-	15,864
Decrease in non-controlling interests	-	-	-	(67,925)	-	(67,925)	(454,366)	(522,291)
BALANCE AT DECEMBER 31, 2019	\$ 4,066,638	\$ 28,162,570	\$ 3,268,129	\$ (709,071)	\$ 1,380,444	\$ 36,168,710	\$ -	\$ 36,168,710

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 780,102	\$ 696,007
Adjustments for:		
Depreciation expenses	7,811,934	7,287,034
Amortization expenses	27,560	30,739
Expected credit loss (reversal) recognized on trade receivables	(5,837)	9,275
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	31,493	90,656
Finance costs	918,693	711,590
Interest income	(682,503)	(535,529)
Compensation costs of employee share options	15,864	78,713
Loss on disposal of property, plant and equipment	187,204	57,484
Loss on disposal of intangible assets	-	387
Gain on lease modification	(544)	-
Gain on disposal of investments	-	(56,755)
Impairment loss recognized on property, plant and equipment	803,474	2,444
(Reversal) recognition of write-downs of inventories	(297,742)	165,218
Gain on redemption of bonds payable	-	(131,545)
Amortization of prepayments for leases	-	25,422
Recognition of provisions	1,129,808	860,263
Changes in operating assets and liabilities		
Increase in trade and notes receivable	(2,442,209)	(5,186,889)
(Increase) decrease in other receivables	(1,497,054)	4,270,272
Decrease (increase) in inventories	2,910,831	(3,720,196)
Decrease (increase) in other current assets	58,368	(54,817)
(Decrease) increase in notes and trade payable	(1,090,842)	923,970
Decrease in other payables	(320,761)	(233,522)
Decrease in provisions	(721,624)	(377,848)
Decrease in other current liabilities	(48,106)	(520,301)
Decrease in net defined benefit liabilities	(365)	(456)
Cash generated from operations	7,567,744	4,391,616
Interest received	611,174	463,632
Income tax paid	(546,318)	(500,881)
Net cash generated from operating activities	<u>7,632,600</u>	<u>4,354,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(77,755)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	100,000	-
(Purchase) proceeds from sale of financial assets at amortized cost	(4,422,720)	1,405,612
Net cash inflow on disposal of subsidiaries	-	215,963
Net cash outflow on dissolution of subsidiaries	-	(10,671)
Payments for property, plant and equipment	(59,237)	(114,332)
Proceeds from disposal of property, plant and equipment	375,339	127,359

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

	2019	2018
(Increase) decrease in refundable deposits	\$ (18,570)	\$ 1,432
Payments for intangible assets	(13,527)	(55,190)
Proceeds from disposal of intangible assets	-	28
(Increase) decrease in other assets	(36)	153
Increase in prepayments for equipment	(4,259,080)	(5,934,618)
Decrease in long-term prepayments for leases	<u>-</u>	<u>84,983</u>
Net cash used in investing activities	<u>(8,375,586)</u>	<u>(4,279,281)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	1,701,269	(1,434,039)
Repayments of bond payables	-	(6,310,297)
Proceeds from long-term borrowings	7,622,767	10,696,246
Repayments of long-term borrowings	(6,103,090)	(3,648,266)
(Refund of) proceeds from guarantee deposits received	14,790	(148,579)
Repayments of the principal portion of lease liabilities	(340,045)	-
Increase in other liabilities	466,137	321,058
Dividends paid to owners of the Company	-	(1,219,991)
Interest paid	(867,406)	(684,664)
Decrease in non-controlling interests	<u>(522,291)</u>	<u>(180,770)</u>
Net cash generated from (used in) financing activities	<u>1,972,131</u>	<u>(2,609,302)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(1,090,655)</u>	<u>195,708</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	138,490	(2,338,508)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>17,063,897</u>	<u>19,402,405</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 17,202,387</u>	<u>\$ 17,063,897</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, 2019 AND 2018 (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 U.S. 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 Company’s board of directors on February 21, 2020.

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

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

Except for the following, 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 did not have any material impact on the Group’s accounting policies:

IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

The Group recognizes right-of-use assets 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 are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal and the interest of lease liabilities are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

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

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 4.3957%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 1,760,699
Less: Recognition exemption for short-term leases	<u>(8,111)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 1,752,588</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 1,521,640</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 1,521,640</u>

The Group as lessor

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

The Group subleased its leasehold plants to a third party in 2018. Such sublease was classified as an operating lease under IAS 17. The Group determines the sublease is classified as an operating lease on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - non-current (recorded as long-term prepayments for leases)	\$ 1,039,450	\$ (1,039,450)	\$ -
Right-of-use assets	-	2,522,716	2,522,716
Investment properties	<u>121,281</u>	<u>38,374</u>	<u>159,665</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.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)
Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.	
Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.	
Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.	

As of the date the consolidated financial statements were authorized for issue, the Group 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)
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
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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.

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 12, Table 7 and Table 8 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 its foreign operations (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 period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate. The exchange differences accumulated in equity which resulted from the translation of the assets and liabilities of the entities in the Group into the presentation currency are not subsequently reclassified to profit or loss.

On the disposal of a foreign operation (i.e., a disposal of the 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 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 accounted 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. Beginning January 1, 2019, investment properties include right-of-use assets if the definition of investment properties is met.

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.

Beginning January 1, 2019, investment properties acquired through leases were initially measured at cost, which comprises the initial measurement of lease liabilities. These investment properties are subsequently measured at cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

Depreciation is recognized using the straight-line method.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer of classification from property, plant and equipment and right-of-use assets to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

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 Group 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 the Group 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

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. Fair value is determined in the manner described in Note 33.

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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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.

b) Impairment of financial assets and contract assets

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 60 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

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.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss 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. Fair value is determined in the manner described in Note 33.

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.

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

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 control.

q. Leasing

2019

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

1) The Group as lessor

Leases are classified as 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.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to Note 10 for the accounting policies for investment properties.

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

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

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

2018

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.

Key Sources of Estimation Uncertainty

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 years ended December 31, 2019 and 2018, the Group recognized an impairment loss on tangible and intangible assets in the amount of \$803,474 thousand and \$2,444 thousand.

b. Income taxes

As of December 31, 2019 and 2018, no deferred tax asset has been recognized on the tax loss of \$20,659,862 thousand and \$24,323,588 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, 2019 and 2018 are described in Note 27.

c. 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, 2019 and 2018 are disclosed in Note 11.

d. 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, 2019 and 2018 are disclosed in Note 22.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 981	\$ 941
Checking accounts and demand deposits	9,314,053	8,292,372
Cash equivalents		
Time deposits	<u>7,887,353</u>	<u>8,770,584</u>
	<u>\$ 17,202,387</u>	<u>\$ 17,063,897</u>

Interest rates for deposits in the bank at the end of the year were as follows:

	December 31	
	2019	2018
Deposits	0%-4.18%	0%-3.70%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
<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	\$ 42,309	\$ 44,275
Foreign exchange option contracts	91,528	-
Exchange swap contracts	<u>16,033</u>	<u>-</u>
	<u>\$ 149,870</u>	<u>\$ 44,275</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets - foreign private fund	<u>\$ 77,755</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	\$ 123,595	\$ -
Foreign exchange option contracts	<u>57,358</u>	<u>40,327</u>
	<u>\$ 180,953</u>	<u>\$ 40,327</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
Sell USD/Buy RMB	USD/RMB	March 27, 2020 - December 4, 2020	USD566,000/RMB3,945,862
<u>December 31, 2018</u>			
Sell USD/Buy RMB	USD/RMB	April 19, 2019	USD100,000/RMB700,700

At the end of the year, outstanding foreign exchange option contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
Foreign exchange option portfolio			
Buy USD call options	RMB/USD	April 15, 2020 -	RMB2,433,075/USD350,000
Sell USD put options	RMB/USD	December 2, 2020	RMB2,432,375/USD350,000

December 31, 2018

Foreign exchange option portfolio			
Buy USD call options	RMB/USD	April 17, 2019	RMB698,150/USD100,000
Sell USD put options	RMB/USD		RMB698,350/USD100,000

At the end of the year, outstanding exchange swap contract not under hedge accounting were as follows (as of December 31, 2018: None):

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
Buy USD	RMB/USD	March 25, 2020	RMB107,672/USD16,000

The Group entered into foreign exchange forward contracts, foreign exchange option contracts and exchange swap 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 foreign exchange forward contracts, foreign exchange option contracts, redemption options and put options of convertible bonds and exchange swap contracts for the years ended December 31, 2019 and 2018 were as follows:

	<u>For the Year Ended December 31</u>	
	2019	2018
Foreign exchange forward contracts gain	\$ 21,638	\$ 60,339
Foreign exchange option contracts (loss) gain	(75,449)	40,485
Redemption options and put options of convertible bonds loss	-	(95,542)
Exchange swap contracts gain	<u>16,568</u>	<u>-</u>
	<u>\$ (37,243)</u>	<u>\$ 5,282</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
<u>Investments in equity instruments at FVTOCI</u>		
<u>Current</u>		
Domestic unlisted ordinary shares		
Kingyoun Optronics Co., Ltd. Ordinary shares (“KYO”)	\$ 50,000	\$ 100,000
Overseas unlisted ordinary shares		
Jin Shun Xin Development (Pingtan) Co., Ltd. (“JSX”)	<u>106,325</u>	<u>-</u>
	<u>\$ 156,325</u>	<u>\$ 100,000</u>
<u>Non-current</u>		
Domestic unlisted ordinary shares		
Kingyoun Optronics Co., Ltd. Ordinary shares (“KYO”)	\$ -	\$ 50,000
Overseas unlisted ordinary shares		
Jin Shun Xin Development (Pingtan) Co., Ltd. (“JSX”)	<u>-</u>	<u>108,932</u>
	<u>\$ -</u>	<u>\$ 158,932</u>

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. The original shareholders bought back 2,000 thousand shares of KYO for \$50,000 thousand in June 2019 and December 2019, respectively. The remaining shares were classified as financial assets at FVTOCI - current.

Because the industry of JSX 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. (“Ruei-Shin”) 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%. Since the Group lost control over JSX, any investment retained in JSX was reclassified to financial assets at FVTOCI - non-current. According to the agreement, TPKP expected to sell remaining 9% of JSX shares to Ruei-Shin in 2020, and the investment was reclassified to financial assets at FVTOCI - current.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
<u>Current</u>		
Financial products	\$ 773,304	\$ 2,720,908
Restricted bank deposits	2,550	210,165
Time deposits with original maturity of more than 3 months	<u>7,778,431</u>	<u>1,197,885</u>
	<u>\$ 8,554,285</u>	<u>\$ 4,128,958</u>

Financial products were traded from the bank by subsidiaries. As of December 31, 2019 and 2018 the relevant product details were as follows:

	December 31	
	2019	2018
Annual return rates	3.80%	3.70%-5.53%
Maturity dates	January 10, 2020- February 25, 2020	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 as at the end of the year were as follow:

	December 31	
	2019	2018
Term deposits	2.47075%-4.18%	3.05763%-3.089%

The interest rates for restricted bank deposits as at the end of the year were as follow:

	December 31	
	2019	2018
Restricted bank deposits	0.35%-1.75%	0.05%-0.35%

Restricted bank deposits are mainly in use as guarantees to banks and for payments of tariffs from importing raw materials.

Refer to Note 35 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
<u>Notes and trade receivable (a)</u>		
At amortized cost		
Notes receivable	\$ 69	\$ 6,345
Trade receivables	<u>8,361,726</u>	<u>8,470,691</u>
	8,361,795	8,477,036
Less: Allowance for impairment loss	<u>(1,297)</u>	<u>(824)</u>
	8,360,498	8,476,212
At FVTOCI	<u>4,533,364</u>	<u>1,975,914</u>
	<u>\$ 12,893,862</u>	<u>\$ 10,452,126</u>

(Continued)

	December 31	
	2019	2018
<u>Other receivables (b)</u>		
At amortized cost		
Tax refund receivable	\$ 333,978	\$ 336,926
Others	<u>578,636</u>	<u>255,089</u>
	912,614	592,015
Less: Allowance for impairment loss	<u>(76,175)</u>	<u>(83,327)</u>
	836,439	508,688
At FVTOCI	<u>3,491,695</u>	<u>2,243,911</u>
	<u>\$ 4,328,134</u>	<u>\$ 2,752,599</u>
		(Concluded)

a. Trade receivables

1) At amortized cost

The average credit period on sales of goods is 45 to 105 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 measures the loss allowance for trade receivables at an equal to lifetime ECLs. 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, 2019

	Not Past Due and Less than 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 12,884,784	\$ 4,587	\$ 7	\$ 5,712	\$ 12,895,090
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(463)</u>	<u>-</u>	<u>(834)</u>	<u>(1,297)</u>
Amortized cost	<u>\$ 12,884,784</u>	<u>\$ 4,124</u>	<u>\$ 7</u>	<u>\$ 4,878</u>	<u>\$ 12,893,793</u>

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)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(824)</u>	<u>(824)</u>
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:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 824	\$ 10,298
Add: Net remeasurement of loss allowance	477	-
Less: Net remeasurement of loss allowance	-	(9,518)
Less: Disposal of subsidiaries (Note 30)	-	(19)
Foreign exchange gains and losses	<u>(4)</u>	<u>63</u>
Balance at December 31	<u>\$ 1,297</u>	<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.

b. Other receivables

As of December 31, 2019 and 2018, the Group's other receivables mainly consists of factored but unused receivables, tax refund receivable and receivable from equipments sold. Apart from tax refund receivable and receivable from equipments sold, the aging of the remaining receivables is less than 60 days (based on the invoice date).

1) At amortized cost

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:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 83,327	\$ 62,732
Add: Net remeasurement of loss allowance	-	18,793
Less: Net remeasurement of loss allowance	(6,314)	-
Foreign exchange gains and losses	<u>(838)</u>	<u>1,802</u>
Balance at December 31	<u>\$ 76,175</u>	<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.

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	\$ 4,015,899	\$ 6,567,877
Work in progress	852,870	512,725
Raw materials	<u>3,333,535</u>	<u>3,729,760</u>
	<u>\$ 8,202,304</u>	<u>\$ 10,810,362</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$131,866,816 thousand and \$109,268,955 thousand, respectively.

The accounts listed below were included in cost of goods sold:

	For the Year Ended December 31	
	2019	2018
(Reversal of) inventory write-downs	\$ (297,742)	\$ 165,218
Provision for loss on purchase commitments	264	6,439
Loss on inventory scraps	<u>159,827</u>	<u>86,973</u>
	<u>\$ (137,651)</u>	<u>\$ 258,630</u>

The cost of goods sold for the year ended December 31, 2019 included reversals of inventory write-downs of \$297,742 thousand. For the year ended December 31, 2018, the cost of goods sold included inventory write-downs of \$165,218 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, 2019 and 2018, the Group evaluated and recognized a loss on purchase commitments in the amount of \$264 thousand and \$6,439 thousand, respectively. As of December 31, 2019 and 2018, the Group estimated and recognized short-term provisions for purchase commitments (Note 22) in the amounts of \$9,117 thousand and \$14,247 thousand, respectively.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
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	12)
	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	11)
	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	-	-	5)
UYH	TPK Touch Solutions (Xiamen) Inc. ("TPKC")	Touch related material sales and machinery manufacture, wholesale and retail	73.84	73.84	3)
	TPK Lens Solutions Inc. ("TPKL")	Optical glass processing and sales	100.00	100.00	7) and 15)
	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	63.85	7) and 15)
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	3)
RUSL	TPK Universal Solutions Limited ("TPK HK")	Touch module related product research; holding company and international trade	100.00	100.00	17)
TPK HK	TPK Glass Solutions (Xiamen) Inc. ("TPKG")	Optical glass processing and sales	100.00	100.00	6) and 10)
	TPK Film Solutions Limited ("TPKF HK")	Holding company	100.00	100.00	1)
	TPK MasTouch Solutions (Xiamen) Inc. ("MTOH")	Touch modules research, development, manufacture and sales	100.00	100.00	10)
	TPK Touch Solutions (Pingtan) Inc. ("TPKP")	Touch modules research, development, manufacture and sales	100.00	100.00	10)
	TPK Material Solutions Inc. ("TPKM")	Touch related electronic materials manufacture	100.00	100.00	
	TPK Advanced Solutions Inc. ("TPKD")	Touch modules research, development, manufacture and sales	49.90	49.90	13)
	TPK Touch Solutions (Xiamen) Inc. ("TPKC")	Touch related material sales and machinery manufacture, wholesale and retail	15.89	15.89	3)
	TPK Material Solutions (Xiamen) Inc. ("TPKMT")	Touch related electronic materials manufacture	100.00	-	9)
	Xiamen Jan Jia Optoelectronics Co., Ltd. ("TPKJ")	Protective film and optical adhesive manufacture and sales	51.00	51.00	14)
	Ray-Star System Solutions Limited ("RSSL")	Holding company	100.00	100.00	8)
TPKT	Ray-Star Optical Solutions (Xiamen) Inc. ("RSO")	Optical glass processing and sales	36.15	36.15	7) and 15)
TPKC	TPK Advanced Solutions Inc. ("TPKD")	Touch modules research, development, manufacture and sales	50.10	50.10	13)
	Xiamen Jan Jia Optoelectronics Co., Ltd. ("TPKJ")	Protective film and optical adhesive manufacture and sales	49.00	-	14)

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2019	2018	
TPKF HK	TPK Film Solutions (Xiamen) Inc. (“TPKF”)	Touch modules research, development, manufacture and sales	100.00	100.00	
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	-	-	4)
	Jan Jia Trading Company Limited (“TPKJ HK”)	International trading	100.00	100.00	2)

(Concluded)

Remark:

- 1) TPK HK acquired the remaining 19.98% ownership in TPKF HK 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%. Refer to Note 31 for more information.
- 2) 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.
- 3) On March 12, November 8, 2018 and November 12, 2019, the Company’s board of directors resolved to increase the capital of TPKC with amounts of US\$31,673 thousand, US\$29,000 thousand and US\$50,000 thousand from retained earnings, respectively, and after issuance, the capital of TPKC increased from US\$243,394 thousand to US\$354,067 thousand. The amendment on registration for capital increase was completed on April 26, November 15, 2018 and December 6, 2019, respectively.
- 4) 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 Xiamen Jia Zhong Chuang Meng Equity Investment Partnership 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 30 for more information.
- 5) 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.
- 6) 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%.
- 7) 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.
- 8) The Company resolved to dissolve and liquidate RSSL in order to simplify its organizational structure, and the process of liquidation was completed in January 2020.

- 9) In response to the demand for electronic materials, on October 9, 2018, the Company's board of directors resolved to set up TPK Material Solutions (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\$10,000 thousand was invested in TPKMT in 2019.
- 10) 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. In addition, in January 2019, TPK HK invested in TPKP and MTOH with an amount of US\$68,852 thousand and US\$3 thousand, respectively.
- 11) The Company resolved to dissolve and liquidate TPKA in order to simplify its organizational structure. As of March 23, 2020, the process of dissolution and liquidation was not completed.
- 12) The Company resolved to annul the registration of UYH Hong Kong Branch in order to simplify its organizational structure, and the process of cancellation was completed in December 2019.
- 13) On August 13, 2019, the Company's board of directors resolved to increase the capital of TPKD with amounts of US\$50,000 thousand from retained earnings, and after issuance, the capital of TPKD increased from US\$127,931 thousand to US\$177,931 thousand. The amendment on registration for capital increase was completed on August 28, 2019.
- 14) TPKC acquired the remaining 49% of ownership in TPKJ from external shareholders in the amount of RMB114,000 thousand in June 2019. After the acquisition, the total percentage of ownership in TPKJ held by the Group was increased from 51% to 100%. Refer to Note 31 for more information.
- 15) On November 12, 2019, the Company's board of directors resolved to dissolve and liquidate TPKL and RSO in order to simplify its organizational structure, and the process of liquidation was completed in March 2020.
- 16) To meet the operation needs, the Company's board of directors resolved to set up Amplifi Technologies Inc. in Cayman as a holding company on November 12, 2019. Amplifi Technologies Inc. was set up on December 19, 2019 and received a capital investment of US\$400 thousand in February 2020. Amplifi Technologies Inc. intended to set up Amplifi Tech Hong Kong Co., Limited as its subsidiary in Hong Kong with a capital of USD\$1,000 thousand. However, as of March 23, 2020, the subsidiary has not been established. In addition, a branch of Amplifi Technologies Inc. was established in Taiwan and received a capital investment of \$10,000 thousand in February 2020.
- 17) In January 2020, TPK HK has applied for establishing a Japanese branch to expand its vehicle business.

- b. Details of subsidiaries with material non-controlling interests (As of December 31, 2019:none)

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31, 2018
TPKJ	49.0%

Refer to Table 8 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 December 31		Accumulated Non-controlling Interests December 31	
	2019	2018	2019	2018
TPKJ	\$ 93,857	\$ 148,632	\$ -	\$ 350,107

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
Current assets	\$ 1,880,719
Non-current assets	199,540
Current liabilities	<u>(1,365,658)</u>
Equity	<u>\$ 714,601</u>
Equity attributable to:	
Owners of the Company	\$ 364,494
Non-controlling interests of TPKJ	<u>350,107</u>
	<u>\$ 714,601</u>

	For the Year Ended December 31	
	2019	2018
Operating revenue	\$ 1,843,442	\$ 3,271,105
Net profit for the year	\$ 191,546	\$ 303,330
Other comprehensive income (loss) for the year	<u>21,227</u>	<u>(6,796)</u>
Total comprehensive income for the year	<u>\$ 212,773</u>	<u>\$ 296,534</u>
Net profit attributable to:		
Owners of the Company	\$ 97,689	\$ 154,698
Non-controlling interests of TPKJ	<u>93,857</u>	<u>148,632</u>
	<u>\$ 191,546</u>	<u>\$ 303,330</u>
Total comprehensive income attributable to:		
Owners of the Company	\$ 108,514	\$ 151,232
Non-controlling interests of TPKJ	<u>104,259</u>	<u>145,302</u>
	<u>\$ 212,773</u>	<u>\$ 296,534</u>
Net cash flows from:		
Operating activities	\$ 245,811	\$ 212,376
Investing activities	(72,259)	(151,181)
Financing activities	(214,320)	173,572
Translation adjustments	<u>6,137</u>	<u>15,061</u>
Net cash (outflows) inflows	<u>\$ (34,631)</u>	<u>\$ 249,828</u>
Dividends paid to non-controlling interest of:		
TPKJ	<u>\$ -</u>	<u>\$ 93,141</u>

13. 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	
			2019	2018
Unlisted shares				
TPK Cando Solutions, Inc. ("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, 2019 and 2018, the carrying amounts of the investment in Cando were zero.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2019	2018
Carrying amount for each category		
Buildings	\$ 14,739,351	\$ 16,257,689
Machinery and equipment	9,332,414	15,684,771
Transportation and others	1,213,142	1,082,094
Property in construction	<u>132,683</u>	<u>213,051</u>
	<u>\$ 25,417,590</u>	<u>\$ 33,237,605</u>

	For the Year Ended December 31, 2019				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
<u>Cost</u>					
Balance, beginning of year	\$ 26,488,843	\$ 63,777,053	\$ 8,360,049	\$ 213,051	\$ 98,838,996
Additions	-	-	-	59,237	59,237
Disposals	(2,828)	(5,618,193)	(1,910,162)	-	(7,531,183)
Reclassification	(164,297)	1,110,118	621,607	(136,870)	1,430,558
Effects of foreign currency exchange differences	<u>(629,860)</u>	<u>(1,390,938)</u>	<u>(153,283)</u>	<u>(2,735)</u>	<u>(2,176,816)</u>
Balance, end of year	<u>25,691,858</u>	<u>57,878,040</u>	<u>6,918,211</u>	<u>132,683</u>	<u>90,620,792</u>
<u>Accumulated depreciation</u>					
Balance, beginning of year	7,229,202	36,612,627	6,943,141	-	50,784,970
Depreciation expenses	1,071,478	5,926,075	435,485	-	7,433,038
Disposals	(1,485)	(3,118,382)	(1,587,938)	-	(4,707,805)
Reclassification	(67,932)	(1,524)	951	-	(68,505)
Effects of foreign currency exchange differences	<u>(204,077)</u>	<u>(963,601)</u>	<u>(125,900)</u>	<u>-</u>	<u>(1,293,578)</u>
Balance, end of year	<u>8,027,186</u>	<u>38,455,195</u>	<u>5,665,739</u>	<u>-</u>	<u>52,148,120</u>
<u>Accumulated impairment losses</u>					
Balance, beginning of year	3,001,952	11,479,655	334,814	-	14,816,421
Impairment losses	-	803,474	-	-	803,474
Disposals	-	(1,964,207)	(296,628)	-	(2,260,835)
Reclassification	(4,946)	-	-	-	(4,946)
Effects of foreign currency exchange differences	<u>(71,685)</u>	<u>(228,491)</u>	<u>1,144</u>	<u>-</u>	<u>(299,032)</u>
Balance, end of year	<u>2,925,321</u>	<u>10,090,431</u>	<u>39,330</u>	<u>-</u>	<u>13,055,082</u>
Carrying amount, end of year	<u>\$ 14,739,351</u>	<u>\$ 9,332,414</u>	<u>\$ 1,213,142</u>	<u>\$ 132,683</u>	<u>\$ 25,417,590</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 30)	-	(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 30)	-	(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>

Operating leases relate to leases of machinery and other equipment with lease terms for 1 year to Cambrios Film Solutions (Xiamen) Corp. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

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

	December 31, 2019
Year 1	<u>\$ 8,928</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 impairment losses recognized by the Group were as follows:

	For the Year Ended December 31	
	2019	2018
Operating costs	\$ 803,068	\$ 2,444
Operating expenses	<u>406</u>	<u>-</u>
	<u>\$ 803,474</u>	<u>\$ 2,444</u>

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	1-10 years
Transportation and others	1-10 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 35.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 962,245
Buildings	1,872,899
Transportation equipment	<u>14,846</u>
	<u>\$ 2,849,990</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 770,767</u>
Depreciation charge for right-of-use assets	
Land	\$ 25,041
Buildings	328,623
Transportation equipment	<u>8,709</u>
	<u>\$ 362,373</u>
Income from the subleasing of right-of-use assets (presented in other income)	<u>\$ (3,660)</u>

The Group has been subleasing its leasehold plant space located in Zhongli to Cambrios Film Solutions Corporation Taiwan Branch since 2018 under operating leases. The related right-of-use assets are presented as investment properties (as set out in Note 16). The amounts disclosed above with respect to the right-of-use assets do not include right-of-use assets that meet the definition of investment properties.

b. Lease liabilities - 2019

**December 31,
2019**

Carrying amounts

Current	<u>\$ 296,282</u>
Non-current	<u>\$ 1,648,609</u>

Range of discount rate for lease liabilities was as follows:

**December 31,
2019**

Buildings	1.7128%-4.8293%
Transportation equipment	2.3580%-2.3650%

c. Material lease-in activities and terms

The Group leases certain official vehicles for the use in operation with lease terms of 2 to 3 years. These arrangements do not contain renewal or purchase options.

The Group also leases certain land and buildings for the use of plants and offices with lease terms of 1 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

2019

**For the Year
Ended
December 31,
2019**

Expenses relating to short-term leases	<u>\$ 5,431</u>
Total cash outflow for leases	<u>\$ (345,476)</u>

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

For the year ended December 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. Just before the balance sheet date, the Group also entered into several lease arrangements that qualified as short-term leases. The amount of lease commitments for short-term leases for which the recognition exemption is applied (including lease commitments for short-term leases with lease terms commencing after the balance sheet dates) was \$3,391 thousand as of December 31, 2019.

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	December 31, 2019
Lease commitments	<u>\$ 3,309,375</u>

2018

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

	December 31, 2018
Not later than 1 year	\$ 322,442
Later than 1 year and not later than 5 years	937,154
Later than 5 years	<u>501,103</u>
	<u>\$ 1,760,699</u>

16. INVESTMENT PROPERTIES

		December 31	
		2019	2018
Buildings		\$ 292,423	\$ 121,281
Right-of-use assets		<u>34,176</u>	<u>-</u>
		<u>\$ 326,599</u>	<u>\$ 121,281</u>
		Right-of-use Assets	Total
	Buildings		
<u>Cost</u>			
Balance at January 1, 2019	\$ 152,904	\$ -	\$ 152,904
Adjustments on initial application of IFRS 16	<u>-</u>	<u>38,374</u>	<u>38,374</u>
Balance at January 1, 2019 (restated)	152,904	38,374	191,278
Reclassification	265,929	-	265,929
Effects of foreign currency exchange differences	<u>(11,754)</u>	<u>(670)</u>	<u>(12,424)</u>
Balance at December 31, 2019	<u>\$ 407,079</u>	<u>\$ 37,704</u>	<u>\$ 444,783</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ 31,623	\$ -	\$ 31,623
Depreciation Expense	12,971	3,552	16,523
Reclassification	68,505	-	68,505
Effects of foreign currency exchange differences	<u>(3,238)</u>	<u>(24)</u>	<u>(3,262)</u>
Balance at December 31, 2019	<u>\$ 109,861</u>	<u>\$ 3,528</u>	<u>\$ 113,389</u>

(Continued)

	Buildings	Right-of-use Assets	Total
<u>Accumulated impairment</u>			
Balance at January 1, 2019	\$ -	\$ -	\$ -
Reclassification	4,946	-	4,946
Effects of foreign currency exchange differences	<u>(151)</u>	<u>-</u>	<u>(151)</u>
Balance at December 31, 2019	<u>\$ 4,795</u>	<u>\$ -</u>	<u>\$ 4,795</u>
Carrying amounts at December 31, 2019	<u>\$ 292,423</u>	<u>\$ 34,176</u>	<u>\$ 326,599</u>

Cost

Balance at January 1, 2018	\$ 616,650	\$ -	\$ 616,650
Reclassification	(473,374)	-	(473,374)
Effects of foreign currency exchange differences	<u>9,628</u>	<u>-</u>	<u>9,628</u>
Balance at December 31, 2018	<u>\$ 152,904</u>	<u>\$ -</u>	<u>\$ 152,904</u>

Accumulated depreciation

Balance at January 1, 2018	\$ 122,317	\$ -	\$ 122,317
Depreciation expense	14,586	-	14,586
Reclassification	(107,426)	-	(107,426)
Effects of foreign currency exchange differences	<u>2,146</u>	<u>-</u>	<u>2,146</u>
Balance at December 31, 2018	<u>\$ 31,623</u>	<u>\$ -</u>	<u>\$ 31,623</u>

Accumulated impairment

Balance at January 1, 2018	\$ 20,161	\$ -	\$ 20,161
Reclassification	(20,371)	-	(20,371)
Effects of foreign currency exchange differences	<u>210</u>	<u>-</u>	<u>210</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Carrying amounts at December 31, 2018	<u>\$ 121,281</u>	<u>\$ -</u>	<u>\$ 121,281</u>

(Concluded)

In order to activate the land use rights of TPKP, TPKP 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 dormitories which was sold to Luheng and Land Development Corporation upon the construction completion. The land development project is about 3 years. TPKP signed a sell agreement and construction contract with Land Development Corporation and Luheng for RMB1,255,000 thousand. As of December 31, 2019, TPKP received an amount of RMB410,561 thousand, and paid Luheng an amount of RMB338,051 thousand for construction cost. The advance payment was classified to non-current liabilities. The land use rights met the definition of the right-of-use assets of investment properties, which was presented as investment properties.

Right-of-use assets included in investment properties are units of plant space in Zhongli and subleased under operating leases to Cambriod Film Solutions Corporation Taiwan Branch.

The investment properties were leased out for 3 to 5 years, with an option to extend for an additional 1 year. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	\$ 17,013
Year 2	12,196
Year 3	12,196
Year 4	12,196
Year 5	<u>294</u>
	<u>\$ 53,895</u>

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	\$ 14,854
Later than 1 year and not later than 5 years	<u>2,476</u>
	<u>\$ 17,330</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	10-20 years
Right-of-use assets	4-50 years

Management was unable to reliably measure the fair value of investment property located at Xiamen, the market is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

Lease commitments (the Group as a lessor) with lease terms commencing after the balance sheet dates are as follows:

	December 31	
	2019	2018
Lease commitments of investment properties	<u>\$ 76,311</u>	<u>\$ 58,930</u>

17. INTANGIBLE ASSETS

	December 31	
	2019	2018
Goodwill	\$ 32,292	\$ 32,628
Computer software	28,402	34,669
Patents	<u>35,140</u>	<u>43,928</u>
	<u>\$ 95,834</u>	<u>\$ 111,225</u>

	For the Year Ended December 31, 2019					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 682,772	\$ 331,740	\$ 372,011	\$ 141,014	\$ 42,925	\$ 1,570,462
Additions	-	-	13,274	253	-	13,527
Disposals	-	-	(3,645)	-	-	(3,645)
Effects of foreign currency exchange differences	<u>(15,894)</u>	<u>(6,751)</u>	<u>(5,255)</u>	<u>(3,387)</u>	<u>(1,027)</u>	<u>(32,314)</u>
Balance at December 31, 2019	<u>666,878</u>	<u>324,989</u>	<u>376,385</u>	<u>137,880</u>	<u>41,898</u>	<u>1,548,030</u>
<u>Accumulated amortization</u>						
Balance at January 1, 2019	-	277,605	327,074	97,078	42,924	744,681
Amortization expenses	-	-	18,842	8,226	492	27,560
Disposals	-	-	(3,642)	-	-	(3,642)
Effects of foreign currency exchange differences	<u>-</u>	<u>(5,456)</u>	<u>(4,345)</u>	<u>(2,572)</u>	<u>(1,519)</u>	<u>(13,892)</u>
Balance at December 31, 2019	<u>-</u>	<u>272,149</u>	<u>337,929</u>	<u>102,732</u>	<u>41,897</u>	<u>754,707</u>
<u>Accumulated impairment losses</u>						
Balance at January 1, 2019	650,144	54,135	10,268	8	1	714,556
Disposals	-	-	(3)	-	-	(3)
Effects of foreign currency exchange differences	<u>(15,558)</u>	<u>(1,295)</u>	<u>(211)</u>	<u>-</u>	<u>-</u>	<u>(17,064)</u>
Balance at December 31, 2019	<u>634,586</u>	<u>52,840</u>	<u>10,054</u>	<u>8</u>	<u>1</u>	<u>697,489</u>
Carrying amounts at December 31, 2019	<u>\$ 32,292</u>	<u>\$ -</u>	<u>\$ 28,402</u>	<u>\$ 35,140</u>	<u>\$ -</u>	<u>\$ 95,834</u>

	For the Year Ended December 31, 2018					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
<u>Cost</u>						
Balance at January 1, 2018	\$ 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 30)	-	(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 at December 31, 2018	<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>

(Continued)

For the Year Ended December 31, 2018						
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
<u>Accumulated amortization</u>						
Balance at January 1, 2018	\$ -	\$ 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 30)	-	(3,767)	(726)	(56,404)	-	(60,897)
Effects of foreign currency exchange differences	-	2,363	9,401	5,905	857	18,526
Balance at December 31, 2018	-	277,605	327,074	97,078	42,924	744,681
<u>Accumulated impairment losses</u>						
Balance at January 1, 2018	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 at December 31, 2018	650,144	54,135	10,268	8	1	714,556
Carrying amounts at December 31, 2018	\$ 32,628	\$ -	\$ 34,669	\$ 43,928	\$ -	\$ 111,225
(Concluded)						

The intangible assets listed above are 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

18. PREPAYMENTS FOR LEASES

	December 31	
	2019	2018
Current assets (included in other current assets)	\$ 549	\$ 2,094
Non-current assets (included in long-term prepayments for leases)	-	1,039,450
	\$ 549	\$ 1,041,544

As of December 31, 2018, the Group's prepayment for leases were mainly for land use rights in mainland China.

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
<u>Unsecured borrowings</u>		
Bank loans	\$ 6,492,737	\$ 5,147,265
Others	<u>-</u>	<u>61,430</u>
	<u>\$ 6,492,737</u>	<u>\$ 5,208,695</u>

As of December 31, 2019 and 2018, the range of weighted average effective interest rates on bank loans was 2.30%-4.85%, and 2.68%-4.48% per annum, respectively.

b. Long-term borrowings

	December 31	
	2019	2018
<u>Secured borrowings</u>		
Others	\$ 303,866	\$ 927,327
<u>Unsecured borrowings</u>		
Bank loans	<u>12,872,979</u>	<u>11,134,772</u>
	13,176,845	12,062,099
Less: Current portion (due in one year)	<u>(2,606,330)</u>	<u>(2,822,862)</u>
Long-term borrowings	<u>\$ 10,570,515</u>	<u>\$ 9,239,237</u>

As of December 31, 2019 and 2018, the long-term borrowings were collateralized by machinery and equipment (see Note 35) and were guaranteed by related parties (see Note 34). As of December 31, 2019 and 2018, the range of weighted average effective interest rates of bank borrowings were 2.92%-4.75% and 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.

20. BONDS PAYABLE (AS OF DECEMBER 31, 2019: NONE)

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 the 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 which had 5 years duration were listed on the Luxembourg Stock Exchange on April 8, 2015, and the total amount of US\$250,000 thousand convertible bonds were issued. In accordance with the IFRSs, the Company 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.

Movements of debt instruments for the years ended December 31, 2018 were as follows:

	For the Year Ended December 31, 2018	
	US\$	NT\$
Balance, beginning of year	\$ 209,633	\$ 6,238,672
Interest expense	1,453	42,664
Redemption of bonds	(211,086)	(6,145,644)
Effect of foreign currency exchange differences	-	(135,692)
Balance, end of year	\$ -	\$ -

21. OTHER LIABILITIES

	December 31	
	2019	2018
Other payables		
Payables for purchase of equipment	\$ 1,004,691	\$ 2,140,489
Other payables - others		
Payable for salaries and bonuses	\$ 1,001,813	\$ 887,531
Payable for repairs	184,373	60,960
Payable for unused paid leaves	168,784	190,984
Payable for supplies	118,541	2,225
Tax payable	90,383	137,456
Others	752,080	1,385,296
	<u>\$ 2,315,974</u>	<u>\$ 2,664,452</u>

22. PROVISIONS

	December 31	
	2019	2018
<u>Current</u>		
Warranties (a)	\$ 2,094,172	\$ 1,735,680
Onerous contracts (b)	<u>9,117</u>	<u>14,247</u>
	<u>\$ 2,103,289</u>	<u>\$ 1,749,927</u>

	Warranties	Onerous Contracts	Total
Balance, January 1, 2019	\$ 1,735,680	\$ 14,247	\$ 1,749,927
Additions	1,129,544	264	1,129,808
Usage	(716,321)	(5,304)	(721,625)
Effect of foreign currency exchange differences	<u>(54,731)</u>	<u>(90)</u>	<u>(54,821)</u>
Balance, December 31, 2019	<u>\$ 2,094,172</u>	<u>\$ 9,117</u>	<u>\$ 2,103,289</u>
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>

- 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.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

TPKT and TPK HK Taiwan branch 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 of the ROC. 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	
	2019	2018
Present value of defined benefit obligation	\$ 17,942	\$ 22,516
Fair value of plan assets	<u>(11,638)</u>	<u>(10,646)</u>
Net defined benefit liability	<u>\$ 6,304</u>	<u>\$ 11,870</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
Balance at January 1, 2018	\$ 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 gain - 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, 2018	22,516	(10,646)	11,870
Service cost			
Net interest expense (income)	304	(148)	156
Recognized in profit or loss	304	(148)	156
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(323)	(323)
Actuarial gain - experience adjustments	(4,878)	-	(4,878)
Recognized in other comprehensive income	(4,878)	(323)	(5,201)
Contributions from the employer	-	(521)	(521)
Balance at December 31, 2019	\$ 17,942	\$ (11,638)	\$ 6,304

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	
	2019	2018
Discount rate	1.10%	1.35%
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	
	2019	2018
Discount rate		
0.25% increase	\$ (631)	\$ (794)
0.25% decrease	\$ 659	\$ 829
Expected rate of salary increase		
1% increase	\$ 2,742	\$ 3,467
1% decrease	\$ (2,359)	\$ (2,977)

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	
	2019	2018
Expected contributions to the plan for the next year	\$ 521	\$ 672
Average duration of the defined benefit obligation	15 years	15 years

24. EQUITY

	December 31	
	2019	2018
Share capital		
Ordinary shares	\$ 4,066,638	\$ 4,066,638
Capital surplus	28,162,570	28,146,706
Retained earnings	2,559,058	2,412,900
Other equity items	1,380,444	2,265,358
Non-controlling interests	-	350,107
	<u>\$ 36,168,710</u>	<u>\$ 37,241,709</u>

a. Share capital

1) Ordinary shares

	December 31	
	2019	2018
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.

2) Global depositary receipts

The issuance of the GDRs was completed on October 1, 2012, April 8, 2015, and September 8, 2017, respectively. The GDRs were traded and listed on the Luxembourg Stock Exchange where 17,600 thousand, 20,000 thousand and 59,820 thousand (with 180 thousand units of ordinary shares reserved for employee subscription) units of GDRs were issued at a price of US\$13.42, US\$6.68, and US\$3.95 which were less the issuance cost per unit, respectively. The GDRs were issued in the total amount of US\$231,734 thousand, US\$131,405 thousand, and US\$233,721 thousand (including ordinary shares for employee subscription), respectively. One GDR unit represents one of the Company's ordinary shares.

As of December 31, 2019, a total of 2 thousand units of GDRs corresponding to 2 thousand ordinary shares were outstanding.

b. Capital surplus

	December 31	
	2019	2018
<u>May be used to offset a deficit, distributed as 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	2,089,848
Treasury share transactions	<u>54,820</u>	<u>54,820</u>
	26,980,747	26,980,747
<u>May only be used to offset a deficit</u>		
Expired on employee share options	912,599	-
<u>May not be used for any purpose</u>		
Recognized on employee share options	<u>269,224</u>	<u>1,165,959</u>
	<u>\$ 28,162,570</u>	<u>\$ 28,146,706</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. Any remaining profit together with any undistributed retained earnings 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 the 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. If the Company's distribute earnings for the current year are less than 10% of the paid-in capital of the Company at the end of the fiscal year, the Company may decide not to pay any dividend (including cash dividends or stock dividends) for the current year. Refer to Note 26(f) for more information related to the Articles of association for distribution policy of employees' compensation and remuneration of directors.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in 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 appropriation of earnings for 2017 were resolved by the annual shareholders' meeting on May 29, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	
	(In Thousands of US Dollars)	(In Thousands of N.T. Dollars)
Legal reserve	\$ 7,981	\$ 238,875
Cash dividend	\$ 40,761	\$ 1,219,991
Cash dividends per share (NT\$)		\$ 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.

The appropriation of earnings for 2018 were resolved by the annual shareholders' meeting on May 16, 2019 except for US\$697 thousand which was recognized as legal reserve, there was no appropriations of earnings.

On February 21, 2020, the Company's board of directors proposed the appropriation of earnings for 2019 except for US\$636 thousand which was recognized as legal reserve, and there was no appropriation of earnings.

The appropriation of earnings for 2019 is subject to resolution of the shareholders' meeting to be held on June 10, 2020.

d. Other equity items

Exchange differences on translating of foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 2,265,358	\$ 1,226,002
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	14,456	(93,093)
Exchange differences on translating to presentation currency	(899,370)	1,132,449
Balance at December 31	\$ 1,380,444	\$ 2,265,358

e. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 350,107	\$ 222,924
Share in profit for the year	93,857	140,902
Other comprehensive income during the year		
Exchange differences on translating the financial statements of foreign operations	(1,524)	(13,806)
Exchange differences on translating to presentation currency	11,926	12,174
TPKJ distributed cash dividends	-	(93,141)
Non-controlling interests arising from acquisition of subsidiaries - TPKJ (see Note 31)	(454,366)	-
Non-controlling interests arising from acquisition of subsidiaries - TPKF HK (see Note 31)	-	91,730
Dissolution and liquidation of TCS	<u>-</u>	<u>(10,676)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 350,107</u>

25. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from the sale of goods	\$ 135,578,794	\$ 112,630,204
Others	<u>1,027,901</u>	<u>851,304</u>
	<u>\$ 136,606,695</u>	<u>\$ 113,481,508</u>

The Group's revenue from the sale of touch modules, touch display and ITO glass-related products.

Refer to Note 40 for the details of revenue and refer to Note 10 for the information of contract assets.

26. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operation:

a. Interest income

	For the Year Ended December 31	
	2019	2018
Bank deposits	\$ 598,894	\$ 264,257
Financial assets at amortized cost - financing products	77,597	266,900
Others	<u>6,012</u>	<u>4,372</u>
	<u>\$ 682,503</u>	<u>\$ 535,529</u>

b. Other income

	For the Year Ended December 31	
	2019	2018
Rental income		
Rental income from operating lease		
Investment properties (see Notes 15,16 and 34)	\$ 38,859	\$ 38,043
Others	<u>21,180</u>	<u>6,640</u>
	60,039	44,683
Others	<u>158,928</u>	<u>178,332</u>
	<u>\$ 218,967</u>	<u>\$ 223,015</u>

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	\$ 839,688	\$ 668,926
Interest on ECB	-	42,664
Interest on lease liabilities	<u>79,005</u>	<u>-</u>
Total interest expense for financial liabilities measured at amortized cost	<u>\$ 918,693</u>	<u>\$ 711,590</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	\$ 7,433,038	\$ 7,272,448
Right-of-use assets	362,373	-
Investment properties	16,523	14,586
Intangible assets	<u>27,560</u>	<u>30,739</u>
	<u>\$ 7,839,494</u>	<u>\$ 7,317,773</u>
An analysis of amortization by function		
Operating costs	\$ 1,013	\$ 3,162
Selling and marketing expenses	505	540
General and administration expenses	21,188	23,738
Research and development expenses	<u>4,854</u>	<u>3,299</u>
	<u>\$ 27,560</u>	<u>\$ 30,739</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (see Note 23)		
Defined contribution plans	\$ 335,739	\$ 352,044
Defined benefit plans	<u>156</u>	<u>216</u>
	335,895	352,260
Share-based payments (see Note 29)		
Equity-settled	15,864	78,713
Other employee benefits	<u>9,620,631</u>	<u>9,069,877</u>
Total employee benefits expense	<u>\$ 9,972,390</u>	<u>\$ 9,500,850</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 7,563,908	\$ 7,320,910
Operating expenses	<u>2,408,482</u>	<u>2,179,940</u>
	<u>\$ 9,972,390</u>	<u>\$ 9,500,850</u>

f. Employees' compensation and remuneration of directors

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 years ended December 31, 2019 and 2018, the Company did not estimate the remuneration of directors, and the compensation of employees which were approved by the Company's board of directors on February 21, 2020 and February 20, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	1.55%	1.39%

Amount

	For the Year Ended December 31			
	2019		2018	
	In Thousands of U.S. Dollars	In Thousands of N.T. Dollars	In Thousands of U.S. Dollars	In Thousands of N.T. Dollars
Employees' compensation	\$ 100	\$ 3,138	\$ 100	\$ 2,700

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

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

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.

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

27. 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	
	2019	2018
Current tax		
In respect of the current year	\$ 437,919	\$ 458,170
Adjustments for prior years	<u>200,514</u>	<u>5,340</u>
	<u>638,433</u>	<u>463,510</u>
Deferred tax		
In respect of the current year	(159,569)	377,737
Effect of tax rate changes	(4,474)	(516,013)
Translation adjustments	<u>2,973</u>	<u>6,039</u>
	<u>(161,070)</u>	<u>(132,237)</u>
Income tax expense recognized in profit or loss	<u>\$ 477,363</u>	<u>\$ 331,273</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	<u>\$ 780,102</u>	<u>\$ 696,007</u>
Income tax expense calculated at the statutory rate	\$ 420,928	\$ 241,429
Permanent differences	266,708	(244,151)
Deferred tax effect of earnings of subsidiaries	65,739	478,109
Additional income tax under the Alternative Minimum Tax Act	25	24
Unrecognized deductible temporary differences	(400,250)	(181,683)
Unrecognized loss carryforwards	(89,494)	510,510
Exchange differences on translating to presentation currency	2,973	6,039
Effect of tax rate changes	(4,474)	(516,013)
Adjustments for prior years' tax	201,284	6,112
Others	<u>13,924</u>	<u>30,897</u>
Income tax expense recognized in profit or loss	<u>\$ 477,363</u>	<u>\$ 331,273</u>

The applicable tax rates used by subsidiaries to calculate deferred tax were as follows:

	December 31	
	2019	2018
TPKT, TCS and TPK HK (Taiwan Branch)	20%	20%
TPKC, TPKL, TPKS, RSO, TPKJ, TPKG, TPKF, TPKP, TPKD, TPKMS, MTOH, TPKM and TPKMT	15%-25%	10%; 15%-25%
UYH (Hong Kong Branch), TPK HK and TPKJ HK	16.5%	5%; 16.5%
RSSL	-	-
TPKA	12.5%	-
OTH and UYH	10%; 30%	10%; 30%
TPKU	36%	36%

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	<u>\$ 51,368</u>	<u>\$ 6,025</u>
Current tax liabilities		
Income tax payable	<u>\$ 60,427</u>	<u>\$ 128,734</u>

c. Deferred tax assets and liabilities

	December 31	
	2019	2018
Deferred tax assets		
Unrealized compensation costs	\$ 86,387	\$ 82,856
Loss carryforwards	395,383	22,356
Unrealized warranty expenses	505,132	399,996
Unrealized losses on inventories	67,865	133,035
Unrealized impairment losses	992,075	1,630,886
Others	<u>375,310</u>	<u>186,368</u>
	<u>\$ 2,422,152</u>	<u>\$ 2,455,497</u>
Deferred tax liabilities		
Unappropriated earnings of subsidiaries	\$ 2,765,629	\$ 2,768,132
Unrealized foreign exchange gains	<u>14,657</u>	<u>804</u>
	<u>\$ 2,780,286</u>	<u>\$ 2,768,936</u>

- d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
Loss carryforwards		
Expire in 5 years	\$ 20,377,551	\$ 23,894,995
Expire in 6-10 years	253,318	377,120
More than 10 years	<u>28,993</u>	<u>51,473</u>
	<u>\$ 20,659,862</u>	<u>\$ 24,323,588</u>
Deductible temporary differences		
Unrealized impairment losses	\$ 4,559,185	\$ 6,646,229
Others	<u>1,037,221</u>	<u>1,438,548</u>
	<u>\$ 5,596,406</u>	<u>\$ 8,084,777</u>

- e. Information about unused loss carryforwards

Loss carryforwards of subsidiaries as of December 31, 2019 were comprised of:

Year of Loss	Unused Amount	Creditable Amount	Expiry Year
2010	\$ 1,150	\$ 102	2030
2011	26,052	2,303	2031
2012	9,089	803	2032
2015	5,679,581	1,331,254	2020
2016	6,672,705	1,522,396	2021 and 2026
2017	3,698,627	793,302	2022 and 2027
2018	3,301,495	685,168	2023, 2028, 2038 and no expiry year
2019	<u>2,862,936</u>	<u>583,919</u>	2024, 2039 and no expiry year
	<u>\$ 22,251,635</u>	<u>\$ 4,919,247</u>	

- f. Income tax assessment

The income tax returns through 2017 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.

28. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Year Ended December 31	
	2019	2018
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 208,882</u>	<u>\$ 223,832</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	406,664	406,664
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	<u>53</u>	<u>56</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>406,717</u>	<u>406,720</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 issued by the Company exceeded the average market price of the shares during the years ended December 31, 2019 and 2018, they are anti-dilutive and excluded from the computation of diluted earnings per share.

29. SHARE-BASED PAYMENT ARRANGEMENTS

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:

	For the Year Ended December 31			
	2019		2018	
Employee Share Options	Units of Options	Weighted-average Exercise Price (NT\$)	Units of Options	Weighted-average Exercise Price (NT\$)
Balance at January 1	12,460	\$148.6	15,044	\$153.6
Options forfeited	(978)	104.6	(2,584)	161.4
Options expired	<u>(5,406)</u>	205.5	<u>-</u>	-
Balance at December 31	<u>6,076</u>	99.9	<u>12,460</u>	148.6
Options exercisable, end of year	<u>6,076</u>	99.9	<u>10,820</u>	155.8

Information about outstanding options as of December 31, 2019 and 2018 was as follows:

December 31					
2019			2018		
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	0.33	May 1, 2010	\$ 94.2	1.33
November 5, 2015	100.0	0.85	June 4, 2012	242.0	0.42
			April 23, 2014	206.4	0.31
			December 2, 2014	184.2	0.92
			December 16, 2014	203.9	0.96
			November 5, 2015	100.0	1.85

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 \$15,864 thousand and \$78,713 thousand for the years ended December 31, 2019 and 2018, respectively.

30. DISPOSAL OF SUBSIDIARIES

On April 12, 2018, the Company's board of directors resolved to sell all its interests in JT to Xiamen Jia Zhong Chuang Meng Equity Investment Partnership. 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

	JT
Consideration received in cash and cash equivalents	<u>\$ 233,270</u>

b. Analysis of assets and liabilities at date control was lost

	JT
Current assets	
Cash and cash equivalents	\$ 17,307
Notes and trade receivable, net	75,362
Inventories	30,556
Other current assets	7,002
Non-current assets	
Property, plant and equipment	54,895
Intangible assets	7,251
Refundable deposits	13,059
Current liabilities	
Notes and trade payable	(19,037)
Other payables	(2,540)
Other current liabilities	(6,660)
Non-current liabilities	
Other non-current liabilities	<u>(680)</u>
Net assets disposed of	<u>\$ 176,515</u>

c. Gain on disposal of subsidiaries

	JT
Consideration received	\$ 233,270
Net assets disposed of	<u>(176,515)</u>
Gain on disposal	<u>\$ 56,755</u>

d. Net cash inflow on disposal of subsidiaries

	JT
Consideration received in cash and cash equivalents	\$ 233,270
Less: Cash and cash equivalent balances disposed of	<u>(17,307)</u>
	<u>\$ 215,963</u>

31. 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.

TPKC acquired the remaining 49% of ownership in TPKJ from external shareholders in the amount of RMB114,000 thousand in June 2019. After the acquisition, the total percentage of ownership in TPKJ held by the Group was increased from 51% to 100%. The unappropriated earnings of \$67,925 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.

32. 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.

33. 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, 2019

	Level 1	Level 2	Level 3	Total
Financial asset at FVTPL				
Derivatives financial assets	\$ -	\$ 149,870	\$ -	\$ 149,870
Foreign private fund	<u>-</u>	<u>-</u>	<u>77,755</u>	<u>77,755</u>
	<u>\$ -</u>	<u>\$ 149,870</u>	<u>\$ 77,755</u>	<u>\$ 227,625</u>
Financial asset at FVTOCI				
Investments in equity instruments				
Domestic unlisted Ordinary shares	\$ -	\$ -	\$ 50,000	\$ 50,000
Overseas unlisted Ordinary shares	<u>-</u>	<u>-</u>	<u>106,325</u>	<u>106,325</u>
	<u>-</u>	<u>-</u>	<u>156,325</u>	<u>156,325</u>
Trade receivables, net	-	4,533,364	-	4,533,364
Other receivables, net	<u>-</u>	<u>3,491,695</u>	<u>-</u>	<u>3,491,695</u>
	<u>\$ -</u>	<u>\$ 8,025,059</u>	<u>\$ 156,325</u>	<u>\$ 8,181,384</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 180,953</u>	<u>\$ -</u>	<u>\$ 180,953</u>

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>
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>

For the years ended December 31, 2019 and 2018, there were no transfers between Levels 1 and 2.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	<u>For the Year Ended December 31,</u>	
	2019	2018
<u>Financial assets at FVTPL - foreign private fund</u>		
Balance at January 1	\$ -	\$ -
Purchase	<u> 77,755 </u>	<u> -</u>
Balance at December 31	<u>\$ 77,755</u>	<u>\$ -</u>
<u>Financial assets at FVTOCI - equity instruments</u>		
Balance at January 1	\$ 258,932	\$ 255,545
Settlements	(100,000)	-
Effects of foreign currency exchange differences	<u> (2,607) </u>	<u> 3,387 </u>
Balance at December 31	<u>\$ 156,325</u>	<u>\$ 258,932</u>
<u>Financial liabilities at FVTPL - derivatives</u>		
Balance at January 1	\$ -	\$ 203,536
Losses recognized in profit or loss	-	95,542
Redemption of convertible bonds	-	(296,020)
Effects of foreign currency exchange differences	<u> -</u>	<u> (3,058) </u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</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:

- a) The fair values of foreign exchange forward contracts and exchange swap 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.
- b) 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.
- c) 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 the price of the put option of the investment contract and the transfer price of the equity interest transfer agreement.

The foreign private equity funds held by the Group were determined using the asset-based approach and were based on the net asset value measured at fair value and the investment agreement.

c. Categories of financial instruments

	December 31	
	2019	2018
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 227,625	\$ 44,275
Financial assets at amortized cost (1)	34,953,609	30,177,755
Financial assets at FVTOCI		
Equity instruments	156,325	258,932
Debt instruments	8,025,059	4,219,825
Refundable deposits	172,409	153,839
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	180,953	40,327
Financial liabilities at amortized costs (2)	41,317,837	41,494,167
Guarantee deposits	30,749	15,959

- 1) 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).
- 2) 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 borrowings, 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, borrowings and lease liabilities. 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 have foreign currency denominated 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 year were as follows:

	In Thousands of US dollars	
	December 31	
	2019	2018
<u>Assets</u>		
RMB	\$ 150,718	\$ 147,970
NTD	19,965	17,848
JPY	341	319
<u>Liabilities</u>		
RMB	297,844	254,472
NTD	8,284	9,497
JPY	4,067	1,287

Except for the data described above, the Group also disclosed its derivatives exposed to foreign currency risk at the end of the year 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 year 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	
	2019	2018
RMB	\$ (104,580)	\$ 445,242
NTD	(16,676)	(12,214)
JPY	5,320	1,416
	Impact on Profit or Loss If USD Weakened 5% Against the Relevant Currency	
	For the Year Ended December 31	
	2019	2018
RMB	\$ 47,904	\$ (493,293)
NTD	18,432	13,500
JPY	(5,880)	(1,565)

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	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 16,441,637	\$ 12,899,542
Financial liabilities	10,459,948	9,586,167
Cash flow interest rate risk		
Financial assets	9,280,577	8,218,286
Financial liabilities	11,154,525	7,684,627

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 year. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year 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, 2019 and 2018 would decrease by \$9,370 thousand and increase by \$2,668 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.

The Group was exposed to equity price risk through its investments in foreign private fund. If equity prices had been 5% higher/lower, post-tax profit for the year ended December 31, 2019 would have increased/decreased by \$3,888 thousand as a result of the changes in fair value of financial assets at FVTPL.

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 year, 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 year, 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 83.90% and 81.13% in total trade receivables as of December 31, 2019 and 2018, 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, 2019 and 2018, the Group had available unutilized short-term bank loan facilities of \$41,598,834 thousand and \$41,760,815 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. 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, 2019

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Variable interest rate borrowings	3.3972	\$ -	\$ -	\$ 2,302,464	\$ 8,852,061	\$ -
Fixed interest rate borrowings	3.2051	984,918	1,199,200	4,612,485	1,718,454	-
Lease liabilities	4.3907	61,518	27,181	207,583	752,254	896,355
		<u>\$ 1,046,436</u>	<u>\$ 1,226,381</u>	<u>\$ 7,122,532</u>	<u>\$ 11,322,769</u>	<u>\$ 896,355</u>

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	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	1,093,565	1,567,498	4,544,692	2,380,412	-
		<u>\$ 1,243,398</u>	<u>\$ 1,567,498</u>	<u>\$ 5,220,661</u>	<u>\$ 9,239,237</u>	<u>\$ -</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, 2019

	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	0.8440	\$ 9,280,577	\$ -	\$ -	\$ -
Fixed interest rate assets	3.2140	6,724,550	8,578,385	751,648	387,054
		<u>\$ 16,005,127</u>	<u>\$ 8,578,385</u>	<u>\$ 751,648</u>	<u>\$ 387,054</u>

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	8,674,697	3,858,049	366,796	-
		<u>\$ 16,892,983</u>	<u>\$ 3,858,049</u>	<u>\$ 366,796</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 year.

December 31, 2019

	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	\$ -	\$(15,794)	\$ 4,330	\$ -	\$ -
Foreign exchange option contracts	-	-	(36,937)	-	-
Exchange swap contracts	-	16,963	-	-	-
	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$(32,607)</u>	<u>\$ -</u>	<u>\$ -</u>

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	-	-	(52,943)	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,412</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

	<u>December 31</u>	
	2019	2018
Unsecured bank overdraft facility, reviewed annually and payable on demand:		
Amount used	\$ 29,403,150	\$ 29,148,217
Amount unused	<u>41,598,834</u>	<u>41,760,815</u>
	<u>\$ 71,001,984</u>	<u>\$ 70,909,032</u>

e. Transfers of financial assets

Factored trade receivables that are not yet overdue at the end of the year were as follows:

December 31, 2019

Subsidiary	Counterparties	Currencies	Receivables Factoring Proceeds	Amounts Reclassified to Other Receivables	Advances Received Unused	Advances Received Used	Annual Interest Rates on Advances Received (Used) (%)
TPK HK	A Bank	US\$	<u>\$ 342,350</u>	<u>\$ 116,467</u>	<u>\$ 116,467</u>	<u>\$ 225,883</u>	2M Libor + 0.48%
		NT\$	<u>\$ 10,263,660</u>	<u>\$ 3,491,695</u>	<u>\$ 3,491,695</u>	<u>\$ 6,771,965</u>	

December 31, 2018

Subsidiary	Counterparties	Currencies	Receivables Factoring Proceeds	Amounts Reclassified to Other Receivables	Advances Received Unused	Advances Received Used	Annual Interest Rates on Advances Received (Used) (%)
TPK HK	A Bank	US\$	<u>\$ 344,804</u>	<u>\$ 73,056</u>	<u>\$ 73,056</u>	<u>\$ 271,748</u>	2M Libor + 0.55%
		NT\$	<u>\$ 10,590,662</u>	<u>\$ 2,243,911</u>	<u>\$ 2,243,911</u>	<u>\$ 8,346,751</u>	

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.

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, 2019

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>\$ 9,693,525</u>	<u>\$ (1,139,240)</u>	<u>\$ 8,554,285</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>\$ 7,631,977</u>	<u>\$ (1,139,240)</u>	<u>\$ 6,492,737</u>

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>

34. 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
TES Touch Embedded Solutions (Xiamen) Co., Ltd.	Related party in substance
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 Co., Ltd.	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 Solutions Corporation (originally "CAM Holding Corporation", changed name in December 2018, "Cambrios Film")	Related party in substance
Cambrios Advanced Materials Corp.	Related party in substance
Cambrios Film Solutions Japan Corporation	Related party in substance
Cambrios Advanced Materials (Quan Zhou) Corporation	Related party in substance
Liangyi industry and trade (Xiamen) Co., Ltd.	Related party in substance
AMPOS Solution Inc. Taiwan Branch	Related party in substance
Cambrios Film Solutions (Xiamen) Corporation ("Cambrios Film Xiamen")	Related party in substance

b. Sales and other income

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
1) Operating revenue, net		
Other related parties	\$ 807,226	\$ 787,148
2) Rental income (recorded as other income)		
Other related parties	\$ 6,213	\$ 4,592
3) Other income		
Other related parties	\$ 12,084	\$ 2,858

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	
	2019	2018
1) Purchases of goods		
Other related parties	\$ 312,516	\$ 273,026
2) Rental expenses (recorded as operating costs - manufacturing expenses)		
Other related parties		
BTO	\$ -	\$ 51,462
VOT	-	47,788
Others	-	66
	<u>\$ -</u>	<u>\$ 99,316</u>
3) Rental expenses (recorded as operating expenses)		
Other related parties		
BTO	\$ -	\$ 37,855
Taiwan VM	-	30,389
Others	-	10,611
	<u>\$ -</u>	<u>\$ 78,855</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	
	2019	2018
4) Research expenses		
Other related parties	\$ 11,994	\$ 9,666
5) Material consumption		
Other related parties	\$ 2,937	\$ 3,131
6) Professional service fees		
Other related parties		
Cambrios Film	\$ 133,557	\$ 77,456
Others	8,703	6,824
	<u>\$ 142,260</u>	<u>\$ 84,280</u>
7) Repairs and other expenses		
Other related parties	\$ 1,060	\$ 130

d. Receivables from (payables to) related parties

Related Party Category/Name	December 31	
	2019	2018
1) Trade receivables - related parties (recorded as trade receivables)		
Associates	\$ 4,884	\$ 5,062
Other related parties	<u>104,416</u>	<u>95,809</u>
	<u>\$ 109,300</u>	<u>\$ 100,871</u>
2) Trade payables - related parties (recorded as trade payables)		
Associates	\$ 7,863	\$ 8,093
Other related parties	<u>53,523</u>	<u>50,832</u>
	<u>\$ 61,386</u>	<u>\$ 58,925</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	
	2019	2018
3) Other receivables - related parties (recorded as other receivables)		
Associates	\$ 836	\$ 857
Other related parties	<u>227,563</u>	<u>1,028</u>
	<u>\$ 228,399</u>	<u>\$ 1,885</u>
4) Payables for purchase of equipment - related parties (recorded as payable for purchase of equipment)		
Associates	<u>\$ 5,651</u>	<u>\$ 5,887</u>
5) Other payables - related parties (recorded as other payables - others)		
Associates	\$ 822	\$ 857
Other related parties	<u>57,637</u>	<u>86,961</u>
	<u>\$ 58,459</u>	<u>\$ 87,818</u>

e. Others

Related Party Category/Name	December 31	
	2019	2018
Refundable deposits		
Other related parties		
VOT	\$ 15,036	\$ 15,663
Others	<u>7,500</u>	<u>7,353</u>
	<u>\$ 22,536</u>	<u>\$ 23,016</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, 2019 and 2018, the interest income on the deposits were both \$4 thousand.

f. Acquisitions of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31	
	2019	2018
Associates	\$ -	\$ 250
Other related parties	<u>-</u>	<u>1,738</u>
	<u>\$ -</u>	<u>\$ 1,988</u>

g. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds For the Year Ended December 31	
	2019	2018
Cambrios Film Xiamen	\$ 285,654	\$ -
Other related parties	<u>66</u>	<u>268</u>
	<u>\$ 285,720</u>	<u>\$ 268</u>

Related Party Category/Name	Gains on Disposals For the Year Ended December 31	
	2019	2018
Cambrios Film Xiamen	\$ 100	\$ -
Other related parties	<u>66</u>	<u>236</u>
	<u>\$ 166</u>	<u>\$ 236</u>

h. Lease arrangements - Group is lessee

Line Item	Related Party Category/Name	December 31, 2019
1) Lease liabilities-current	Other related parties	
	BTO	\$ 70,973
	VOT	46,103
	Taiwan VM	<u>29,704</u>
		<u>\$ 146,780</u>
2) Lease liabilities-non-current	Other related parties	<u>\$ 152,021</u>
		For the Year Ended December 31, 2019
3) Interest expense	Other related parties	<u>\$ 13,937</u>

Modification of lease agreement

The Group leased the buildings from other related parties for the use of plant and office spaces. The Group reduced the leased area and modified the agreement in August 2019. Therefore, the right-of-use assets and lease liabilities decreased by \$2,405 thousand and \$2,439 thousand, respectively, and gain on lease modification was recognized at the amount of \$34 thousand.

i. Endorsements and guarantees

As of December 31, 2019 and 2018, guarantees for long-term and short-term borrowings and foreign exchange forward for hedging provided by related parties were as follows:

	December 31, 2019		
	US\$	NT\$	Guarantor
TPKD	\$ 31,526	\$ 945,149	TPKH
TPKD	31,526	945,149	TPKC
TPK HK	14,330	429,613	TPKC
	December 31, 2018		
	US\$	NT\$	Guarantor
TPKD	\$ 32,054	\$ 984,539	TPKH
TPKD	32,054	984,539	TPKC

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 5 following the Notes to Consolidated Financial Statements.

j. Compensation of key management personnel

For the years ended December 31, 2019 and 2018, the total amounts of the remuneration of directors and other key management personnel were as follows:

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 67,322	\$ 88,423
Share-based payments	4,191	13,258
Post-employment benefits	<u>1,057</u>	<u>908</u>
	<u>\$ 72,570</u>	<u>\$ 102,589</u>

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

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for borrowings from banks and leasing companies, and bank guarantee:

	December 31	
	2019	2018
Bank deposits (classified as financial assets at amortized cost)	\$ 2,550	\$ 210,165
Machinery and equipment, net	<u>669,015</u>	<u>1,158,229</u>
	<u>\$ 671,565</u>	<u>\$ 1,368,394</u>

36. 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, 2019 and 2018 were as follows:

- a. As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$291,367 thousand and \$238,929 thousand, respectively.
- b. Unrecognized commitments are as follows:

	December 31	
	2019	2018
Acquisition of property, plant and equipment	<u>\$ 1,669,002</u>	<u>\$ 1,145,949</u>

37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- a. On February 21, 2020, the Company's board of directors resolved to invest in the short-term convertible bonds which were issued by Light Polymers Holdings (HK) Limited through TPK HK at an amount of US\$1,500 thousand with a maturity of 6 months and an annual interest rate of 8.5%.

- b. The outbreak of 2019 novel coronavirus in January of 2020 caused postponed resumption of work of the subsidiary located in Xiamen, Fujian Province, China. However, as the major customers and suppliers of the Group are spread around the world, the impact of the outbreak on its operations is limited. Due to the inability to assess the disease control situation as of the date the consolidated financial report was authorized for issue, the Group could not reasonably estimate the customers' payment ability as well as the extent of the impact on the operation and the entire industry.

38. 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, 2019		
	Foreign Currencies	Exchange Rate	US dollars
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,051,766	6.9762	\$ 150,718
NTD	598,541	29.9800	19,965
JPY	37,054	108.6232	341
Non-monetary items			
Derivative instruments			
RMB buy	2,112,415	6.9762	1,411
RMB sell	107,672	6.9762	535
Foreign exchange options	1,720,875	6.9762	3,053
<u>Financial liabilities</u>			
Monetary items			
RMB	2,078,463	6.9762	297,844
NTD	248,341	29.9800	8,284
JPY	441,813	108.6232	4,067
Non-monetary items			
Derivative instruments			
RMB buy	1,833,447	6.9762	4,123
Foreign exchange options	712,200	6.9762	1,913

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 buy	700,700	6.8632	1,441
<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	698,150	6.8632	1,313

For the years ended December 31, 2019 and 2018, the realized and unrealized net foreign exchange gains were \$216,684 thousand and \$85,992 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.

39. 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. (Table 4)
- 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 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)

- 9) Trading in derivative instruments. (Notes 7 and 33)
- 10) Intercompany relationships and significant intercompany transactions. (Table 9)
- 11) Information on investees. (Table 7)
- 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 year, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Table 8)
 - 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, 5 and 6)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - 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 year and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

40. 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					
	2019			2018		
	Touch Modules	Others	Total	Touch Modules	Others	Total
Revenue from external customers	\$ 136,579,738	\$ 26,957	\$ 136,606,695	\$ 113,338,052	\$ 143,456	\$ 113,481,508
Inter-segment revenue	267,555	8,252,999	8,520,554	2,804,237	6,134,512	8,938,749
Interest income	854,544	60,924	915,468	1,058,954	99,988	1,158,942
Finance costs	696,610	502,598	1,199,208	493,778	841,225	1,335,003
Depreciation and amortization	5,929,687	1,909,807	7,839,494	5,336,596	1,981,177	7,317,773
Impairment loss on assets	259,275	544,199	803,474	2,444	-	2,444
Reportable segment profit (loss) before tax	3,592,857	(2,754,787)	838,070	4,573,790	(3,242,594)	1,331,196

(Continued)

	For the Year Ended December 31					
	2019			2018		
	Touch Modules	Others	Total	Touch Modules	Others	Total
Reportable segment income tax expense	\$ (323,076)	\$ (154,287)	\$ (477,363)	\$ (297,273)	\$ (34,000)	\$ (331,273)
Reportable segment net profit (loss)	3,269,781	(2,909,074)	360,707	4,276,517	(3,276,594)	999,923
Reportable segment assets	37,611,756	70,736,244	108,348,000	82,248,814	83,077,517	165,326,331
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	4,258,212	190,080	4,448,292	5,215,619	1,332,147	6,547,766

(Concluded)

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	
	2019	2018
Reportable segment profit before tax	\$ 3,592,857	\$ 4,573,790
Reportable segment income tax expense	(323,076)	(297,273)
Reportable segment net profit	3,269,781	4,276,517
Non-reportable segment's loss	(2,909,074)	(3,276,594)
Less: Inter-segment profit	(57,968)	(635,189)
Less: Net profit on non-controlling interests	(93,857)	(140,902)
Net profit attributable to owners of the Company	<u>\$ 208,882</u>	<u>\$ 223,832</u>

2) Other significant items reconciliation

For the Year Ended December 31, 2019				
Other Significant Items	Total Amount		Reconciliation	Total
	Total Amount of Reportable Segment	Total Amount of Non-reportable Segment		
Interest income	\$ 854,544	\$ 60,924	\$ (232,965)	\$ 682,503
Finance costs	696,610	502,598	(280,515)	918,693
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	4,258,212	190,080	(116,448)	4,331,844
Depreciation and amortization	5,929,687	1,909,807	-	7,839,494
Impairment loss	259,275	544,199	-	803,474

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

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	
	2019	2018	2019	2018
North America	\$ 64,716,789	\$ 50,306,792	\$ 2,796	\$ 1,662
Asia	38,608,349	26,503,807	31,329,076	35,812,101
Others	<u>33,281,557</u>	<u>36,670,909</u>	<u>-</u>	<u>-</u>
	<u>\$ 136,606,695</u>	<u>\$ 113,481,508</u>	<u>\$ 31,331,872</u>	<u>\$ 35,813,763</u>

Non-current assets above excludes deferred tax assets, financial assets at FVTPL 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, 2019 and 2018 are as follows:

	<u>For the Year Ended December 31</u>	
	2019	2018
Customer A	\$ 78,278,744	\$ 65,745,659
Customer B	<u>16,985,308</u>	<u>18,025,433</u>
	<u>\$ 95,264,052</u>	<u>\$ 83,771,092</u>

TABLE 1

TPK HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 (Note 5)	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	TPK HK	Loan to related parties	Y	NT\$ 2,248,500 (approximately US\$ 75,000)	NT\$ 2,248,500 (approximately US\$ 75,000)	NT\$ -	-	b	\$ -	Operating capital	\$ -	-	\$ -	NT\$ 14,467,484 (approximately US\$ 482,571)	NT\$ 18,084,355 (approximately US\$ 603,214)	
		UYH	Loan to related parties	Y	NT\$ 2,023,650 (approximately US\$ 67,500)	-	-	3.1772%	b	-	Operating capital	-	-	-	NT\$ 14,467,484 (approximately US\$ 482,571)	NT\$ 18,084,355 (approximately US\$ 603,214)	
1	TPKC	TPKD	Loan to related parties	Y	NT\$ 2,998,000 (approximately US\$ 100,000)	NT\$ 1,499,000 (approximately US\$ 50,000)	NT\$ 387 (approximately US\$ 13)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKH	Loan to related parties	Y	NT\$ 5,996,000 (approximately US\$ 200,000)	NT\$ 5,996,000 (approximately US\$ 200,000)	-	-	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKMT	Loan to related parties	Y	NT\$ 59,960 (approximately US\$ 2,000)	-	-	-	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKF	Loan to related parties	Y	NT\$ 1,558,960 (approximately US\$ 52,000)	NT\$ 779,480 (approximately US\$ 26,000)	NT\$ 678,496 (approximately US\$ 22,632)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		MTOH	Loan to related parties	Y	NT\$ 4,796,800 (approximately US\$ 160,000)	NT\$ 2,398,400 (approximately US\$ 80,000)	NT\$ 1,331,494 (approximately US\$ 44,413)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPK HK	Loan to related parties	Y	NT\$ 4,497,000 (approximately US\$ 150,000)	NT\$ 4,497,000 (approximately US\$ 150,000)	NT\$ 366,883 (approximately US\$ 12,238)	0.0000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKS	Loan to related parties	Y	NT\$ 599,600 (approximately US\$ 20,000)	NT\$ 599,600 (approximately US\$ 20,000)	NT\$ 74,971 (approximately US\$ 2,501)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKG	Loan to related parties	Y	NT\$ 6,595,600 (approximately US\$ 220,000)	NT\$ 6,595,600 (approximately US\$ 220,000)	NT\$ 3,194,591 (approximately US\$ 106,557)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKP	Loan to related parties	Y	NT\$ 6,595,600 (approximately US\$ 220,000)	NT\$ 6,595,600 (approximately US\$ 220,000)	NT\$ 6,185,442 (approximately US\$ 206,319)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKJ	Loan to related parties	Y	NT\$ 299,800 (approximately US\$ 10,000)	NT\$ 299,800 (approximately US\$ 10,000)	-	-	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	

(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 (Note 5)	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			
2	TPK HK	TPKP	Loan to related parties	Y	NT\$ 2,062,144 (approximately US\$ 68,784)	NT\$ -	NT\$ -	3.2225%	b	\$ -	Operating capital	\$ -	-	\$ -	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKG	Loan to related parties	Y	NT\$ 7,495,000 (approximately US\$ 250,000)	NT\$ 2,998,000 (approximately US\$ 100,000)	NT\$ 2,098,600 (approximately US\$ 70,000)	0.0000%-3.2225%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKC	Loan to related parties	Y	NT\$ 4,497,000 (approximately US\$ 150,000)	NT\$ 2,998,000 (approximately US\$ 100,000)	NT\$ 1,259,203 (approximately US\$ 42,001)	0.0000%-3.5134%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKH	Loan to related parties	Y	NT\$ 7,495,000 (approximately US\$ 250,000)	NT\$ 4,497,000 (approximately US\$ 150,000)	NT\$ 1,528,980 (approximately US\$ 51,000)	2.6278%-3.5007%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		UYH	Loan to related parties - long-term	Y	NT\$ 899,400 (approximately US\$ 30,000)	NT\$ 899,400 (approximately US\$ 30,000)	NT\$ 899,400 (approximately US\$ 30,000)	0.0000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
3	TPKA	TPK HK	Loan to related parties	Y	NT\$ 1,169,220 (approximately US\$ 39,000)	NT\$ 1,169,220 (approximately US\$ 39,000)	NT\$ 1,169,220 (approximately US\$ 39,000)	0.0000%-2.1129%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPK HK	Loan to related parties - long-term	Y	NT\$ 839,440 (approximately US\$ 28,000)	NT\$ 839,440 (approximately US\$ 28,000)	NT\$ 839,440 (approximately US\$ 28,000)	0.0000%-3.2811%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
4	TPKS	TPKC	Loan to related parties	Y	NT\$ 2,698,200 (approximately US\$ 90,000)	NT\$ 1,798,800 (approximately US\$ 60,000)	NT\$ 178,697 (approximately US\$ 5,961)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
5	TPKM	TPKC	Loan to related parties	Y	NT\$ 599,600 (approximately US\$ 20,000)	NT\$ 299,800 (approximately US\$ 10,000)	NT\$ 271,934 (approximately US\$ 9,071)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
6	RSSL	TPK HK	Loan to related parties	Y	NT\$ 563,624 (approximately US\$ 18,800)	-	-	3.3181%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
7	TPKD	TPKC	Loan to related parties	Y	NT\$ 5,996,000 (approximately US\$ 200,000)	NT\$ 5,996,000 (approximately US\$ 200,000)	NT\$ 1,993,670 (approximately US\$ 66,500)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
8	TPKT	TPK HK	Loan to related parties	Y	NT\$ 1,499,000 (approximately US\$ 50,000)	NT\$ 599,600 (approximately US\$ 20,000)	NT\$ 599,600 (approximately US\$ 20,000)	2.6006%-3.2893%	b	-	Operating capital	-	-	-	NT\$ 832,122 (approximately US\$ 27,756)	NT\$ 1,040,153 (approximately US\$ 34,695)	
9	TPKMT	TPKC	Loan to related parties	Y	NT\$ 299,800 (approximately US\$ 10,000)	NT\$ 299,800 (approximately US\$ 10,000)	NT\$ 140,888 (approximately US\$ 4,699)	0.0000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	

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\$53,904,040 thousand (approximately US\$1,798,000 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 U.S. dollars to New Taiwan dollars as of December 31, 2019 was US\$1=NT\$29.98.
- Note 6: Highest balance and ending balance for the year only indicate credit line of loans to others, not the actual amount of loans.

(Concluded)

TABLE 2

TPK HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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\$ 9,042,178 (approximately US\$ 301,607)	NT\$ 945,149 (approximately US\$ 31,526)	NT\$ 945,149 (approximately US\$ 31,526)	NT\$ 859,227 (approximately US\$ 28,660)	NT\$ -	2.61%	NT\$ 18,084,355 (approximately US\$ 603,214)	Y	N	Y	
1	TPKC	TPKD	Subsidiaries of which the Company directly held a more than 50% equity interest	NT\$ 9,042,178 (approximately US\$ 301,607)	NT\$ 945,149 (approximately US\$ 31,526)	NT\$ 945,149 (approximately US\$ 31,526)	NT\$ 859,227 (approximately US\$ 28,660)	-	2.61%	NT\$ 18,084,355 (approximately US\$ 603,214)	N	N	Y	
		TPK HK	Between subsidiaries of which the Company held a 100% equity interest	NT\$ 9,042,178 (approximately US\$ 301,607)	NT\$ 429,613 (approximately US\$ 14,330)	NT\$ 429,613 (approximately US\$ 14,330)	NT\$ 346,984 (approximately US\$ 11,574)	-	1.19%	NT\$ 18,084,355 (approximately US\$ 603,214)	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, 2019.

Note 3: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2019 was US\$1=NT\$29.98.

Note 4: The maximum amount and outstanding endorsement/guarantee at the end of the year only indicate limits on endorsement/guarantee amount to others, not the actual borrowing amount.

TABLE 3

TPK HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands, Unless Stated Otherwise)

Holding Company Name	Name and Type of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
TPKT	Kingyoup Optronics Co., Ltd. Ordinary shares	-	Financial assets at FVTOCI	2,000,000	NT\$ 50,000 (approximately US\$ 1,668)	5.52	NT\$ 50,000 (approximately US\$ 1,668)	
TPKP	Jinshunxin Development (Pingtan) Co., Ltd. Paid-in capital	-	Financial assets at FVTOCI	-	NT\$ 106,325 (approximately US\$ 3,547)	9.00	NT\$ 106,325 (approximately US\$ 3,547)	
TPK HK	Wise Road Industry Investment Fund I, L.P. Fund	-	Financial assets at FVTPL	-	NT\$ 77,755 (approximately US\$ 2,594)	-	NT\$ 77,755 (approximately US\$ 2,594)	

Note: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2019 was US\$1=NT\$29.98.

TABLE 4

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount (Notes 1 and 2)	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Notes 1 and 2)
TPKC	<u>Paid in capital</u> TPKJ	Investments accounted for using equity method	Jan Ann Co., Ltd., Leader Wisdom Holding Limited	-	-	\$ -	-	NT\$ 495,516 (approximately US\$ 16,528)	-	\$ -	\$ -	\$ -	-	NT\$ 495,516 (approximately US\$ 16,528)

- Note 1: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2019 was US\$1=NT\$29.98.
- Note 2: In June 2019, TPKC acquired the remaining 49% ownership from TPKJ’s external shareholders in the amount of RMB114,000 thousand. After the acquisition, the percentage of ownership in TPKJ held by the Group was increased from 51% to 100%. Please refer to the Note 31 for more information.
- Note 3: The ending balance does not include share of profits (loss).

TABLE 5

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, 2019
(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	
TPKC	TPKS	The same ultimate parent company	Purchase	NT\$ 838,327 (approximately US\$ 27,112)	0.76	45 days after monthly closing	No significant difference	No significant difference	NT\$ 158,229 (approximately US\$ 5,278)	0.86	
	TPKG	The same ultimate parent company	Purchase	NT\$ 1,366,423 (approximately US\$ 44,190)	1.23	45 days after monthly closing	No significant difference	No significant difference	NT\$ 248,952 (approximately US\$ 8,304)	1.36	
	TPK HK	The same ultimate parent company	Purchase	NT\$ 6,449,508 (approximately US\$ 208,578)	5.83	45 days after monthly closing	No significant difference	No significant difference	NT\$ 893,815 (approximately US\$ 29,814)	4.88	
	TPKP	The same ultimate parent company	Purchase	NT\$ 152,357 (approximately US\$ 4,927)	0.14	45 days after monthly closing	No significant difference	No significant difference	NT\$ 33,224 (approximately US\$ 1,108)	0.18	
	TPKJ	Investments accounted for using equity method	Purchase	NT\$ 1,905,306 (approximately US\$ 61,618)	1.72	45 days after monthly closing	No significant difference	No significant difference	NT\$ 349,108 (approximately US\$ 11,645)	1.90	
	TPKU	The same ultimate parent company	Sales	NT\$ 513,533 (approximately US\$ 16,608)	0.38	45 days after monthly closing	No significant difference	No significant difference	NT\$ 16,784 (approximately US\$ 560)	0.13	
	TPKG	The same ultimate parent company	Sales	NT\$ 139,147 (approximately US\$ 4,500)	0.10	45 days after monthly closing	No significant difference	No significant difference	NT\$ 25,541 (approximately US\$ 852)	0.20	
	TPK HK	The same ultimate parent company	Sales	NT\$ 42,616,526 (approximately US\$ 1,378,226)	31.20	45 days after monthly closing	No significant difference	No significant difference	NT\$ 12,133,988 (approximately US\$ 404,736)	94.11	
	TPKD	Investments accounted for using equity method	Sales	NT\$ 583,861 (approximately US\$ 18,882)	0.43	45 days after monthly closing	No significant difference	No significant difference	NT\$ 95,186 (approximately US\$ 3,175)	0.74	

(Continued)

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	
TPKS	TPKG	The same ultimate parent company	Purchase	NT\$ 165,331 (approximately US\$ 5,347)	0.15	45 days after monthly closing	No significant difference	No significant difference	NT\$ 8,056 (approximately US\$ 269)	0.04	
	TPK HK	The same ultimate parent company	Purchase	NT\$ 1,791,517 (approximately US\$ 57,938)	1.62	45 days after monthly closing	No significant difference	No significant difference	NT\$ 489,592 (approximately US\$ 16,331)	2.67	
	TPKJ	The same ultimate parent company	Purchase	NT\$ 539,820 (approximately US\$ 17,458)	0.49	45 days after monthly closing	No significant difference	No significant difference	NT\$ 115,980 (approximately US\$ 3,869)	0.63	
	TPKC	The same ultimate parent company	Sales	NT\$ 838,327 (approximately US\$ 27,112)	0.61	45 days after monthly closing	No significant difference	No significant difference	NT\$ 158,229 (approximately US\$ 5,278)	1.23	
	TPK HK	The same ultimate parent company	Sales	NT\$ 5,815,631 (approximately US\$ 188,078)	4.26	45 days after monthly closing	No significant difference	No significant difference	NT\$ 634,627 (approximately US\$ 21,168)	4.92	
TPKU	TPKC	The same ultimate parent company	Purchase	NT\$ 513,483 (approximately US\$ 16,606)	0.46	45 days after monthly closing	No significant difference	No significant difference	NT\$ 16,784 (approximately US\$ 560)	0.09	
TPKG	TPKC	The same ultimate parent company	Purchase	NT\$ 139,147 (approximately US\$ 4,500)	0.13	45 days after monthly closing	No significant difference	No significant difference	NT\$ 25,541 (approximately US\$ 852)	0.14	
	TPKC	The same ultimate parent company	Sales	NT\$ 1,368,387 (approximately US\$ 44,254)	1.00	45 days after monthly closing	No significant difference	No significant difference	NT\$ 248,952 (approximately US\$ 8,304)	1.93	
	TPKS	The same ultimate parent company	Sales	NT\$ 165,331 (approximately US\$ 5,347)	0.12	45 days after monthly closing	No significant difference	No significant difference	NT\$ 8,056 (approximately US\$ 269)	0.06	
	TPKD	The same ultimate parent company	Sales	NT\$ 1,042,037 (approximately US\$ 33,700)	0.76	45 days after monthly closing	No significant difference	No significant difference	NT\$ 166,656 (approximately US\$ 5,559)	1.29	

(Continued)

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	
TPK HK	TPKC	Investments accounted for using equity method	Purchase	NT\$ 42,616,526 (approximately US\$ 1,378,226)	38.49	45 days after monthly closing	No significant difference	No significant difference	NT\$ 12,133,988 (approximately US\$ 404,736)	66.21	
	TPKS	The same ultimate parent company	Purchase	NT\$ 5,815,631 (approximately US\$ 188,078)	5.25	45 days after monthly closing	No significant difference	No significant difference	NT\$ 634,627 (approximately US\$ 21,168)	3.46	
	MTOH	Investments accounted for using equity method	Purchase	NT\$ 1,812,340 (approximately US\$ 58,611)	1.64	45 days after monthly closing	No significant difference	No significant difference	NT\$ 403,913 (approximately US\$ 13,473)	2.20	
	TPKD	Investments accounted for using equity method	Purchase	NT\$ 72,010,557 (approximately US\$ 2,328,833)	65.04	45 days after monthly closing	No significant difference	No significant difference	NT\$ 11,415,922 (approximately US\$ 380,785)	62.29	
	TPKC	Investments accounted for using equity method	Sales	NT\$ 7,036,665 (approximately US\$ 227,567)	5.15	45 days after monthly closing	No significant difference	No significant difference	NT\$ 893,815 (approximately US\$ 29,814)	6.93	
	TPKS	The same ultimate parent company	Sales	NT\$ 1,791,517 (approximately US\$ 57,938)	1.31	45 days after monthly closing	No significant difference	No significant difference	NT\$ 489,592 (approximately US\$ 16,331)	3.80	
	MTOH	Investments accounted for using equity method	Sales	NT\$ 113,309 (approximately US\$ 3,664)	0.08	45 days after monthly closing	No significant difference	No significant difference	NT\$ 35,119 (approximately US\$ 1,171)	0.27	
	TPKD	Investments accounted for using equity method	Sales	NT\$ 45,688,206 (approximately US\$ 1,477,564)	33.45	45 days after monthly closing	No significant difference	No significant difference	NT\$ 6,409,533 (approximately US\$ 213,794)	49.71	
MTOH	TPK HK	The same ultimate parent company	Purchase	NT\$ 113,309 (approximately US\$ 3,664)	0.10	45 days after monthly closing	No significant difference	No significant difference	NT\$ 35,119 (approximately US\$ 1,171)	0.19	
	TPKP	The same ultimate parent company	Purchase	NT\$ 214,017 (approximately US\$ 6,921)	0.19	45 days after monthly closing	No significant difference	No significant difference	NT\$ 43,304 (approximately US\$ 1,444)	0.24	
	TPKJ	The same ultimate parent company	Purchase	NT\$ 101,219 (approximately US\$ 3,273)	0.09	45 days after monthly closing	No significant difference	No significant difference	NT\$ 16,516 (approximately US\$ 551)	0.09	
	TPK HK	The same ultimate parent company	Sales	NT\$ 1,812,340 (approximately US\$ 58,611)	1.33	45 days after monthly closing	No significant difference	No significant difference	NT\$ 403,913 (approximately US\$ 13,473)	3.13	
	TES XM	Related party in substance	Sales	NT\$ 721,577 (approximately US\$ 23,336)	0.53	60 days after monthly closing	No significant difference	No significant difference	NT\$ 91,683 (approximately US\$ 3,058)	0.71	
TPKP	TPKC	The same ultimate parent company	Sales	NT\$ 152,357 (approximately US\$ 4,927)	0.11	45 days after monthly closing	No significant difference	No significant difference	NT\$ 33,224 (approximately US\$ 1,108)	0.26	
	MTOH	The same ultimate parent company	Sales	NT\$ 214,017 (approximately US\$ 6,921)	0.16	45 days after monthly closing	No significant difference	No significant difference	NT\$ 43,304 (approximately US\$ 1,444)	0.34	

(Continued)

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	
TPKD	TPKC	The same ultimate parent company	Purchase	NT\$ 583,861 (approximately US\$ 18,882)	0.53	45 days after monthly closing	No significant difference	No significant difference	NT\$ 95,186 (approximately US\$ 3,175)	0.52	
	TPKG	The same ultimate parent company	Purchase	NT\$ 1,042,037 (approximately US\$ 33,700)	0.94	45 days after monthly closing	No significant difference	No significant difference	NT\$ 166,656 (approximately US\$ 5,559)	0.91	
	TPK HK	The same ultimate parent company	Purchase	NT\$ 45,391,362 (approximately US\$ 1,467,964)	41.00	45 days after monthly closing	No significant difference	No significant difference	NT\$ 6,409,533 (approximately US\$ 213,794)	34.97	
	TPKJ	The same ultimate parent company	Purchase	NT\$ 2,573,053 (approximately US\$ 83,213)	2.32	45 days after monthly closing	No significant difference	No significant difference	NT\$ 479,204 (approximately US\$ 15,984)	2.61	
	TPK HK	The same ultimate parent company	Sales	NT\$ 72,010,982 (approximately US\$ 2,328,847)	52.71	45 days after monthly closing	No significant difference	No significant difference	NT\$ 11,415,922 (approximately US\$ 380,785)	88.54	
	BTO	Related party in substance	Purchase	NT\$ 156,429 (approximately US\$ 5,059)	0.14	45 days after monthly closing	No significant difference	No significant difference	NT\$ 22,733 (approximately US\$ 758)	0.12	
TPKJ	TPKJ HK	Investments accounted for using equity method	Purchase	NT\$ 116,353 (approximately US\$ 3,763)	0.11	45 days after monthly closing	No significant difference	No significant difference	-	-	
	TPKC	The same ultimate parent company	Sales	NT\$ 1,905,870 (approximately US\$ 61,636)	1.40	45 days after monthly closing	No significant difference	No significant difference	NT\$ 349,108 (approximately US\$ 11,645)	2.71	
	TPKS	The same ultimate parent company	Sales	NT\$ 539,872 (approximately US\$ 17,460)	0.40	45 days after monthly closing	No significant difference	No significant difference	NT\$ 115,980 (approximately US\$ 3,869)	0.90	
	MTOH	The same ultimate parent company	Sales	NT\$ 101,227 (approximately US\$ 3,274)	0.07	45 days after monthly closing	No significant difference	No significant difference	NT\$ 16,516 (approximately US\$ 551)	0.13	
	TPKD	The same ultimate parent company	Sales	NT\$ 2,573,999 (approximately US\$ 83,244)	1.88	45 days after monthly closing	No significant difference	No significant difference	NT\$ 479,204 (approximately US\$ 15,984)	3.72	
TPKJ HK	TPKJ	The same ultimate parent company	Sales	NT\$ 116,353 (approximately US\$ 3,763)	0.09	45 days after monthly closing	No significant difference	No significant difference	-	-	

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 U.S. dollars to New Taiwan dollars for the year ended December 31, 2019 was US\$1=NT\$30.9213.

Note 4: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2019 was US\$1=NT\$29.98.

(Concluded)

TABLE 6**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, 2019****(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	The same ultimate parent company	NT\$ 12,133,988 (approximately US\$ 404,736)	4.09	NT\$ 6,012,557 (approximately US\$ 200,552)	Enhance collection	NT\$ 7,754,206 (approximately US\$ 258,646)	\$ -
	TPKD	Investments accounted for using equity method	NT\$ 117,094 (approximately US\$ 3,906)	-	-	-	NT\$ 116,093 (approximately US\$ 3,872)	-
TPKS	TPKC	The same ultimate parent company	NT\$ 158,229 (approximately US\$ 5,278)	3.99	-	-	NT\$ 156,821 (approximately US\$ 5,231)	-
	TPK HK	The same ultimate parent company	NT\$ 634,627 (approximately US\$ 21,168)	4.57	NT\$ 410 (approximately US\$ 14)	Enhance collection	NT\$ 634,627 (approximately US\$ 21,168)	-
TPKG	TPKC	The same ultimate parent company	NT\$ 248,952 (approximately US\$ 8,304)	7.42	-	-	NT\$ 248,941 (approximately US\$ 8,304)	-
	TPKD	The same ultimate parent company	NT\$ 166,656 (approximately US\$ 5,559)	9.73	-	-	NT\$ 166,656 (approximately US\$ 5,559)	-
TPK HK	TPKC	Investments accounted for using equity method	NT\$ 893,815 (approximately US\$ 29,814)	6.26	NT\$ 44,717 (approximately US\$ 1,492)	Enhance collection	NT\$ 719,451 (approximately US\$ 23,998)	-
	TPKS	The same ultimate parent company	NT\$ 489,592 (approximately US\$ 16,331)	7.07	-	-	NT\$ 489,592 (approximately US\$ 16,331)	-
	TPKD	Investments accounted for using equity method	NT\$ 6,409,533 (approximately US\$ 213,794)	7.78	NT\$ 429,439 (approximately US\$ 14,324)	Enhance collection	NT\$ 6,305,552 (approximately US\$ 210,325)	-
MTOH	TPK HK	The same ultimate parent company	NT\$ 403,913 (approximately US\$ 13,473)	5.81	NT\$ 112,600 (approximately US\$ 3,756)	Enhance collection	NT\$ 259,285 (approximately US\$ 8,649)	-

(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		
TPKD	TPK HK	The same ultimate parent company	NT\$ 11,415,922 (approximately US\$ 380,785)	5.54	NT\$ 32,306 (approximately US\$ 1,078)	Enhance collection	NT\$ 7,421,784 (approximately US\$ 247,558)	-
	Cambrios Film Xiamen	Related party in substance	NT\$ 223,360 (approximately US\$ 7,450)	-	-	-	-	-
TPKJ	TPKC	The same ultimate parent company	NT\$ 349,108 (approximately US\$ 11,645)	5.50	-	-	NT\$ 343,755 (approximately US\$ 11,466)	-
	TPKS	The same ultimate parent company	NT\$ 115,980 (approximately US\$ 3,869)	7.95	-	-	NT\$ 115,951 (approximately US\$ 3,868)	-
	TPKD	The same ultimate parent company	NT\$ 479,204 (approximately US\$ 15,984)	6.54	-	-	NT\$ 479,025 (approximately US\$ 15,978)	-
RSSL	TPKT	The same ultimate parent company	NT\$ 563,830 (approximately US\$ 18,807)	-	-	-	NT\$ 563,830 (approximately US\$ 18,807)	-

Note 1: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2019 was US\$1=NT\$29.98.

Note 2: The amount received in the subsequent period means that the collection was made by February 29, 2020.

Note 3: Please refer to Table 1 for information on financing provided to others.

(Concluded)

TABLE 7

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee (Note 2)	Share of Profits (Loss) (Notes 2 and 4)	Note
				December 31, 2019 (Note 1)	December 31, 2018 (Note 1)	Number of Shares	%	Carrying Amount (Notes 1 and 4)			
TPKH	Improve	Samoa	Holding company	NT\$ 4,631,610 (approximately US\$ 154,490)	NT\$ 4,631,610 (approximately US\$ 154,490)	154,490,000	100.00	NT\$ 4,160,229 (approximately US\$ 138,767)	NT\$ 178,749 (approximately US\$ 5,781)	NT\$ 178,749 (approximately US\$ 5,781)	Subsidiary
	UYH	Samoa	Holding company and International trade	NT\$ 5,907,259 (approximately US\$ 197,040)	NT\$ 5,907,259 (approximately US\$ 197,040)	196,250,000	100.00	NT\$ 31,368,908 (approximately US\$ 1,046,328)	NT\$ 1,988,410 (approximately US\$ 64,306)	NT\$ 1,988,410 (approximately US\$ 64,306)	Subsidiary (Note 8)
	TTI	Samoa	International trade	NT\$ 14,990 (approximately US\$ 500)	NT\$ 14,990 (approximately US\$ 500)	500,000	100.00	NT\$ 178,070 (approximately US\$ 5,940)	NT\$ (13,366) (approximately US\$ -432)	NT\$ (13,366) (approximately US\$ -432)	Subsidiary
	OTH	Singapore	Holding company	NT\$ 1,563,547 (approximately US\$ 52,153)	NT\$ 1,563,547 (approximately US\$ 52,153)	31,000	100.00	NT\$ 1,837,915 (approximately US\$ 61,305)	NT\$ 124,013 (approximately US\$ 4,011)	NT\$ 124,013 (approximately US\$ 4,011)	Subsidiary
	RUSL	Hong Kong	Holding company	NT\$ 14,075,550 (approximately US\$ 469,498)	NT\$ 14,075,550 (approximately US\$ 469,498)	469,498,000	100.00	NT\$ 7,313,269 (approximately US\$ 243,938)	NT\$ (1,495,433) (approximately US\$ -48,363)	NT\$ (1,495,433) (approximately US\$ -48,363)	Subsidiary
Improve	TPKA	Malaysia	Holding company	NT\$ 4,994,340 (approximately US\$ 166,589)	NT\$ 4,994,340 (approximately US\$ 166,589)	632,187	100.00	NT\$ 4,124,393 (approximately US\$ 137,571)	NT\$ 178,639 (approximately US\$ 5,777)	NT\$ 178,639 (approximately US\$ 5,777)	Sub-subsiidiary (Note 9)
OTH	TPKU	U.S.A.	International trade	NT\$ 143,904 (approximately US\$ 4,800)	NT\$ 143,904 (approximately US\$ 4,800)	Note 3	100.00	NT\$ 170,953 (approximately US\$ 5,702)	NT\$ (16,303) (approximately US\$ -527)	NT\$ (16,303) (approximately US\$ -527)	Sub-subsiidiary
RUSL	TPK HK	Hong Kong	Touch module related research; holding company and international trade	NT\$ 14,015,590 (approximately US\$ 467,498)	NT\$ 14,015,590 (approximately US\$ 467,498)	467,498,000	100.00	NT\$ 7,254,870 (approximately US\$ 241,990)	NT\$ (1,495,379) (approximately US\$ -48,361)	NT\$ (1,495,379) (approximately US\$ -48,361)	Sub-subsiidiary
TPK HK	Cando	Taiwan	Touch modules research and manufacture	NT\$ 5,803,351 (approximately US\$ 193,574)	NT\$ 5,803,351 (approximately US\$ 193,574)	77,124,591	19.78	-	-	-	Associate accounted for using equity method (Note 6)
	TPKF HK	Hong Kong	Holding company	NT\$ 450,150 (approximately US\$ 15,015)	NT\$ 450,150 (approximately US\$ 15,015)	18,000,000	100.00	NT\$ (574,636) (approximately US\$ -19,167)	NT\$ (32,779) (approximately US\$ -1,060)	NT\$ (32,779) (approximately US\$ -1,060)	Sub-subsiidiary
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\$ 2,080,305 (approximately US\$ 69,390)	NT\$ 193,648 (approximately US\$ 6,263)	NT\$ 193,648 (approximately US\$ 6,263)	Sub-subsiidiary
TPKT	RSSL	Hong Kong	Holding company	NT\$ 399,034 (approximately US\$ 13,310)	NT\$ 399,034 (approximately US\$ 13,310)	13,310,000	100.00	NT\$ 563,830 (approximately US\$ 18,807)	NT\$ (1,899) (approximately US\$ -61)	NT\$ (1,899) (approximately US\$ -61)	Sub-subsiidiary (Note 7)
TPKJ	TPKJ HK	Hong Kong	International trade	NT\$ 14,990 (approximately US\$ 500)	NT\$ 14,990 (approximately US\$ 500)	500,000	100.00	NT\$ 19,298 (approximately US\$ 644)	NT\$ 4,176 (approximately US\$ 135)	NT\$ 4,176 (approximately US\$ 135)	Sub-subsiidiary

Note 1: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2019 was US\$1=NT\$29.98.

Note 2: The average exchange rate from U.S. dollars to New Taiwan dollars for the year ended December 31, 2019 was US\$1=NT\$30.9213.

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.

Note 5: Please refer to Table 8 for information on investment in mainland China.

(Continued)

- 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 13 to the consolidated financial statements for more information.
- Note 7: In order to simplify its organizational structure, the Company’s board of directors resolved to dissolve and liquidate RSSL, which has finished in January 2020.
- Note 8: In order to simplify its organizational structure, the Company’s board of directors resolved to annul the registration of UYH Hong Kong Branch, which was finished in December 2019.
- Note 9: In order to simplify its organizational structure, the Company’s board of directors resolved to dissolve and liquidate TPKA. However, as of March 23, 2020, the above procedures have not been completed.

(Concluded)

TABLE 8

TPK HOLDING CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
TPKC	Touch related material sales and machinery manufacture, wholesale and retail	NT\$ 7,296,951 (approximately US\$ 243,394)	Direct investment	\$ -	\$ -	\$ -	\$ -	NT\$ 1,304,997 (approximately US\$ 42,204)	100.00	NT\$ 1,304,997 (approximately US\$ 42,204)	NT\$ 35,378,942 (approximately US\$ 1,180,085)	\$ -
TPKL	Optical glass processing and sales	NT\$ 1,312,824 (approximately US\$ 43,790)	Direct investment	-	-	-	-	NT\$ 6,339 (approximately US\$ 205)	100.00	NT\$ 6,339 (approximately US\$ 205)	NT\$ 1,103 (approximately US\$ 37)	-
TPKS	Touch modules research, development, manufacture and sales	NT\$ 749,500 (approximately US\$ 25,000)	Direct investment	-	-	-	-	NT\$ 1,127,029 (approximately US\$ 36,448)	100.00	NT\$ 1,127,029 (approximately US\$ 36,448)	NT\$ 2,713,121 (approximately US\$ 90,498)	-
RSO	Optical glass processing and sales	NT\$ 559,727 (approximately US\$ 18,670)	Direct investment	-	-	-	-	NT\$ 4,091 (approximately US\$ 132)	100.00	NT\$ 4,091 (approximately US\$ 132)	NT\$ 714 (approximately US\$ 24)	-
TPKG	Optical glass processing and sales	NT\$ 11,147,164 (approximately US\$ 371,820)	Direct investment	NT\$ 398,734 (approximately US\$ 13,300)	-	-	NT\$ 398,734 (approximately US\$ 13,300)	NT\$ (1,417,616) (approximately US\$ -45,846)	100.00	NT\$ (1,417,616) (approximately US\$ -45,846)	NT\$ 1,111,865 (approximately US\$ 37,087)	-
MTOH	Touch modules research, development, manufacture and sales	NT\$ 2,578,280 (approximately US\$ 86,000)	Direct investment	-	-	-	-	NT\$ 11,027 (approximately US\$ 357)	100.00	NT\$ 19,035 (approximately US\$ 616)	NT\$ 1,028,749 (approximately US\$ 34,314)	-
TPKP	Touch modules research, development, manufacture and sales	NT\$ 6,561,183 (approximately US\$ 218,852)	Direct investment	-	-	-	-	NT\$ (1,179,554) (approximately US\$ -38,147)	100.00	NT\$ (1,179,554) (approximately US\$ -38,147)	NT\$ (2,859,887) (approximately US\$ -95,393)	-
TPKM	Touch related electronic materials manufacture	NT\$ 104,930 (approximately US\$ 3,500)	Direct investment	-	-	-	-	NT\$ (16,399) (approximately US\$ -530)	100.00	NT\$ (16,399) (approximately US\$ -530)	NT\$ 275,316 (approximately US\$ 9,183)	-
TPKMS	Trade	NT\$ 6,754 (approximately US\$ 225)	Direct investment	-	-	-	-	NT\$ (59) (approximately US\$ -2)	100.00	NT\$ (59) (approximately US\$ -2)	NT\$ 7,091 (approximately US\$ 237)	-
TPKD	Touch modules research, development, manufacture and sales	NT\$ 3,835,385 (approximately US\$ 127,931)	Direct investment	-	-	-	-	NT\$ 166,372 (approximately US\$ 5,380)	100.00	NT\$ 166,372 (approximately US\$ 5,380)	NT\$ 14,541,621 (approximately US\$ 485,044)	-
TPKJ	Protective film and optical adhesive manufacture and sales	NT\$ 107,928 (approximately US\$ 3,600)	Direct investment	-	-	-	-	NT\$ 497,998 (approximately US\$ 16,105)	100.00	NT\$ 403,734 (approximately US\$ 13,057)	NT\$ 1,164,644 (approximately US\$ 38,847)	-

(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
TPKF	Touch modules research, development, manufacture and sales	NT\$ 530,646 (approximately US\$ 17,700)	Direct investment	\$ -	\$ -	\$ -	\$ -	NT\$ (32,663) (approximately US\$ -1,056)	100.00	NT\$ (32,663) (approximately US\$ -1,056)	NT\$ (580,539) (approximately US\$ -19,364)	\$ -
TPKMT	Touch related electronic material manufacture	NT\$ 299,800 (approximately US\$ 10,000)	Direct investment	-	-	-	-	NT\$ (1,286) (approximately US\$ -42)	100.00	NT\$ (1,286) (approximately US\$ -42)	NT\$ 294,477 (approximately US\$ 9,822)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (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\$398,734 (approximately US\$13,300)	NT\$488,674 (approximately US\$16,300)	NT\$1,248,183 (approximately US\$41,634)

- Note 1: It is calculated based on historical cost.
- Note 2: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2019 was US\$1=NT\$29.98.
- Note 3: The average exchange rate from U.S. dollars to New Taiwan dollars for the year ended December 31, 2019 was US\$1=NT\$30.9213.
- Note 4: The limit cannot exceed 60% of TPKT’s net asset value as of December 31, 2019.
- Note 5: The investee company’s financial report was audited by parent company’s auditors.
- Note 6: In order to simplify its organizational structure, the Company’s board of directors resolved to dissolve and liquidate TPKL and RSO, which has finished in March 2020.

(Concluded)

TABLE 9

TPK HOLDING CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands)**

No. (Note 1)	Company Name (Note 2)	Counterparty (Notes 2)	Relationship (Note 3)	Transactions Details				
				Financial Statements Account	Amount (Approximately US\$)	Amount (NT\$)	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
1	TPKH	TPK HK	1	Short-term borrowings	\$ 51,000	\$ 1,528,980	-	1.79
2	UYH	TPK HK	3	Long-term borrowings	30,000	899,400	-	1.05
3	TPKA	TPK HK	3	Loan to related parties - long-term	28,000	839,440	-	0.98
		TPK HK	3	Loan to related parties - short-term	39,000	1,169,220	-	1.37
4	TPKT	TPK HK	3	Loan to related parties - short-term	20,000	599,600	-	0.70
		RSSL	3	Accrued expense	18,807	563,830	-	0.66
5	TPKC	TPKS	3	Short-term borrowings	5,961	178,697	-	0.21
		TPKS	3	Trade payables	5,278	158,229	-	0.19
		TPKS	3	Purchase	27,112	838,327	-	0.61
		TPKU	3	Sales	16,608	513,533	-	0.38
		TPKG	3	Loan to related parties - short-term	106,557	3,194,591	-	3.74
		TPKG	3	Trade payables	8,304	248,952	-	0.29
		TPKG	3	Purchase	44,190	1,366,423	-	1.00
		TPKG	3	Sales	4,500	139,147	-	0.10
		TPK HK	3	Loan to related parties - short-term	12,238	366,883	-	0.43
		TPK HK	3	Trade receivables, net	404,736	12,133,988	-	14.19
		TPK HK	3	Short-term borrowings	42,001	1,259,203	-	1.47
		TPK HK	3	Trade payables	29,814	893,815	-	1.05
		TPK HK	3	R&D expense	18,989	587,157	-	0.43
		TPK HK	3	Purchase	208,578	6,449,508	-	4.72
		TPK HK	3	Sales	1,378,226	42,616,526	-	31.20
		MTOH	3	Loan to related parties - short-term	44,413	1,331,494	-	1.56
		TPKP	3	Loan to related parties - short-term	206,319	6,185,442	-	7.24
		TPKP	3	Purchase	4,927	152,357	-	0.11
		TPKM	3	Short-term borrowings	9,071	271,934	-	0.32
		TPKD	3	Other current assets	3,906	117,094	-	0.14
		TPKD	3	Trade receivables, net	3,175	95,186	-	0.11
		TPKD	3	Short-term borrowings	66,500	1,993,670	-	2.33
		TPKD	3	Rental revenue	9,966	308,158	-	0.23
		TPKD	3	Sales	18,882	583,861	-	0.43
		TPKD	3	Non-operating income	10,405	321,732	-	0.24
		TPKF	3	Loan to related parties - short-term	22,632	678,496	-	0.79

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Notes 2)	Relationship (Note 3)	Transactions Details				
				Financial Statements Account	Amount (Approximately US\$)	Amount (NT\$)	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
		TPKJ & TPKJ HK	3	Trade payables	\$ 11,645	\$ 349,108	-	0.41
		TPKJ & TPKJ HK	3	Purchase	61,618	1,905,306	-	1.39
		TPKMT	3	Short-term borrowings	4,701	140,931	-	0.16
6	TPKS	TPKG	3	Purchase	5,347	165,331	-	0.12
		TPK HK	3	Trade receivables, net	21,168	634,627	-	0.74
		TPK HK	3	Trade payables	16,331	489,592	-	0.57
		TPK HK	3	Purchase	57,938	1,791,517	-	1.31
		TPK HK	3	Sales	188,078	5,815,631	-	4.26
		TPKJ & TPKJ HK	3	Trade payables	3,869	115,980	-	0.14
		TPKJ & TPKJ HK	3	Purchase	17,458	539,820	-	0.40
7	TPKG	TPK HK	3	Short-term borrowings	70,000	2,098,600	-	2.45
		TPKD	3	Trade receivables, net	5,559	166,656	-	0.19
		TPKD	3	Sales	33,700	1,042,037	-	0.76
8	TPK HK	MTOH	3	Trade payables	13,473	403,913	-	0.47
		MTOH	3	Purchase	58,611	1,812,340	-	1.33
		TPKD	3	Trade receivables, net	213,794	6,409,533	-	7.50
		TPKD	3	Trade payables	380,785	11,415,922	-	13.35
		TPKD	3	Purchase	2,328,833	72,010,557	-	52.71
		TPKD	3	Sales	1,477,564	45,688,206	-	33.45
9	MTOH	TPKP	3	Purchase	6,921	214,017	-	0.16
10	TPKD	TPKC	3	Lease liabilities-non-current	17,041	510,874	-	0.60
		TPKC	3	Lease liabilities-current	6,566	196,857	-	0.23
		TPKJ & TPKJ HK	3	Other current assets	2,877	86,263	-	0.10
		TPKJ & TPKJ HK	3	Trade payables	15,984	479,204	-	0.56
		TPKJ & TPKJ HK	3	Purchase	83,213	2,573,053	-	1.88
		TPKJ & TPKJ HK	3	Non-operating income	8,126	251,258	-	0.18

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 12 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.

(Concluded)