Stock Code：2338

Taiwan Mask Corporation

2018
Annual Report

Printed on 2018/5/23

Contents of annual report is available on：http://mops.twse.com.tw
Taiwan Mask Corporation：https://www.tmcnet.com.tw/StockInfo.aspx

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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 version and Chinese version, the Chinese version shall prevail.

Taiwan Mask Corporation

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I. Letter to Shareholders

TMC consolidated sales revenue in 2018 is NTD$ 2,885,980K, compared with 2017 NTD$ 1,427,070K, it's a 102.23% growth. The growing part mainly came from that we focused on increasing production efficiency, and merge of Miracle Technology Co., Ltd. (Miracle) in Oct. 2017. Miracle's sales revenue was consolidated into TMC since Q4, 2017. We focused on increasing production efficiency over the year 2018, so the margin rate increased accordingly from 17% in 2017 to 22% in 2018. Net operating profit is NTD$ 259,530K, with the loss from subsidiaries, the net profit became NTD$145,820K, and earnings per share is NTD$ 1.02. This proud achievement is the first surplus since the continuous loss from 2015. As we projected, the growing pattern of mask industry will be in line with semiconductor industry. To increase the production efficiency and lower the cost will still be the first priority of TMC. Meanwhile, we will enhance our research capability in mask technology to win back in mask market, combined with the sales and profit injection from Miracle, year 2019 will be a prosperous year.

(1) 2017 Business Report

A. Financial comparison between 2017 and 2018:

Unit：NTD$ thousand

Item	2017	2018	Growth %
Sales Revenue	1,427,073	2,885,982	102.23%
Net Income	(88,553)	145,820	264.67%

B. Analysis for finance and profitability

(A) Finance

With the principle of conservative operation, the self-owned capital ratio is 66% and current ratio is 140% in 2018. TMC has profound finance background and sufficient capital for operating use.

(B) Profitability

Unit：NTD$ thousand

Item	2017	2018	Growth %
Gross Margin	243,673	629,008	158.14%
Operating Income	(7,904)	259,536	3,383.60%
EBIT	(65,269)	203,646	412.01%
Net Income	(88,553)	145,820	264.67%
EPS	(0.33)	1.02	409.09%

C. Research and production

(A) For the demand of semiconductor technology, TMC involved in 90nm mask development in 2018. TMC aggressively plans to continue working closely with customers to develop photomask-making technology for deep sub-micro nodes, including optical proximity correction and ArF phase shift photomask.

(B) We provided all kinds of masks which can be applied in several technologies. Due to the popularity of cell-phone, the demand for compound semiconductor is getting high. And with the high demand of IoT, electric car and LED lighting, the demand for mature technology in semiconductor industry was brought up and the demand for mature masks were also getting higher accordingly.

(2) Summary of 2019 business plan

A. Continue to develop the mask with technology under 90nm

FABs now are moving towards 12-inch wafer with technology under 90nm, we have to develop mask production technology accordingly and to expand our capacity with new equipments. This year, TMC aggressively plans to continue working closely with customers to develop photomask-making technology for deep sub-micro nodes, including optical proximity correction and ArF phase shift photomask. This should help to ensure that TMC can maintain our manufacture techniques in photomask quality and cycle time, and continue to meet aggressive R&D and production requirements.

B. Market development in Mainland China and worldwide

Semiconductor industry now became a major developing industry in both south-east Asia and Mainland China. The growth of the demand of masks will certainly increase in this trend, so TMC will target at the market development in China and worldwide. Miracle has deeply cultivated in China for a long time, the industrial positioning has been affirmed. In addition to wafer capacity services, Miracle can also assist TMC to expand the market development in China.

C. Synergy effect of the Group

TMC modified its operating strategy since 2017. Mask service is the basement, combined with the foundry service provided by Miracle Technology and the IC design service provided by Weida Hitech(newly merged in 2018), turnkey solution can be a total solution for the customers in semiconductor industry.

(3) Strategy, market competition, regulations and the impact of macro economics

A. Strategy

The major focus of TMC is the production and technology service of masks. As the merge of Miracle Technology in 2017, the service line expanded to foundry service. With mask and foundry service, TMC now plays a key role in this industry. In the long run, TMC plans to integrate the supply chain in semiconductor industry to provide turnkey solutions for our customers.

B. Market competition, regulations and the impact of macro economics

Mask industry is deeply related with semiconductor industry. So, when semiconductor industry is booming in recent 6 months, the demand for masks will definitely be increased accordingly. Besides, semiconductor industry now became a major developing industry, the demand for masks is strong. We believe that combined with Miracle's profound customer relationship in China, the consolidated revenue from mask service and foundry service will be optimistically expected.

The mission of TMC is to operate under integrity and honest policy. We will focus on production efficiency and cost reduction to increase our market share. TMC will put every effort to create profit for every shareholder.

Wish you all the best.

Sincerely yours,

Chairman K.J.Wu 

II. Company Profile

1. Date of establishment: 1988/10/21
2. History of the company:

1988/04/01	Incorporated by Innovation Industrial Technology Transfer Co., Ltd. The Preparatory Committee elected Mr. Shih Chin-tai as the Chairman of the Board and hired Mr. Chen Pi-wan to head the Preparatory Committee.
1988/05/04	Approved by the Science-based Industrial Park Administration for establishment inside the Science-based Industrial Park in accordance with Article III of the Science-based Industrial Park Establishment & Management Statute.
1988/10/07	The Promoters' Meeting officially resolved its Articles of Incorporation, elected its directors and supervisors, electing nine directors, i.e., Chang Chung-mou, Shih Chin-tai, Chang Ching-chu, Chang Pao-hsi, Tseng Fan-cheng, Huang Hsien-hsiung, Chiang Chi-lin, Kuo Jui-yu and Chen Pi-wan, and electing three supervisors, i.e., Chen Min-chan, Wu Kuo-ching and Tsai Mei-li. The Board of Directors elected Mr. Shih Chin-tai the chairman and hired Mr. Chen Pi-wan to serve as the president.
1988/10/21	Obtained its company license.
1989/03/04	Approved by Hsinchu Science-based Industrial Park to provide 0.96 hectare of land to erect its factory.
1989/03/24	Approved by Hsinchu Taxation Administration, obtained its profit-seeking enterprise certificate and issued its first commercial invoice on March 31.
1989/08/18	Chairman Mr. Shih Chin-tai resigned and was replaced by Mr. Wang Chi-mou.
1989/09/18	Groundbreaking ceremony for its new factory located in Hsinchu Science-based Industrial Park.
1989/11	Purchased its second Electronic Beam System.
1990/03/16	Approved by the Securities and Futures Commission, Ministry of Finance to become a public company.
1990/04/03	Resolved the decision in the 5th Directors and Supervisors Meeting of Session One for capital increase in cash amounting to NTD$262.5 million which was paid up in full as of June 5 of the same year.
1991/04/02	Resolved by its regular meeting of shareholders to change its authorized capital to NTD$500 million to meet the long-term development demand.
1991/07/22	The new plant inside Hsinchu Science-based Industrial Park was completed and dedicated for normal business operation.
1992/06	Successfully completed the manufacture of 4 M DRAM Mask consigned by ERSO, Industrial Technology Research Institute (ITRI), verifying Taiwan's capability to development sub-micron.
1992/08/24	Executed contract with ICA, Japan to purchase the Laser Mask System CORE-2564 manufactured by ETEC to meet its need of integrated circuits of developing 16 M DRAM and 64 M DRAM.

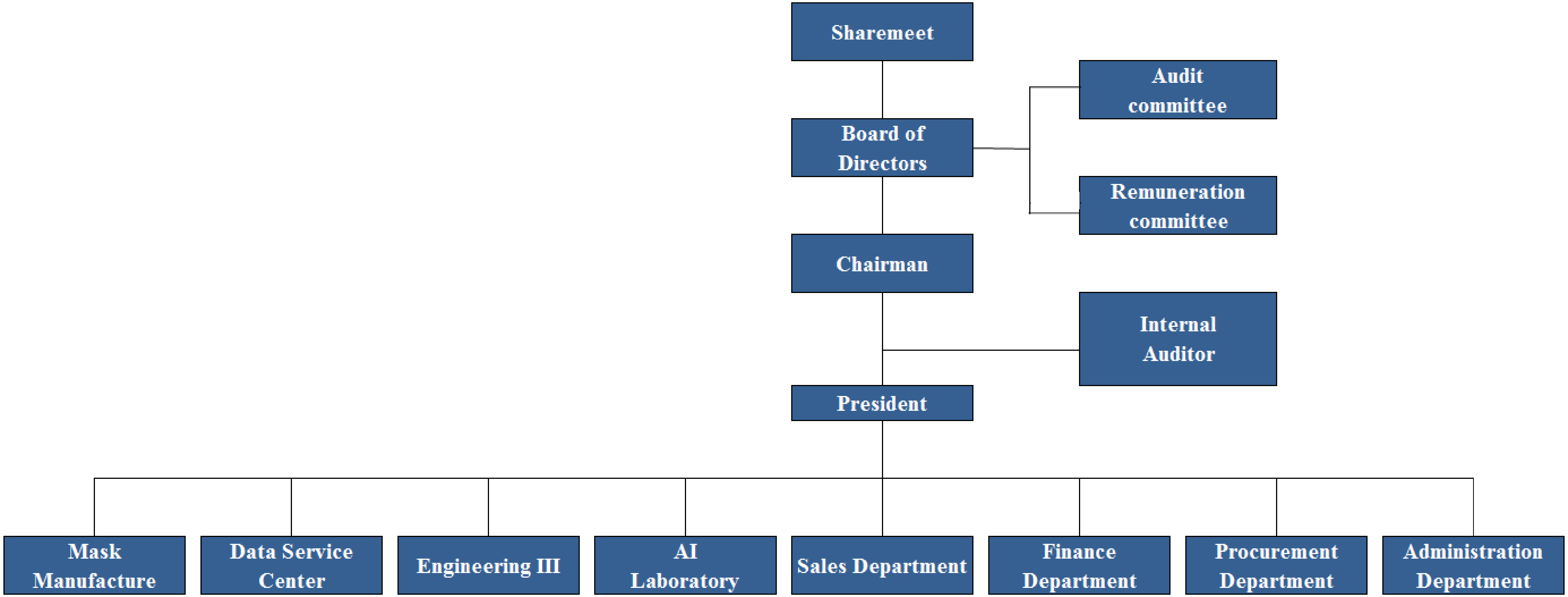
1993/10	ICS of the United States conferred upon the Corporation Zero-Defect Quality Award in recognition of its prompt delivery and zero-defect performance.
1994/01	Successfully developed LCD oriented masks to meet the LCD industry in association with ERSO, Industrial Technology Research Institute (ITRI).
1994/05	The Laser Mask System CORE-2564 PSM newly purchased was shipped to its plant and proved to accelerate its computerized processing, develop Phase Shift Masks (PSM), as the most *up-to-date* equipment available.
1994/11/21	Successfully passed at the 235th Listing Review Committee meeting to approve that the Corporation could be listed as second category stocks. The Corporation was officially listed on the Taiwan Stock Exchange Corporation (TSEC) on April 17, 1995.
1995/02/13 ~1995/03/14	The Corporation's stocks were underwritten by Chinatrust Securities Co., Ltd. and others, eleven securities firms in total, at the initial listing price of @NTD$47 per share. All stocks were sold on March 14. The Corporation officially declared with Taiwan Stock Exchange Corporation (TSEC) for listing on March 27 for official listing on April 17.
1995/05/13	The huge-scale mask machine purchased by the Corporation was shipped and installed, making the Corporation Taiwan's first one capable of providing large-scale masks required for LCDs.
1995/06/06	Its regular meeting of shareholders resolved to raise the authorized capital to NTD$700 million.
1995/10/17	The third CORE2564 machine purchased arrived and was installed.
1996/01/05	The Securities and Futures Commission, Ministry of Finance approved of the Corporation to launch capital increase in cash amounting to NTD$85,437,500 which was raised in full on April 2, 1996.
1996/06/01	Its regular meeting of shareholders resolved to raise the authorized capital to NTD$1 billion.
1996/06/27	The Corporation purchased from Japan the electronic beam equipment JBX-7000MV which was exclusively designed for production of 64M and 256M DRAMS, as the Corporation's import of such system for the first time to team up with its existing machinery & equipment to lead the Corporation's production into the new era.
1996/07/08	The Corporation inked the joint venture agreement with United Microelectronics Corporation for 0.35 micron mask production. United Microelectronics Corporation would purchase one 0.35 micron process mask equipment and installed it in the Corporation wherewith the Corporation would produce and manufacture masks required for its 8" wafer production.
1996/08/02	The laser mask equipment manufactured by ETEC USA purchased by the Corporation arrived and was installed, in Model ALTA-3000, as the most *up-to-date* model to date, a model specifically developed and designed for 0.35 micron mass production and 0.25 micron process. This Equipment enabled the Corporation to provide equipment supply and support for masks required for 8" integrated circuit plants.
1996/11/09	Resolved through the 14th Directors and Supervisors Meeting of Session Three for capital increase in cash with NTD$119,228,750, to make the total paid-in capital of NTD$1.1 billion.

1997/05/21	Resolved through its regular meeting of shareholders 1997 to increase its authorized capital to NTD$2.5 billion. Elected the directors and supervisors for Session Four. Mr. Wang Chi-mou was elected to continue the chairmanship of Session Four.
1997/07/23	Groundbreaking for its Plant II, which was scheduled to be completed by late 1998.
1998/05/21	Resolved in regular meeting of shareholders 1998 to increase its authorized capital to NTD$2.7 billion.
1999/05/05	Resolved in regular meeting of shareholders 1999 to increase its authorized capital to NTD$3.891 billion.
2000/04	Purchased laser mask equipment manufactured by ETEC, USA, in Model ALTA-3500, a model specifically designed for 0.18 micron mass production and 0.15 micron process development.
2000/06/12	Resolved in the regular meeting of shareholders 2000 to merge Sin Tai Technologies Pte. Ltd. and to increase its authorized capital to NTD$4.5 billion. Directors and supervisors of Session Five were reelected in the meeting. Mr. Hsu Shan-ke was elected the new chairman.
2000/12/01	December 1, 2000 was fixed as the reference (base) day to merge Sin Tai Technologies Pte. Ltd.
2001/04/24	Resolved in the regular meeting of shareholders 2001 to increase the authorized capital to NTD$5.2 billion. Directors and supervisors of Session Five were elected supplementary. Where Wen Sheng Investment Co., Ltd. and Innovation Industrial Technology Transfer Co., Ltd. resigned from one seat of director and one seat of supervisor. The vacancies were filled up in the supplementary election by Picvue Electronics Ltd.and Den Ho Venture Capital Co., Ltd.
2002/03	Plant II was completed and dedicated in full.
2003/06/03	Reelected directors and supervisors of Session Six in the regular meeting of shareholders in 2003 where Mr. Hsu Shan-ke was elected to continue the chairmanship.
2006/06/12	Reelected directors and supervisors of Session Seven in the regular meeting of shareholders 2006 where Mr. Hsu Shan-ke was elected to continue the chairmanship.
2009/06/10	Reelected directors and supervisors of Session Seven in the regular meeting of shareholders 2009 where Mr. Hsu Shan-ke was elected to continue the chairmanship.
2012/06/28	Reelected directors and supervisors of Session Nine in the regular meeting of shareholders in 2012 where Mr. Parkson Chen was elected to be the chairman.
2015/06/25	Reelected directors and supervisors of Session Ten in the regular meeting of shareholders in 2015 where Mr. Parkson Chen was elected to be the chairman.
2017/06/23	Reelected directors and supervisors of Session Eleven in the regular meeting of shareholders in 2017 where Mr. K.J. Wu was elected to be the chairman.
2017/10/01	Merged Miracle Technology Co., Ltd.
2018/08/09	Resolved through the Board of Directors for acquire the equity of the Weida Hi-Tech in cash.

III. Corporate Governance

1. Organization Chart

(1) Organization Chart



(2) Descriptions of department function

Department	Primary Functions	Department	Primary Functions
Internal Auditor	Audit the Company's system and the enforcement of internal regulations, procedures, and authorization with corrective actions offered.	Mask Manufacture Center	Management of mask manufacturing process, maintenance and improvements of production equipments, planning for new manufacturing site, manufacturing and inspection of masks, define product specification, planning of quality insurance, customer service and logistic arrangement.
Data Service Center	Technology development of CAD, development of engineering computer software, maintenance and management of computer, program development, supporting of customers' data correction and service.	Engineering III	Research and development of mask, problem solving in manufacturing process, quality insurance, inspection and repairmen process of mask.
Sales Department	Product selling, market research and development.	Administration Department	Human resource management, training, management of general administrative matters.
Finance Department	Cash management, bank accounts management, accounting records booking, and shareholders' relationship management.	Procurement Department	Procurement.

2. Directors, independent directors, president, vice president, manager of finance department

(1) President, vice president, manager of finance department

2019/4/13

Position	Nationality	Name	Gender	Date of Office	Shares held		Shares held by relatives within second degree		Shares held by nominee arrangement		Experiences & Education	Other position	Other managers, directors or supervisors with relationships within second degree		
					Shares	Ratio	Shares	Ratio	Shares	Ratio			Position	Name	Relationship
President	R.O.C.	Yarn Chen	M	2017/10/1	0	0%	0	0%	-	-	EE Master in California University President of Sunplus Technology	Chairman of Weida Hi-Tech Chairman of Gi-Yi Hitech Chairman of Youe Chung Capital Corporation Chairman of Yi-Ming Investment Chairman of Yi-Yuan Investment Director of Miracle Technology Co., Ltd.	-	-	-
Vice President	R.O.C.	Vincent Tsai	M	2017/10/25	866,255	0.34%	1,995,028	0.79%	-	-	EE PHD in Chung-Yang University Chairman of Miracle Technology Co., Ltd.	Chairman of Jingjing Investment Co., Ltd. Chairman of MIKO TECHNOLOGY Director of Sichuan Miracle Power Technology Co., Ltd. Director of Youe Chung Capital Corporation Director of Miracle Technology Co., Ltd.	-	-	-
Finance Manager	R.O.C.	Marie Wu	F	2018/1/15	0	0%	0	0%	-	-	Management Science Master in Tamg-Kang University Accounting manager of Macroblock	Finance Manager of Chairman of Weida Hi-Tech	-	-	-

(2) Directors, independent directors

2019/4/13

Position	Nationality or Registration	Name	Gender	Date elected	Term (years)	Date of first elected	Shares held when elected		Current Shares		Shares held by relatives within second degree		Shares held by nominee arrangement		Experiences & Education	Other position	Other managers, directors or supervisors with relationships within second degree		
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio			Position	Name	Relationship
Chairman	R.O.C.	K.J.Wu	M	2017/ 6/23	3 years	2017/ 6/23	2,282,000	0.90%	3,282,000	1.30%	564,000	0.22%	-	-	MBA of University of Maryland in USA Finance director of ITRI Chairman of TMC	Chairman of Browave Chairman of Chuang-Tong Investment	-	-	-
Director	R.O.C.	Parkson Chen	M	2017/ 6/23	3 years	1988/ 10/7	4,891,127	1.94%	3,185,127	1.26%	862,892	0.34%	-	-	Chemistry Bachelor of Tun-Hai University Chairman of TMC President of TMC	Director of TMC Consultant of TMC Chairman of Innova Vision INC. Chairman of Innova Technology Company Director of SUNNYLAKE Director of IVKK Director IVBVI	-	-	-
Director	R.O.C.	Full-Shue Investment		2017/ 6/23	3 years	2017/ 6/23	7,054,000	2.79%	6,364,000	2.52%	-	-	-	-	Bachelor of Chiao-Tung University Vice Chairman & President of Powerchip	Director of TMC Chairman of PSMC Chairman of Full-Shue Investment Chairman of Ai-Pu Tech Director of FOCI Director of Sprout International Limited Director of Xsense Technology Corporation Director of Computing Memory Technology Independent Director of UiS	-	-	-
		Rep: Tsai Guo-Chi	M	2017/ 6/23	3 years	2017/ 6/23	0	0%	0	0%	-	-	-	-			-	-	-
Director	R.O.C.	Tsai Yu-Shian	M	2017/ 6/23	3 years	2015/ 6/25	850	0%	5,850	0%	-	-	-	-	Physics PHD of Ching-Hwa University Senior Consultant of APM	Director of TMC Director of Innova Vision INC.	-	-	-

Position	Nationality or Registration	Name	Gender	Date elected	Term (years)	Date of first elected	Shares held when elected		Current Shares		Shares held by relatives within second degree		Shares held by nominee arrangement		Experiences & Education	Other position	Other managers, directors or supervisors with relationships within second degree		
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio			Position	Name	Relationship
Independent Director	R.O.C.	Wu Yu-Chiun	M	2017/ 6/23	3 years	2017/ 6/23	-	-	-	-	-	-	-	-	Master of EMBA of Taiwan University Director of Securities and Futures Bureau	Independent Director of TMC Independent Director of Chun Zu Machinery Independent Director of EP Tech Supervisor of Browave	-	-	-
Independent Director	R.O.C.	Ji Yun	M	2017/ 6/23	3 years	2015/ 6/25	-	-	-	-	-	-	-	-	Chemistry PHD of Illinois State University Chemistry Professor of Ching Hwa University	Independent Director of TMC	-	-	-
Independent Director	R.O.C.	Hsieh Tai-Ning	M	2017/ 6/23	3 years	2017/ 6/23	-	-	-	-	-	-	-	-	Geology Bachelor of Chinese Culture University President of Fan-Tai Semiconductor	Independent Director of TMC Vice Chairman of Actron Director of Ding-Wei Tech Director of REC Director of Smooth (Ching-Dao)	-	-	-

(3) Major Institutional Shareholders

2019/4/13

Institutional Shareholder	Major Shareholder
Full-Shue Investment	Powerchip Semiconductor Manufacturing Corporation

(4) Major Shareholders of Institutional Shareholders

2019/4/13

Institutional Shareholder	Major Shareholder
Powerchip Semiconductor Manufacturing Corporation	Powerchip Technology Corporation

(5) Professional Experience and Independency of Directors and Independent Directors

2019/4/13

Profile / Name	With more than 5-year experience and qualified for following professional aspects: At least as an instructor or above in universities in commerce, law, finance, accounting or business management areas	A judge, prosecutor, attorney, CPA or other professional and technician required for a corporation who must have successfully passed the national level examinations	Field experience as required in commerce, law, finance, accounting or business management	Independency Check: 1	2	3	4	5	6	7	8	9	10	Number of other listed firms currently served as independent directors
K.J. Wu			✓	✓			✓	✓	✓	✓	✓	✓	✓	
Parkson Chen			✓				✓	✓			✓	✓	✓	
Full-Shue Investment Rep: Tsai Guo-Chi			✓	✓	✓	✓	✓		✓	✓	✓	✓		2
Tsai Yu-Shian			✓	✓		✓	✓	✓			✓	✓	✓	
Wu Yu-Chiun			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Ji Yun	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Hsieh Tai-Ning			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note: Please tick with a "✓" mark if the directors and independent directors have complied with the requirements below two years prior to being elected and during their tenure of office.

(1)Not as an employee of the Corporation or its affiliate.

(2)Not as a director or supervisor of the Corporation or its affiliate (except as an independent director of the Corporation, its parent, or a subsidiary where the Corporation holds either directly or indirectly over 50% of the voting powers)

(3)Not as himself/herself, his/her spouse, minor children or natural person shareholder holding over 1% of the total issued shares of the Corporation in others' names or a natural person shareholder ranking among the top ten.

(4)Not as the spouse, blood relative within the second degree or within the third degree of kinship.

(5) Not a director, supervisor, employee of institutional shareholders that hold more than 5% of the outstanding shares of the company, and not a director, supervisor or employee of the top five institutional shareholders.

(6) Not a director, supervisor, manager of shareholders with 5% or more of the holdings in a company that has financial and business transactions with the company

(7)Not a professional, proprietor, partner, company or owner, partner, director, supervisor, manager or the spouse of the above of an institution that provided financial, commercial, or legal service or consultation to the company during last year.

(8)Not as the spouse or blood relative within the second degree with other directors.

(9)Not falling under any clauses of Article 30 of the Company Law.

(10)Not elected as the government, judicial (corporate) person or its statutory representative under Article 27 of the Company Law.

3. The remunerations to the directors (and independent directors), president and vice president

(1) The remunerations to the directors (and independent directors) Unit：NTD$ thousand

Position	Name	Remunerations								Sum of A+B+C+D over earnings after tax(Note 10)		Serving as a staff member concurrently and receiving remuneration								Sum of A+B+C+D+E+F+G over earnings after tax(Note 10)		Having received remuneration from investees beyond the Corporation? (Note12)
		Compensation(A) (Note 2)		Pension (B)		Earnings Allocation (C)(Note 3)		Service Provided (D)(Note 4)				Compensation (E) (Note 5)		Pension (F)		Earnings Allocation (G) (Note 6)						
		TMC	Affiliates (Note 7)	TMC	Affiliates (Note 7)	TMC	Affiliates (Note 7)	TMC	Affiliates (Note 7)	TMC	Affiliates (Note 7)	TMC	Affiliates (Note 7)	TMC	Affiliates (Note 7)	TMC		Affiliates (Note 7)		TMC	Affiliates (Note 7)	
																In cash	In stock	In cash	In stock			
Chairman	K.J. Wu	2,520	2,520	0	0	5,108	5,108	155	155	3.91	3.91	0	0	0	0	0	0	0	0	3.91	3.91	None
Director	Parkson Chen																					
Director	Full-Shue Investment Rep: Tsai Guo-Chi																					
Director	Tsai Yu-Shian																					
Independent Director	Wu Yu-Chiun																					
Independent Director	Ji Yun																					
Independent Director	Hsieh Tai-Ning																					

Note：Except for the numbers disclosed above, the compensation received when directors provided services to affiliates are:Parkson Chen (TMC's consultant), the compensation for 2018 is NTD$ 1,440K.

(2) Remuneration Intervals for Directors (and Independent Directors)

Remuneration Intervals for Directors	Name of Directors			
	Sum of (A+B+C+D)		Sum of (A+B+C+D+E+F+G)	
	TMC(Note 8)	Affiliates (Note 9) H	TMC(Note 8)	Affiliates (Note 9) I
Below NT 2,000,000	K.J. Wu, Parkson Chen, Full-Shue Investment Rep: Tsai Guo-Chi, Tsai Yu-Shian, Wu Yu-Chiun, Ji Yun, Hsieh Tai-Ning	K.J. Wu, Parkson Chen, Full-Shue Investment Rep: Tsai Guo-Chi, Tsai Yu-Shian, Wu Yu-Chiun, Ji Yun, Hsieh Tai-Ning	K.J. Wu, Parkson Chen, Full-Shue Investment Rep: Tsai Guo-Chi, Tsai Yu-Shian, Wu Yu-Chiun, Ji Yun, Hsieh Tai-Ning	K.J. Wu, Parkson Chen, Full-Shue Investment Rep: Tsai Guo-Chi, Tsai Yu-Shian, Wu Yu-Chiun, Ji Yun, Hsieh Tai-Ning
NT 2,000,000（incl.）～5,000,000（excl.）				
NT 5,000,000（incl.）～10,000,000（excl.）				
NT 10,000,000（incl.）～15,000,000（excl.）				
NT 15,000,000（incl.）～30,000,000（excl.）				
NT 30,000,000（incl.）～50,000,000（excl.）				
NT 50,000,000（incl.）～100,000,000（excl.）				
Above NT 100,000,000				
Total	7	7	7	7

Note 1：Names of directors shall be listed separately (institutional shareholder and its representative shall be separately listed), and the remunerations shall be disclosed separately also.

Note 2：Remunerations for directors in latest year (including salary, compensation, leave compensation and bonus).

Note 3：Please fill in the remunerations for directors approved by board of directors (not yet approved by shareholders' meeting) in latest year.

Note 4：Payment to directors for services provided. (Including traveling, other expense, compensation, rent, car-like non-monetary payments). When paid by non-monetary objects, the nature and cost of the object, the rent of the object, other related expense shall also be disclosed. When a driver is also a non-monetary object, the salary of the driver shall be disclosed in remark, but not included in remunerations.

Note 5：When a director is also an employee (president, vice president, manager or employee), the remuneration includes salary, compensation, leave compensation, bonus, traveling, other expense, rent, car-like non-monetary payments. When paid by non-monetary objects, the nature and cost of the object, the rent of the object, other related expense shall also be disclosed. In addition, the salary expense recognized in accordance with IFRS 2 "Share-based payment" includes the acquisition of employee stock warrant, employee restricted stock, and subscription of new shares from cash capitalization.

Note 6：When a director is also an employee (president, vice president, manager or employee) received the bonus for employee (paid both by cash and dividend stock), the amount approved by board of directors (not yet approved by shareholders' meeting) in latest year shall be disclosed.

Note 7：The total amount paid to directors from all affiliates (including TMC).

Note 8：The total amount of the remuneration paid to directors. The name of director shall be disclosed in the proper interval respectively.

Note 9：The total amount paid to directors from all affiliates (including TMC). The name of director shall be disclosed in the proper interval respectively.

Note 10：Earnings after tax are the earnings after tax in latest year. When IFRS is adopted, it means the stand-alone earnings after tax in latest year.

Note 11：a. The amount directors received from investments other than subsidiaries.
b. The amount directors received from investments other than subsidiaries shall be combined into remuneration intervals table and rename the column as "all investments".
c. When a director is also a director, supervisor or manager of all investments other than subsidiaries, the remunerations (including compensation, bonus and other service charge) the director received shall be disclosed.

＊The amount in above table is not calculated based on tax rules, therefore, the table is only for information disclosure, not for taxation purpose.

(3) Remunerations for President and Vice President

Unit：NTD$ thousand

<table>
<tr><th rowspan="3">Position</th><th rowspan="3">Name</th><th colspan="2">Compensation(A)（Note2）</th><th colspan="2">Pension(B)</th><th colspan="2">Bonus(C)（Note3）</th><th colspan="4">Earnings Allocation(D)（Note4）</th><th colspan="2">Sum of A+B+ C+D over earnings after tax（%）（Note8）</th><th rowspan="3">Having received remuneration from investees beyond the Corporation?(Note9)</th></tr>
<tr><th rowspan="2">TMC</th><th rowspan="2">Affiliates（Note5）</th><th rowspan="2">TMC</th><th rowspan="2">Affiliates（Note5）</th><th rowspan="2">TMC</th><th rowspan="2">Affiliates（Note5）</th><th colspan="2">TMC</th><th colspan="2">Affiliates（Note5）</th><th rowspan="2">TMC</th><th rowspan="2">Affiliates（Note5）</th></tr>
<tr><th>In cash</th><th>In stock</th><th>In cash</th><th>In stock</th></tr>
<tr><td>President</td><td>Yarn Chen</td><td rowspan="2">8,371</td><td rowspan="2">12,342</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">4,544</td><td rowspan="2">0</td><td rowspan="2">4,544</td><td rowspan="2">0</td><td rowspan="2">6.48</td><td rowspan="2">8.48</td><td rowspan="2">None</td></tr>
<tr><td>Vice President</td><td>Vincent Tsai</td></tr>
</table>

(4) Remuneration Intervals for Presidents and Vice Presidents

Remuneration Intervals for Presidents and Vice Presidents	Name of Presidents and Vice Presidents	
	TMC(Note6)	Affiliates(Note7) E
Below NT 2,000,000		
NT 2,000,000（incl.）～5,000,000（excl.）	Vincent Tsai	
NT 5,000,000（incl.）～10,000,000（excl.）	Yarn Chen	Yarn Chen, Vincent Tsai
NT 10,000,000（incl.）～15,000,000（excl.）		
NT 15,000,000（incl.）～30,000,000（excl.）		
NT 30,000,000（incl.）～50,000,000（excl.）		
NT 50,000,000（incl.）～100,000,000（excl.）		
Above NT 100,000,000		
Total	2	2

Note 1：Names of presidents and vice presidents shall be listed separately (institutional shareholder and its representative shall be separately listed), and the remunerations shall be disclosed separately also.

Note 2：Remunerations for presidents and vice presidents in latest year (including salary, compensation, leave compensation and bonus).

Note 3：Payment to presidents and vice presidents for services provided. (Including traveling, other expense, compensation, rent, car-like non-monetary payments). When paid by non-monetary objects, the nature and cost of the object, the rent of the object, other related expense shall also be disclosed. In addition, the salary expense recognized in accordance with IFRS 2 “Share-based payment” includes the acquisition of employee stock warrant, employee restricted stock, and subscription of new shares from cash capitalization.

Note 4：When a president and vice president received the bonus for employee (paid both by cash and dividend stock), the amount approved by board of directors (not yet approved by shareholders’ meeting) in latest year shall be disclosed. If the amount is not yet estimated, estimation shall be made based on the actual payment of last year. When IFRS is adopted, it means the stand-alone earnings after tax in latest year.

Note 5：The total amount paid to president and vice presidents from all affiliates (including TMC).

Note 6：The total amount of the remuneration paid to president and vice presidents. The name of president and vice president shall be disclosed in the proper interval respectively.

Note 7：The total amount paid to president and vice presidents from all affiliates (including TMC). The name of president and vice president shall be disclosed in the proper interval respectively.

Note 8：Earnings after tax are the earnings after tax in latest year. When IFRS is adopted, it means the stand-alone earnings after tax in latest year.

Note 9：a. The amount president and vice presidents received from investments other than subsidiaries.
b. The amount president and vice presidents received from investments other than subsidiaries shall be combined into remuneration intervals table and rename the column as “all investments”.
c. When a president and vice president is also a president and vice president, supervisor or manager of all investments other than subsidiaries, the remunerations (including compensation, bonus and other service charge) the president and vice president received shall be disclosed.

＊The amount in above table is not calculated based on tax rules, therefore, the table is only for information disclosure, not for taxation purpose.

(5) Earnings Allocation to Managers

2019/4/13

Unit：NTD$ thousand

	Position (Note 1)	Name (Note 1)	Amount Paid in Stock	Amount paid in Cash	Total	Total over earnings after tax（%）
Managers	President	Yarn Chen	-	3,246	3,246	1.63
	Finance Manager	Marie Wu				

Note 1: Names and job title of each individual should be separately disclosed. The amount of remunerations can be disclosed in summary.

Note 2: It refers to the employee remuneration (including stock and cash) received by the managerial officers that is distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of board of directors and such proposal has not been submitted to the Shareholders' Meeting for approval. If such amount is unable to be estimated, the amount can be determined in accordance with the actual distribution ratio for last year. It refers to the net income of the recent year. After the adoption of IFRS, it refers to the net income in the individual or independent financial statements of the recent year.

Note 3: The scope of application for managers is defined in accordance with the Tai.Chai.Chen (III) No. 0920001301 Letter dated March 27, 2003 by the SEC as follows:

(1) President and the equals
(2) Senior Vice President and the equals
(3) Vice President and the equals
(4) General Manager of Finance
(5) General Manager of Accounting
(6) Managerial officers and the individuals authorized to sign

(6) Analyze the remunerations to the directors, president and vice president from TMC and all affiliates over stand-alone earnings after tax in recent 2 years

Unit：NTD$ thousand；%

Item / Year	To Directors		To Presidents and Vice Presidents		Total Remunerations		Total Remunerations over stand-alone earnings after tax (%)	
	TMC	Affiliates	TMC	Affiliates	TMC	Affiliates	TMC	Affiliates
2017	20,186	20,686	20,398	21,084	40,584	41,770	(54.71)	(56.31)
2018	7,783	7,783	8,371	12,342	16,154	20,125	8.11	10.10

specify the policy, standards, combinations, procedure and the association with the performance in operation and future risk:

A. policy of the company on the remunerations：The policy of the company on the remunerations to directors and supervisors is made pursuant to Article 23 of its Article of Incorporation. Where there is earning for a specific year, at least 10% of the earnings shall be distributed as employee bonus, and no more than 2% of the earnings shall be distributed as remunerations to directors and supervisors. If there is still accumulated deficit, the deficit shall be compensated first. Bonus for employee shall be paid by stock or cash, and the employee shall include employee from subsidiaries. The earnings mentioned above are the earnings tax before the distribution of employee bonus and remunerations to directors and supervisors. The resolution of the earnings allocation shall be made by 50% agreements from directors in board of directors' meeting when 2/3 of directors are presence. The resolution then shall be reported to the shareholders' meeting.

B. standards, combinations, procedure：The remunerations to president and vice president of the company shall be made pursuant to Article 29 of its Article of Incorporation. According to Article 23-1 of its Article of Incorporation, when there are earnings, the accumulated deficit shall be compensated first, then pay the tax, and then reserve 10% as the legal reserve, and reserve or reverse special reserve. After all these reverses, then a proposal to distribute dividend to shareholders can be proposed.

C. the association with the performance in operation and future risk：After the company merged with Miracle Technology Co., Ltd. and Weida Hi-Tech the TMC's operation scale increased significantly. TMC focused on increasing production efficiency over the year 2017, and increased capacity utilization rate and increased product gross profit margin. Therefore, the net profit after tax in 2018 increased from 2017. According to TMC's Article of Incorporation, not over 2% of the profits to be shared to directors. The proportion of the TMC's provision is in line with the regulations and is reasonable.

4. Implementation of Corporate Governance

(1) Board of Directors' Meeting

The board of directors' meeting in 2018: 5 meetings, directors' presence is as below:

Position	Name	Presence (B)	Deputy	Presence (%) (B/A)	Remarks
Chairman	K.J. Wu	5	0	100	
Director	Parkson Chen	5	0	100	
Director	Full-Shue Investment Rep: Tsai Guo-Chi	3	1	60	
Director	Tsai Yu-Shian	4	0	80	
Independent Director	Wu Yu-Chiun	5	0	100	
Independent Director	Ji Yun	5	0	100	
Independent Director	Hsieh Tai-Ning	4	1	80	

Remarks：

1. If one of the following circumstances shall state the date of the meeting, proposal content, all opinions from independent directors and the feedback from the company：
   A. related to Article 14-3 of the Securities and Exchange Law：None
   B. except for the above, resolutions made in board of directors' meeting with written independent directors' objections or reserved opinions：None
2. The recusal of directors with a conflict of interest from discussing the respective motions (shall state the name of the directors, the contents of the motions, the reasons for recusal, and the participation in voting)：No such situation, so it does not apply.
3. The goals of strengthening the functions of the Board ofDirectors of the year and in recent years by objectives and the performance evaluation:：TMC has established Independent Directors, Audit Committee, and Remuneration Committees. To assist the board of directors in fulfilling their supervisory responsibilities, audit Committees and remuneration committees also regularly reports its activities and resolutions to the board of directors, assisting the board of directors in making decisions through its professional division of labor and independent detachment.

(2) Audit Committee's Meeting

The audit committee's meeting in 2018: 5 meetings; independent directors' presence is as below:

Position	Name	Presence (B)	Deputy	Presence (%) (B/A)	Remarks
Independent Director	Wu Yu-Chiun	5	0	100	
Independent Director	Ji Yun	5	0	100	
Independent Director	Hsieh Tai-Ning	4	1	80	

Remarks：

1. If one of the following circumstances shall state the date of the meeting, proposal content, all opinions from audit committees and the feedback from the company：
   A. related to Article 14-5 of the Securities and Exchange Law：None
   B. except for the above, the matters that are not approved by the Audit Committee but resolved with the consent of two thirds of the Board members：None
2. For the independent directors having themselves excused from attending the meeting due to a conflict of interest, the name of the independent directors, the content of the motion, the reason for the conflict of interest, and the participation in voting should be detailed:：No such situation, so it does not apply.

3. The communication among the independent directors, the internal audit manager, and the independent auditors：

A. Summary of communication between independent directors and internal audit supervisors

Date	Summary of communication highlights
2018/3/23	Internal audit report in Oct.-Dec., 2017.
	Report on the 2017 Internal Control System Statement Proposition.
2018/5/9	Internal audit report in Jan.-Mar., 2018.
2018/8/9	Internal audit report in Apr.-Jun., 2018.
2018/11/8	Report to the Company's " Annual Audit Scheme " for 2019.
	Internal audit report in Jul.-Sep., 2018.

B. Summary of communication between independent directors and accountants

Date	Summary of communication highlights
2018/3/23	CPAs provides assessment of IFRS 16 impact on the company and discuss with the independent directors.
	CPAs expressed their opinions on the Company's 2017 individual and consolidated audit results and discuss with the independent director.
2018/5/9	CPAs report their results of review on the first quarter 2018 consolidated and discuss with the independent director.
2018/8/9	CPAs expressed their opinions on the second quarter 2018 individual and consolidated audit results and discuss with the independent director.
2018/11/8	CPAs report their results of review on the third quarter 2018 consolidated and discuss with the independent director.

(3) Composition, responsibilities and operation of the remuneration committee

A. The Members of Compensation Committee:

Identity	Profile / Name	With more than 5-year experience and qualified for following professional aspects			Independency Check（Note）								Number of other listed firms currently served as the member of remuneration committee	Remarks
		At least as an instructor or above in universities in commerce, law, finance, accounting or business management areas	A judge, prosecutor, attorney, CPA or other professional and technician required for a corporation who must have successfully passed the national level examinations	Field experience as required in commerce, law, finance, accounting or business management	1	2	3	4	5	6	7	8		
Independent Director	Hsieh Tai-Ning			V	V	V	V	V	V	V	V	V	-	
Independent Director	Wu Yu-Chiun			V	V	V	V	V	V	V	V	V	-	
other	Chou Ji-Ren			V	V	V	V	V	V	V	V	V	-	

Note：The members who have qualified the following conditions two years before being elected andduring the term are to tick the box (“ ”) of the corresponding condition.

(A) Not an employee of the Company or any related party;

(B) Not a director or supervisor of the Company or any related party (except for being an independent director of the Company or any related party, or, the independent directors of subsidiaries that is established by this law or local laws);

(C) Does not hold more than 1% of total stock issued directly or indirectly nor a natural shareholder on the top-ten shareholdings list;

(D) Not the spouse nor a relative within two degrees of lineal consanguinity of an individual falling in the first three categories;

(E) Not a Director, Supervisor, or employee of the legal shareholder that holds over 5% of total stock issued directly or indirectly; or on the top-five shareholdings list of the Company;

(F) Not a Director (executive), Supervisor, management, or a shareholder with over 5% shareholdings of a company or organization that is in business with the Company;

(G) Not an owner, partner, Director, Supervisor, management of a partnership or institution and his/her spouse that provides commerce, law, finance, accounting and consulting service to the Company or related party.

(H) Free of any of the behaviors as defined in Article 30 of Company Act.

B. Remuneration Committee

(A) Total members in remuneration committee are 3.

(B) Service duty: 2017/6/25-2010/6/24. The remuneration committee's meeting in 2018: 2 meetings(A), members' presence is as below:

Position	Name	Presence (B)	Deputy	Presence (%) (B/A)	Remarks
Chairman	Hsieh Tai-Ning	2	0	100%	
Member	Wu Yu-Chiun	2	0	100%	
Member	Chou Ji-Ren	1	0	50%	

Remarks：

1. If board of director don't accept or adjust the suggestion of remuneration committee, shall state the date of the meeting, session, proposal content, the resolutions of board of director and the feedback from the company：None.
2. Resolutions made in remuneration committee's meeting with written member's objections or reserved opinions shall state the date of the meeting, session, proposal content, all opinions from members and the feedback from the company：No objection or reservation by the members of the committee during each discussion.
3. The discussions and resolutions of remuneration committee and the feedback from the company：

Date	Session	Resolutions
2018/3/23	4-3	A. Retirement pension for ex-president Parkson Chen【Approved】 B. Retirement pension for sales department vice president Shen Mao-Tian【Approved】 C.Proposal of the compensation for new on board finance department manager Marie Wu was sent to board of directors' meeting for resolution【Approved】
2018/11/8	4-4	2018 performance bonus to managers【Approved】

C. The duty of remuneration committee is:

According to the the Regulations of Remuneration Committee, The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion:

(A) Establish and review periodically the policy, procedure, standards and structure of the performance appraisal and remuneration for directors (incl. independent directors) and managers.

(B) Establish and review periodically the remuneration for directors (incl. independent directors) and managers.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

(A) Performance assessments and compensation levels of directors, and managerial officers shall take into account the general pay levels in the industry. Also to be evaluated are the reasonableness of the correlation between the individual's performance and this Corporation's operational performance and future risk exposure.

(B) There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of this Corporation.

(C) For directors and senior managerial officers, the percentage of bonus to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of this Corporation's business.

Compensation" as used in the preceding two paragraphs includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures. Its scope shall be consistent with the compensation for directors, and managerial officers as set out in the Regulations Governing Information to be published in Annual Reports of Public Companies.

If the board of directors will decline to adopt, or will modify, a recommendation of the remuneration committee, it shall require the consent of a majority of the directors in attendance at a meeting attended by two-thirds or more of the entire board, which in its resolution shall give the comprehensive consideration under the preceding paragraph and shall specifically explain whether the remuneration passed by it exceeds in any way the recommendation of the remuneration committee.

If the remuneration passed by the board of directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified in the board meeting minutes, and shall be publicly announced and reported on the information reporting website designated by the competent authority within 2 days counting from the date of passage by the board of directors.

If decision-making and handling of any matter relating to the remuneration of directors and managerial officers of a subsidiary is delegated to the subsidiary but requires ratification by the board of directors of the parent company, the parent company's remuneration committee shall be asked to make recommendations before the matter is submitted to the board of directors for deliberation.

(4) The member of board of director and important management succession planning

In the succession planning, in addition to the excellent work ability, successors must conform to the company's values. Personality traits must include integrity, commitment, innovation and customer trust. Each month, TMC is personally led by president to conduct regular monthly reports with the middle and high-level supervisors of various departments. The heads of departments report work matters and cross-departmental communication matters. Through the meeting, the ability of key management organizations to formulate strategies can be cultivated. The production and sales meetings led by the sales vice president and consultants every week. Sharing department information from the production and marketing unit and every department can give feedback to achieve management teamwork ability.

In addition, the company arranges higher-level managements for education training from time to time, and enhances the ability to manage and professionally. Through professional ability training, trainees can be integrated and used to cultivate decision-making judgment.

(5) The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure

Assessment Item	Implementation Status			Incompliance and its Reasons
	Yes	No	Explanation	
1. Does Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?	V		TMC had established the corporate governance practices in board of directors' meeting and posted it on company's website.	No major deviation
2. Shareholding Structure & Shareholders' Rights				No major deviation
(1) Does Company has Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(1) TMC has designated spokesperson to handle shareholder suggestions, and assigned legal consultant to handle disputes or litigation.	
(2) Does Company possesses a list of major shareholders and beneficial owners of these major shareholders?	V		(2) TMC tracks the shareholdings of directors, officers, and top ten shareholders.。	
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		(3) TMC has set up internal rules in the Company's Internal Control System, regulations governing loaning of funds, regulations governing the acquisitions and disposals of assets and Affiliated Corporations Management. Through the establishment of relevant internal policy to establish appropriate risk management controls. In addition, auditors also regularly monitor implementation.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) TMC has established "Procedures for Handling Material Inside Information" and "rules of prevention for undisclosed information trading".	

3. Composition and Responsibilities of the Board of Directors				Other than the Remuneration Committee and the Audit Committee, TMC doesn’t set up other Board committes. Other than that, there is no major deviation.
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1) TMC re-elected the board directors in 2017 Shareholders’ meeting. There are 7 directors (incl. 3 independent directors) from diverse backgrounds, professional competence and experience. TMC has drawn up the board of directors on the diversification of membership and implementation. See “corporate governance Best Practice Principles” Article 20 of TMC for the policy for diversification of membership. This information is also posted on TMC’s website. The member of TMC board of directors, expertise covers industry and academia. Good at leadership, operational judgment, business management, crisis management, industrial knowledge and international market view is K.J. Wu, Parkson Chen, Tsai Guo-Chi, Tsai Yu-Shian and Hsieh Tai-Ning. Wu Yu-Chiun, who served as the director of the Securities and Futures Bureau, specializes in administrative management and financial affairs. Ji Yun has served in the academic community for a long time. All of them have a lot of guidance on the company's industrial landscape.	
(2) Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?		V	(2) TMC will set up other functional committee when necessary.	
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	V		(3) The board of director of TMC has approved” governing the board performance evaluation” on 2019/3/20, and will conducted performance evaluations each year regularly in the future. From 2019, at the end of each year, the annual performance evaluation will be carried out according to the” governing the board performance evaluation”. TMC will report the results to the board of directors in the first quarter of the next year. The Company shall take into consideration its condition and needs when establishing the criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects: A. Participation in the operation of the company; B. Improvement of the quality of the board of directors' decision making; C. Composition and structure of the board of directors; D. Election and continuing education of the directors; and E. Internal control. The criteria for evaluating the performance of the board members (on themselves or peers), should cover, at a minimum, the following six aspects: A. lignment of the goals and missions of the company; B. wareness of the duties of a director; C. articipation in the operation of the company; D. ement of internal relationship and communication; E. director's professionalism and continuing education; and F. ernal control.	

<table>
<tr><td></td><td></td><td></td><td>At the end of each year, the units performing evaluations will collect information about the activities of the board of directors and distribute self-evaluation questionnaires such as the Questionnaire of Self-Evaluation of Performance of the Board, the Questionnaire of Self-Evaluation of Performance of Board Members (for Themselves or Peers) to be completed.
The unit responsible for evaluation or the secretariat of the board will then collects all information, give scores based on the evaluation indexes, record the evaluation results in a report, and submit the report to the board of directors for discussion and improvement.</td><td></td></tr>
<tr><td>(4) Does the Company regularly evaluate its external auditors' independence?</td><td>V</td><td></td><td>(4) According to "Certified Public Accountant Act" and "The Norm of Professional Ethics", TMC regularly evaluate external auditors' independence. The Board of Directors will evaluate the independence and adequacy of the Company's auditors according to the Statement of Independence issued by the accounting firm where the auditors belong to and along with the related regulations of the Certified Public Accountant Act.
The results of the 2018 evaluations were reported to the Audit Committee on 2018/11/8, and were reviewed and approved by the Board of Directors on the same day.
<table>
<tr><th>Assessment</th><th>Result</th><th>Independence</th></tr>
<tr><td>The designated accountant does not have direct or indirect financial interest relationship with the Company</td><td>No</td><td>Yes</td></tr>
<tr><td>The designated accountant does not have a financing or guarantee relationship with the Company or any director or supervisor of the Company.</td><td>No</td><td>Yes</td></tr>
<tr><td>The designated accountant does not have close business relationship or potential employment relationship with the Company.</td><td>No</td><td>Yes</td></tr>
<tr><td>The designated accountant does / did not currently/ in the recent two years serve as a director, supervisor, or manager of the Company or play a role having significant influence on the audit case.</td><td>No</td><td>Yes</td></tr>
<tr><td>The non-audit service that the firm of the designated accountant offered to the Company does not have direct influence on any important items of the audit case.</td><td>No</td><td>Yes</td></tr>
<tr><td>The designated accountant does not promote or act as an intermediate for the shares or other securities issued by the Company.</td><td>No</td><td>Yes</td></tr>
<tr><td>The designated accountant does not serve as the advocate of the Company nor as the representative of the Company to mediate the dispute between the Company and any third party.</td><td>No</td><td>Yes</td></tr>
<tr><td>The designated accountant does not have kinship with any director, supervisor, or manager of the Company or the person having significant influence on the audit service.</td><td>No</td><td>Yes</td></tr>
</table></td><td></td></tr>
<tr><td>4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not</td><td>V</td><td></td><td>TMC has set up a team to handle board of directors' meetings and shareholders' meetings, corporate registration and amendment registration, record minutes of board meetings and shareholders meetings.The company's corporate governance related matters are performed by the finance department manager on a part-time basis to protect shareholders' rights and strengthen the board's</td><td>No major deviation</td></tr>
</table>

limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings, etc.)?			functions. Manager Wu of the Finance Department has been engaged in the management work of accounting and other publicly issued companies for several years. After the resolution of the board of directors was passed on March 20, 2019, the head of corporate governance was set up. The main duties of the company's management personnel are to provide the information required by the directors to conduct business, assist the directors to follow the laws and regulations, and handle matters related to the board of directors and shareholders' meetings in accordance with the law. The business performance of the year 2018 is as follows： 1. Assisting independent directors and general directors in performing their duties, providing the required information and arranging director training： (1) The board members are regularly notified of the revision of the company's business areas and the latest laws and regulations related to corporate governance. (2) Review relevant information confidentiality levels and provide company information required by directors to maintain communication and communication between directors and business executives (3) Assisting independent directors and general directors in formulating annual refresher plans and arranging courses in accordance with the company's industry characteristics and the background of directors' experience. 2. Assist in the board of directors and shareholders' meeting procedures and resolutions ： (1) Report to the board of directors, independent directors, and audit committee on the company's corporate governance operations, and confirm whether the company's shareholders' meeting and directors meet the relevant laws and corporate governance rules. (2) Assist and remind the directors of the regulations that should be followed when performing business or making a formal resolution of the board of directors. (3) After the meeting, it is responsible for checking the release of major information of important resolutions of the board of directors, ensuring the legality and correctness of the content of the re-sentence, so as to ensure the investor's transaction information equivalence. 3. Maintain investor relations: Arrange for directors to communicate and communicate with major shareholders, institutional investors or general shareholders as needed, so that investors can obtain sufficient information to evaluate the reasonable capital market value of the company and to maintain good shareholders' rights. 4. Elect the agenda of the board of directors to notify the directors seven days ago, convene the meeting and provide the meeting materials. If the issues need to be avoided, give advance notice and complete the minutes of the board meeting within 20 days after the meeting. 5. Handle the pre-registration of the date of the shareholders' meeting in accordance with the law, make a notice of the meeting within the statutory time limit, discuss the proceedings, and record the proceedings, and apply for change registration in the revised charter or director re-election. The 2018 training courses are as follows: From 2018 May 17th to 18th, , the manager of the finance department conducted the continuing training of the accounting supervisor at the China Accounting Research and Development	

<table>
<tr><td></td><td></td><td></td><td>Foundation of the Republic of China, and completed the three-hour professional training course of corporate governance.</td><td></td></tr>
<tr><td>5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders’ questions on corporate responsibilities?</td><td>V</td><td></td><td>TMC built a company website, and set up a communication channel and a stakeholder section to address our corporate social responsibilities and any other issues.
1. Stakeholder category
The company defines stakeholders as “internal or external groups or individuals who have an impact on Taiwan's masks or are affected by mask companies”. Based on this definition, the company's stakeholders include shareholders, investors, employees, customers, suppliers and so on.
2. Interested parties pay attention to issues
After the identification of the stakeholders, based on their influence on the company and the areas of concern, establish an individual communication platform, and establish a good communication channel through the responsible units of the company to consolidate the corporate governance, economic, environmental and social issues of interest to stakeholders. . To assess the most important issues of concern and to define the key issues affecting the sustainable development of the Company are “Implementing Business Ethics of Integrity Management”, “Reducing Operational Environmental Impact”, “Improving Customer Service Satisfaction” and “Social Welfare and Care”.
3. Stakeholder communication pipeline
<table>
<tr><td>Contact</td><td>Contact Window</td></tr>
<tr><td>Investor Relations</td><td>Spokesperson –L.C. Lin
Tel – (03)5634370 ext135
Email – lelin@tmcnet.com.tw
Deputy Spokesperson –Megan Tsai
Tel – (03)5634370 ext118
Email – Megan@tmcnet.com.tw</td></tr>
<tr><td>Customer Relations</td><td>Customer Contact Window –Mr. Huang
Tel – (03)5634370 ext349
Email – jamesH@tmcnet.com.tw</td></tr>
<tr><td>Supplier Relations</td><td>Supplier Contact Window –Ms. Yang
Tel – (03)5634370 ext371
Email – peggy_yang@tmcnet.com.tw</td></tr>
<tr><td>Employee Relations</td><td>Employee Contact Window –Ms. Huang
Tel – (03)5634370 ext333
Email – where@tmcnet.com.tw</td></tr>
</table>
</td><td>No major deviation</td></tr>
<tr><td>6. Has the Company appointed a professional registrar for its Shareholders’ Meetings?</td><td>V</td><td></td><td>We have appointed China Trust as our registrar for our Shareholders’ Meetings.</td><td>No major deviation</td></tr>
</table>

7. Information Disclosure (1)Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference etc.)?	V V		(1) The company's website has a special area to expose financial business and corporate governance information. (2) In addition to the appointment of special personnel to disclose relevant information on a regular and irregular basis at the public information observatory as required by the Stock Exchange, the Company also reviews the external reports and information from time to time and implements the spokesperson system in accordance with the regulations. The company website also updates the information such as the legal person briefing process.	No major deviation
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(1) Employee Rights and Employee Care: Please refer to the "Labor Relations Information" of this annual report. (2) Investor Relations, Supplier Relationships, and Rights of Interested Persons: Please refer to the "Performance of Social Responsibility" of this annual report and the "Interested Persons Area" of the Company's website. (3) Directors' training situation: Please refer to the "Director and Manager Training Situation" in this annual report. (4) Implementation of risk management policies and risk measurement standards: Please refer to the "Risk Matter Analysis and Evaluation" of this annual report. (5) The company insured liability insurance for all directors every year, and reported the latest insurance coverage to the board of directors on November 8, 2018 (insurance period from October 2, 2018 to October 1, 2019).	No major deviation

9. Please explain the results of the fifth annual corporate governance evaluation issued by the Taiwan Stock Exchange Co., Ltd. Governance Center.

Evaluation index	Implementation situation	Improve the situation
Does the company's board of directors regularly (at least once a year) assess the independence of the visa accountant and disclose the assessment process in detail in the annual report?	The company evaluates the independence and eligibility of the visa accountant at least once a year. The results of the 2018-year evaluation were reported to the Audit Committee on November 8, 2018, and were reviewed and approved by the Board of Directors on the same day. These assessment procedures are also disclosed in detail in the "4. Corporate Governance Operation Situation" of this annual report.	improved
Whether the company's board performance appraisal method or procedure is approved by the board of directors, and Perform self-assessment once a year and expose the results of the assessment Company website or annual report?	The Company has passed the "Board Performance Evaluation Method" resolution on March 20, 2018. The performance evaluation of the Board of Directors should be carried out at least once a year in the future. The evaluation period should be carried out at the end of each year according to the evaluation procedures and evaluation indicators. The annual performance evaluation, the evaluation results will be reported to the board of directors in the first quarter of the next year.	Priority improvement in the future

(6) Fulfilling social responsibility

The company's practice of corporate social responsibility is based on the following principles:

Implementing corporate governance

The board of directors of the company shall perform the duty of care of the good managers to supervise the company's practice of social responsibility, and review its implementation effectiveness and continuous improvement at any time to ensure the implementation of corporate social responsibility policies.

The board of directors of the company shall perform corporate social responsibility by the following aspects:

1. Incorporate corporate social responsibility into the company's operational activities and development direction.
2. Propose a corporate social responsibility mission (or vision, value) and formulate a corporate social responsibility policy statement.
3. Ensure that information about corporate social responsibility is disclosed.

Developing a sustainable environment

The company follows environmental regulations and relevant international standards to properly protect the natural environment and is committed to environmental sustainability when performing business activities. The company is committed to improving the efficiency of the use of resources and using recycled materials with low environmental impact, so that the earth's resources can be used sustainably.

The Company considers the impact on eco-efficiency, promotes and educates consumers on the concept of sustainable consumption, and engages in R&D, production and service operations in accordance with the following principles to reduce the impact of the company's operations on the natural environment:

1. Reduce the resources and energy consumption of products and services.

2. Discharge of pollutants, toxic substances and wastes, and dispose of waste properly.

3. Improve the recyclability and reuse of raw materials or products.

4. Maximize the sustainable use of renewable resources.

5. Extend the durability of the product.

6. Increase the effectiveness of products and services.

In order to improve the efficiency of water use, the company should properly and continuously use water resources, and should avoid polluting water, air and land in operation; if it is unavoidable, we will do our utmost to reduce the cost and benefit, technical and financial feasibility. Adverse effects on human health and the environment, adopting the best feasible pollution prevention and control technology measures.

The company should pay attention to the impact of climate change on operational activities, and formulate the company's energy conservation and carbon reduction and greenhouse gas reduction strategies based on operational conditions and greenhouse gas inventory results, and incorporate carbon rights into the company's carbon reduction strategy plan, and Promote to reduce the impact of the company's operations on the natural environment.

Maintain social welfare

The company complies with relevant labor laws and regulations, protects the legitimate rights and interests of employees, and respects the internationally recognized basic principles of inciting human rights, and must not jeopardize the basic rights of workers. The company's human resources policy should respect the basic labor and human rights protection principles and establish appropriate management methods and procedures.

The company provides a safe and healthy working environment for employees, including providing the necessary health and first aid facilities, and is committed to reducing the hazard to employees' safety and health to prevent occupational disasters. At the same time, the company also regularly implements safety and health education and training for employees, creates a good environment for the development of employees' career, and establishes an effective career development training program.

The company should provide transparent and effective consumer complaint procedures for its products and services, handle consumer complaints fairly and immediately, and comply with relevant regulations to respect the privacy rights of consumers and protect the personal data provided by consumers.

Corporate social responsibility specific promotion situation

Item	Implementation situation
Cohesion of employees and promote a sense of belonging	February 2018 resumed the long-awaited tail meal meeting.
Let employees have a good salary	The salary for employees is increased from 12 months to 14 months.
Warm heart and winter and take care of farmers	December 2018 The company shared three to five-layer cakes with colleagues, and warmed up for a good year. At the event, each employee was given one Canadian cabbage, while taking care of the employees and small farmers.
Caring for foreign employees	December 2018 Host a Christmas party to warm up the Filipino colleagues.
Caring for employee health	December 2018 Physical examination of all employees, the original medical examination of NTD$500 per person, increased by one person for NT $1,200 for health checkups.
2019 Spring couplet charity sale	January 2019 Spring Festival charity sale activities, let love continue, a total of NTD$27,300 to raise funds for mustard seed will love the kindergarten.
2019 Earth Day	April 2019 Promote the emotional exchange of employees of the company and serve the community. The clean beach activity is not the end point for stopping garbage pollution, but it is the best starting point for everyone to kiss the sea, love the sea and protect the ocean.

<table>
<tr><th rowspan="2">Evaluation index</th><th colspan="3">Implementation situation</th><th rowspan="2">Incompliance and its Reasons</th></tr>
<tr><th>Yes</th><th>NO</th><th>Summary description</th></tr>
<tr><td>1. Implement corporate governance
(1) Does the company have a corporate social responsibility policy or system and review the implementation effectiveness?

(2) Does the company regularly hold social responsibility education training?
(3) Does the company set up a special (part-time) unit for promoting corporate social responsibility, which is authorized by the board of directors to handle the high-level management and report the situation to the board of directors?</td><td>
V

V
V</td><td></td><td>(1) The Company has established a corporate social responsibility code of practice for the management of corporate social responsibility, set up a part-time unit to promote corporate social responsibility, and is responsible for the formulation and implementation of corporate social responsibility policies or systems, and will report to the board of directors from time to time. Conduct a review.
(2) The company promotes education and training courses from time to time, and it also publicizes corporate social responsibility matters internally.
(3) In order to ensure the safety of the work environment and the protection and respect of employees' rights, the company has fulfilled its corporate social responsibility and has taken up the management responsibility according to the nature of the business. The work is still in line with the company's commitments.
The company promotes social enterprise responsibility by the finance department to perform part-time work, and reports the implementation plan and results to the board of directors. In the future, the company will continue to implement corporate social responsibility.
<table>
<tr><td>department</td><td>member</td><td>Job position</td></tr>
<tr><td>Manufacture II</td><td>environment / Health and Safety</td><td>Integrate and promote the company's environmental protection, pollution prevention, safety and health, resource conservation, related regulations and communication and greenhouse gas tube related work.</td></tr>
<tr><td>Administration Department</td><td>Human Resources</td><td>Recruitment and retention, remuneration and benefits, physical and mental health and safety of employees, education and training and development, communication and rights protection, and grievance mechanisms.</td></tr>
<tr><td>Sales Department</td><td>customer service</td><td>Improve service quality and customer satisfaction, gain customer trust, and maintain customer privacy.</td></tr>
<tr><td>Finance Department</td><td>Finance</td><td>Information disclosure, dividend policy, tax-related, and properly handle investors' concerns, help strengthen the board's functions, and focus on shareholders' rights.</td></tr>
<tr><td>Manufacture II / Production management department / Procurement Department</td><td>Manufacture</td><td>Process-related work, including material management, resources; supplier management, green procurement management, conflict mining</td></tr>
<tr><td>Quality assurance department</td><td>Quality assurance</td><td>Product quality and product recall management mechanism.</td></tr>
<tr><td>Engineering III/ AI Department</td><td>R&D</td><td>Promote R&D and innovation of technology related to green energy products.</td></tr>
</table></td><td>No major deviation</td></tr>
</table>

Evaluation index	Implementation situation			Incompliance and its Reasons
	Yes	NO	Summary description	
(4) Does the company have a reasonable salary compensation policy, and combine the employee performance appraisal system with the corporate social responsibility policy, and establish a clear and effective reward and disciplinary system?	V		(4) The company constructs a salary system based on functions and equal pay for equal work, and depends on factors such as job title, core skills, academic experience, performance, market conditions, and future development of the company, taking into account the retention of outstanding employees and shareholders' equity, and the employee performance appraisal system and The combination of corporate social responsibility policies, through the preparation of working rules by the competent authorities, establishes a clear and effective reward and disciplinary system. In addition, in accordance with Article 23 of the Articles of Association of the Company, the company shall pay employees with a profit of not less than 10% in the current year.	
2. Developing a sustainable environment (1) Is the company committed to improving the efficiency of the use of resources and using recycled materials that have a low impact on the environmental load?	V		(1) The company has long been committed to improving the efficiency of resource utilization, such as the ISO9001 process system certification and the annual development of the power saving plan objectives, and reviewing and tracking through regular meetings, in order to make the most efficient use of resources, reduce waste and reduce Carbon, according to the company's commitment to environmental safety and health policy, the use of raw materials to reduce the load on the environment, waste recycling, reduction and reuse.	No major deviation
(2) Does the company establish a suitable environmental management system based on its industrial characteristics?	V		(2) Implementation of the company's environmental management system A. Water Resources Management: Committed to improving water use rates and setting short, medium and long-term goals, with the goal of pursuing sustainable use of water resources. B. Waste management: With “process reduction and resource recovery” as the main axis, waste management is preferred for recycling.	
(3) Does the company pay attention to the impact of climate change on operational activities, and implement greenhouse gas inventory, formulate corporate energy conservation and carbon reduction and greenhouse gas reduction strategies?	V		(3) The company is committed to environmental protection, responding to green and clean production. Through the implementation of Process Safety Management (PSM) and the institutionalized PDCA management cycle, pollution emissions and environmental impacts are effectively reduced. At the same time, implementation plans and plans are established, and targets are regularly tracked and reviewed. Progress to ensure the goal is achieved. The company has passed ISO14001 management system certification, and the factory department regularly inspects and tracks, implements disaster prevention and pollution prevention, and complies with EU RoHS regulations, and abides by the restrictions of hazardous substances. Through the establishment of ISO14001 environmental management system certification and SGS inspection system, we maintain the quality of environmental management, and do our best to prevent pollution and adhere to the responsibility of society. In recent years, in response to the globalization trend of energy conservation and carbon reduction, the company has actively carried out a series of measures to rectify and rectify, reduce waste, and cherish resources, such as the use of energy-saving lamps for administrative lighting, strengthen the management of air-conditioning, and actively promote electronicization to reduce The amount of paper used, without the use of sanitary chopsticks, the use of	

Evaluation index	Implementation situation			Incompliance and its Reasons
	Yes	NO	Summary description	
			environmentally friendly chopsticks, so that employees from the working environment to deepen the concept of energy saving and carbon reduction, continue to implement waste reduction, in order to achieve environmental pollution-free goals. And for the environmental policies promulgated by suppliers, contractors and carriers, we hope that everyone will work together to protect the environment.	
3. Maintain social welfare (1) Does the company formulate relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	V		(1) In order to fulfill corporate social responsibility and protect the basic human rights of all colleagues, clients and stakeholders, follow the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Global Compact and the UN International Labor The principles promulgated by international human rights conventions such as the organization, the formulation and disclosure of human rights policies, and simultaneous disclosure on the company's website.	No major deviation
(2) Does the company establish an employee complaint mechanism and pipeline and handle it properly?	V		(2) The company has established an employee complaint mechanism and pipeline to handle employee complaints in a timely manner.	
(3) Does the company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees?	V		(3) In addition to the establishment of the employee welfare committee in accordance with the law, the company also organizes various employee activities and employee health checks to protect employees' physical and mental health.The protection measures for the company's healthy environment and personal safety are as follows: A. Environmental safety (A) Regularly test and maintain fire safety equipment, public facilities and cooperate with the government's decree on the comprehensive smoking ban. (B) Regularly implement the Clean Office of the Office to ensure the safety and comfort of the working environment. B. Fire safety aspects Set up a complete fire protection system in accordance with the provisions of the Fire Protection Law. C. Employee health care Regular staff health checkups are held.	
(4) Does the company establish a mechanism for regular employee communication and notify the operational changes that may have a significant impact on employees in a reasonable manner?	V		(4) The Company communicates to employees through the assembly method that may cause significant impact on operational changes.	
(5) Does the company establish an effective career development training program for	V		(5) The company has perfect education and training to help employees develop diverse career opportunities.	

<table>
<tr><th rowspan="2">Evaluation index</th><th colspan="3">Implementation situation</th><th rowspan="2">Incompliance and its Reasons</th></tr>
<tr><th>Yes</th><th>NO</th><th>Summary description</th></tr>
<tr><td>employees?
(6) Does the company formulate relevant consumer protection policies and grievance procedures for research and development, procurement, production, operations and service processes?
(7) Does the company comply with relevant regulations and international standards for marketing and labeling of products and services?
(8) Before the company and the supplier, did they assess whether the supplier had any record of affecting the environment and society in the past?
(9) If the contract between the company and its major suppliers includes suppliers who have violated their corporate social responsibility policies and have significant environmental and social impacts, may they terminate or terminate the terms of the contract at any time?</td><td>V
V
V
V</td><td></td><td>(6) The company has a dedicated team of customer service professionals who are responsible for assisting with customer needs and complaints. Work with suppliers to comply with the requirements of the European Union (RoHS) Directive on green environmental protection.
(7) Whether the Company's marketing and labeling of products and services are in compliance with relevant laws and international standards, and are clearly marked.
(8) The company requires suppliers to comply with corporate social responsibility, and has established a supplier management policy internally, requiring suppliers to provide environmental hazard non-use declarations, environmental management system verification and safety data sheets.
(9) The Company arranges regular audits for major suppliers, including various laws and regulations. If there are illegal or environmentally and socially harmful risks, they cannot pass the audit and may terminate their transactions at any time.</td><td></td></tr>
<tr><td>4. Strengthen information disclosure
(1) Does the company disclose relevant information on corporate social responsibility with relevance and reliability on its website and public information observatories?</td><td>V</td><td></td><td>The company has established information on corporate social responsibility that is relevant and reliable on the company's website, and strengthens communication among stakeholders. Relevant information has been disclosed at the public information observatory in accordance with relevant regulations.</td><td>No major deviation</td></tr>
<tr><td colspan="5">5. If the company has its own corporate social responsibility code based on the Code of Practice for Corporate Social Responsibility of Listed Companies, please describe the difference between its operation and the code:
The Company has formulated the “Code of Practice for Corporate Social Responsibility” and there is no significant difference between the actual operation of corporate social responsibility and the Code.</td></tr>
<tr><td colspan="5">6. Other important information that helps to understand the operation of corporate social responsibility:
The company's website has been built to expose the corporate social responsibility operation and stakeholder area, and to update the relevant corporate social responsibility operation situation at any time, which helps to understand the operation of corporate social responsibility.</td></tr>
<tr><td colspan="5">7. If the company's corporate social responsibility report has passed the verification criteria of the relevant verification agency, it should be stated:
The company has passed ISO9001 process quality management system certification and ISO14001 environmental management system certification, as well as ISO16949 recommendation letter.</td></tr>
</table>

(7) Implementing integrity management

Evaluation index	Implementation situation			Incompliance and its Reasons
	Yes	No	Summary description	
1. Establishing an honest business policy and plan				No major deviation
(1) Does the company express its commitment to integrity management policies and practices in its regulations and external documents, as well as the commitment of the board of directors and management to actively implement business policies?	V		(1) The Company complies with the requirements of various laws and regulations, except that the Board of Directors actively implements the policy of passing the Code of Good Faith, and details the company's policy of integrity management and the situation that the board of directors and management should commit to actively implement the company's integrity management code.	
(2) Does the company have a plan to prevent dishonesty, and specify operating procedures, behavioral guidelines, disciplinary and grievance systems for violations in each program, and implement them?	V		(2) In order to promote and promote honesty, the company's integrity management code is published on the company's website for peers to inquire at any time as a basis for personal conduct, and set up a reporting acceptance unit. If a major violation is discovered or the company has significant damages. Immediately, a report was made to inform the independent directors to implement the implementation of the dishonest program. Through the company's internal control system, work rules, pre-employment education and regular promotion, and the supervision of the accounting system, the company's determination to crack down on the malpractice is emphasized, and employees are required to abide by the principle of avoidance of interests and to proclaim the company's policies to suppliers.	
(3) Does the company adopt preventive measures for the business activities of the Article 7 (2) of the “Listed Companies' Integrity Code of Practice” or the risk of high dishonesty in other business areas?	V		(3) The company is audited regularly and irregularly by auditors and accountants to actively reflect the company's potential conflicts of interest.	
2. Implementing integrity management				No major deviation
(1) Does the company assess the integrity record of the object of the transaction and specify the terms of good faith in the contract with the transaction partner?	V		(1) Before the business activities of the company, the legality of the transaction objects and their integrity and integrity records are evaluated to ensure that the parties engage in fair and transparent trading activities, create a level playing field and maintain the company's competitiveness.	
(2) Does the company set up a special (part-time) unit that promotes the integrity management of the company under the board of directors, and regularly reports its implementation to the board of directors?	V		(2) Honesty and trustworthiness has always been an important business philosophy of the company. From the board of directors to the management of various departments, we are committed to promoting integrity management from different levels. All colleagues should believe in and follow the code of good faith. At the same time, the company has an audit committee and internal control system to supervise the company to comply with legal norms. The designated auditing office of the Company is a dedicated unit. According to the work and scope of each unit, the implementation of the Code of Integrity is ensured, and the full-time unit regularly reports its implementation to the Board of Directors on a quarterly basis.	

Evaluation index	Implementation situation			Incompliance and its Reasons
	Yes	No	Summary description	
(3) Does the company have a policy to prevent conflicts of interest, provide a proper presentation pipeline, and implement it? (4) Has the company established an effective accounting system and internal control system for the implementation of integrity management, and the internal auditing unit regularly checks it, or entrusts an accountant to perform the check? (5) Does the company regularly hold education training inside and outside of integrity management?	V V V		(3) In order to prevent conflicts of interest policies and provide appropriate representation channels, the Company has established a code of good faith practice. Based on the principle of good faith management, we conduct business activities in a fair and transparent manner. In addition, the company has specifically formulated a reporting system for illegal (including corruption) and unethical behavior. (4) The accounting system and internal control system of the Company are all formulated in accordance with relevant regulations, and the internal audit unit prepares working papers and audit reports on the audit results, submits them to the board of directors, and conducts regular and irregular audits with accountants. (5) The Integrity Code of Practice has been announced on the Company's website and has been announced to employees at the monthly management meeting; safety and health management and inspection, the company has carried out staff health inspection / fire inspection / completion inspection in the 2018 public security inspection In the course of accounting management and internal control related to business management, the company received 3 training sessions in the 2018-year, with a total of 36 hours of course training.	
3. Operation of the company's reporting system (1) Does the company have a specific reporting and reward system, and establish a convenient reporting pipeline, and assign appropriate appropriate personnel to the respondent? (2) Does the company set the investigation standard operating procedures and related confidentiality mechanisms for accepting the report? (3) Does the company take measures to protect the prosecutor from improper disposal due to the report?	V V V		(1) The company's report on possible violations of the law or the code of conduct may be reported and reported to the audit room of the company. And establish a survey standard operating procedures for accepting and reporting matters, and a confidentiality mechanism for the identity of the prosecutor. (2) The company formulates the grievance operation procedures, the rights and responsibilities of the case acceptance and the event handling process, and complies with the law of confidentiality and prohibits retaliation against colleagues. The company's "Integrity Code of Practice" has a clear standard of investigation procedures for handling complaints and related confidentiality mechanisms. (3) The company's "Integrity Code of Practice" has a clear acceptance of the report, the confidentiality of the identity of the prosecutor and the content of the report, and measures to prevent the prosecutor from being improperly disposed of due to the report.	No major deviation
4. Strengthen information disclosure (1) Does the company disclose its content of the Code of Integrity Code and promote its effectiveness on its website and public information observatories?	V		In addition to the disclosure of the annual report, the company's website has a corporate governance zone to expose information about integrity management.	No major deviation

Evaluation index	Implementation situation			Incompliance and its Reasons
	Yes	No	Summary description	
5. If the company has its own code of conduct in accordance with the Code of Conduct for the Listed Companies, please describe the difference between its operation and the code: The Company's "Integrity Code of Practice" has been approved by the Board of Directors on August 6, 104. There is no difference between the actual operation and the establishment. (1) Integrity management Regular awareness concepts and education and training regularly promote the concept of integrity management to all employees: The Integrity Code of Practice has been published on the Company's website and has been issued to employees on the "Integrity Code of Practice" at the monthly management meeting. (2) Declaring the terms of good faith in the contract with the subject. (3) Establish and announce internal independent reporting mailboxes and special lines on the company website and internal websites: Instantly update the company website and internal website to establish and announce internal independent reporting mailboxes and special lines. In the year 2018, no relevant integrity reports were received. According to the company's integrity management code operation and implementation, there is no difference in actual implementation status.				
6. Other important information that helps to understand the company's integrity operation (such as the company's review and revision of its established integrity code): None.				

(8) The company has established a code of conduct and related regulations

The company's website has a corporate governance zone for investors to check and download relevant corporate governance regulations, please refer to the company'swebsite.
https://www.tmcnet.com.tw/Governace.aspx

A. Articles of Association
B. Funding and other people's operating procedures
C. Acquiring or disposing of assets
D. Measures to prevent internal transactions
E. Internal internal information processing procedures
F. Audit committee organization procedures
G. Organizational procedures for the Compensation Commission
H. Code of Integrity
I. Code of Practice for Corporate Social Responsibility
J. Code of Ethics

In addition to the company's related corporate governance operations, please refer to “(5) The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure” on pages 22-27 of this annual report.

(9) Measures for preventing internal line transactions and internal major information processing Procedures

In order to establish a good internal information processing and disclosure mechanism of the Company to avoid the improper disclosure of information and to ensure the consistency and correctness of the Company's published information to the outside world, and to strengthen the prevention of insider trading, these measures are formulated for all directors, Managers and company colleagues respect and provide educational propaganda in a timely manner. Please refer to our website for related information.https://www.tmcnet.com.tw/Governace.aspx

(10) Internal control system implementation status

A. Internal control statement

TAIWAN MASK CORPORATION

Declaration of Internal Control System

Date: 2019/3/23

The internal control system in 2017 conforms to the following declarations made in accordance with the self-inspection conducted:

1. We understand it is the responsibility of the Company's management to have internal control system established, enforced, and maintained. The Company has the internal control system established to provide a reasonable assurance for the realization of operating effect and efficiency (including profits, performance, and assets safety), the reliability of financial report, and the obedience of relevant regulations.
2. Internal control system is designed with limitations; therefore, no matter how perfectly it is designed, an effective internal control system is to ensure the realization of the aforementioned three objectives. Due to the change of environment and condition, the effectiveness of an internal control system could change at any time. Our internal control system is designed with self-monitoring mechanism; therefore, we are able to have corrective actions initiated upon identifying any nonconformity.
3. We have based on the internal control criteria of "Governing Rules for handling internal control system by public offering companies" (referred to as "the Governing Rules" hereinafter) to determine the effectiveness of internal control design and enforcement. The internal control criteria of the "Governing Rules" is the management control process and with the internal control divided into five elements: 1. Environment control, 2. Risk analysis, 3. Control process, 4. Information and communication, and 5. Supervision. Each element is subdivided into several items. Please refer to the "Governing Rules" for the details of the said items.
4. We have based on the aforementioned internal control criteria to inspect the effectiveness of internal control design and enforcement.
5. We believe that our audits provide a reasonable basis for our opinion. On December 31, 2017, those standards require that we plan and perform the audit to obtain reasonable assurance about whether the internal control system (including the supervision and management over the subsidiaries) including the fulfillment of business performance and efficiency, the reliability of financial statements and the obedience of governing regulations, and the design and enforcement of internal control system is free of material misstatement and is able to ensure the realization of the aforementioned objectives.
6. The Declaration of Internal Control is the content of our annual report and prospectus for the information of the public. For any forgery and concealment of the aforementioned information to the public, we will be held responsible by law in accordance with Securities Transaction Regulation No. 20, No. 32, No. 171, and NO. 174.
7. We hereby declared that the Declaration of Internal Control was approved by the Board of Directors' Meeting on March 23, 2018 unanimously by the directors at the meeting.

Taiwan Mask Corporation

Chairman: K.J. Wu Signature

President: Yarn Chen Signature

B. Those who need to entrust an accountant to review the internal control system should disclose the accountant's review report: no such situation.

(11) In the most recent year and the end of the annual report, the company and its internal personnel were punished according to law, and the company violated the internal control system for penalties, major defects and improvement.

A. The company and its internal personnel are punished according to law: no such situation.

B. The company’s penalties for violations of internal control systems by its internal personnel：no such situation.

C. Major Defects and Improvements：Not applicable.

(12) 2018 years and the end of the annual report, the important date of the shareholders' meeting and the board of directors

A. Important resolutions of the shareholders' meeting

The important resolutions and implementation of the 2018-year shareholders' meeting of the Company are as follows：

(A) Acknowledged the 2017 Business Report and Financial Statements.
Implementation situation：The resolution was passed.

(B) Acknowledging the 2017-year loss allocation proposal.
Implementation situation：The resolution was passed.

B. Important resolutions of the board of directors

The board of directors of the company has been printed from January 1, 2018 to the annual report. The important resolutions are as follows：

Date	Session	Important resolution
2018/03/23	Eleventh the sixth time	2017 business reports and financial reports. The company's 2017 annual loss compensation case. The company's 2017 -year internal control system effectiveness assessment and statement. The company's financial and accounting directors appointment and dismissal Amendment of the "Job Licensing Method". Revision of the "Accounting System". Amendment of "Measures for Monitoring Subsidiaries". The loan to the subsidiary Innova Vision INC. The loan to the subsidiary Youe Chung Capital Corporation. Streamlined investment structure. Date, place and cause of the 2018 the shareholders' meeting. Ratify the consolidated financing credit loan case of Taiwan Land Bank Hsinchu Branch. Ratify the consolidated financing credit loan case of Mega Bank Hsinchu Science Park Zhucun Branch. Looking for a strategic cooperation direction.
2018/05/09	The seventh time	The company's 2018 first quarter consolidated financial report. The loan to the subsidiary Miracle Technology Co., Ltd. Ratify the consolidated financing credit loan case of Mega Bank Hsinchu Science Park Zhucun Branch. Ratify the forward exchange and foreign exchange of Mega Bank Hsinchu Science Park Zhucun Branch

Date	Session	Important resolution
2018/06/13	The eighth time	Participated in the 2018 raised funds by issuance of new shares of Unicon Optical. The loan to the subsidiary Innova Vision INC. Ratify the consolidated financing credit loan case of O-Bank Business Department (Main). Ratify the consolidated financing credit loan case of Fubon Bank Hsinchu branch.
2018/08/09	The ninth time	The company's 2018 second quarter consolidated financial report. Revision of Article of Incorporation. Revision of Regulations Governing the Acquisitions and Disposals of Assets and Check authority. Revision of Guidelines for Derivatives Trading and Check authority. Revision of Regulations Governing Loaning of Funds. Revision of Regulations Governing Making Endorsements and Guarantees. Revision of Internal Control. Revision of corporate governance. Ratify the Supplementary agreement of consolidated financing credit loan case of O-Bank Business Department (Main). Ratify the consolidated financing credit loan case of Yuanta Bank Taoyuan Hsinchu branch. Ratify the consolidated financing credit loan case of Cathay Bank. Ratify the consolidated financing credit loan case of Taishin Bank. Ratify the consolidated financing credit loan case of CTBC Bank. Ratify the consolidated financing credit loan case of TCB Bank North Hsinchu branch. Ratify the consolidated financing credit loan case of Far Eastern Bank. The loan to the subsidiary Youe Chung Capital Corporation. Participated in the 2018 raised funds by issuance of new shares of Advagene Biopharma. Acquire the equity of the Weida Hi-Tech in cash.
2018/11/08	The tenth time	CPA change. The company's 2018 third quarter consolidated financial report. Evaluate external auditors' independence. The company's operating plan (internal financial budget) for 2019. The cmpany's annual audit scheme for 2019. Ratify the consolidated financing credit loan case of KGI Bank. Ratify the consolidated financing credit loan case and derivative financial products of Entie Bank. Ratify the consolidated financing credit loan case of Taiwan Land Bank Hsinchu branch. Ratify the consolidated financing credit loan case of Mega Bank Hsinchu Science Park Zhucun Branch. Ratify the consolidated financing credit loan case of First Bank. The implementation situation of Innova Vision INC. loan to the subsidiary overrun improvement plan. The supervisor reward plan for 2018.
2019/01/09	The eleventh time	According to TMC's Regulations Governing Share Repurchase, Transfer the 25th purchased shares of the company to the manager.

Date	Session	Important resolution
2019/03/20	The Twelfth time	2018 business reports and financial reports. 2018 earnings appropriation proposal. 2018 bonus compensation for employees and directors appropriation report. 2019 Shareholders' Meeting. The shareholder's proposal for 2019 Shareholders' Meeting. The company's 2018 -year internal control system effectiveness assessment and statement. Revision of Article of Incorporation. Revision of Regulations Governing the Acquisitions and Disposals of Assets. Revision of Internal Control. Revision of Regulations Governing Loaning of Funds. Revision of Regulations Governing Making Endorsements and Guarantees. Establish the Corporate Social Responsibility Guidelines and Corporate Social Responsibility Committee setting method. Establish the evaluating the performance of Board of Directors. Establish the standard operational protocol for responding to requests from directors. Establish the issue and delivery of shareholder's souvenirs and methods for collecting deposits. TMC's subsidiary Innova Vision INC. intends to reduce capital to make up for losses and increase capital, TMC gave up the subscription. TMC's subsidiary Youe Chung Capital Corporation intends to invest Aptos Technology. The loan to the subsidiary Innova Vision INC. The loan to the subsidiary Youe Chung Capital Corporation. The loan to the subsidiary Miracle Technology Co., Ltd. Ratify the consolidated financing credit loan case with bank. Proposed to be appointed by the CTBC bank as the co-ordinating host bank to form a joint credit banking group, and apply to the joint credit bank to apply for a joint credit line. Appointed Company Secretary
2019/05/08	The Thirteenth time	The company's 2019 first quarter consolidated financial report. Ratify the consolidated financing credit loan case with bank. The Supplementary of proposed to be appointed by the CTBC bank as the co-ordinating host bank to form a joint credit banking group, and apply to the joint credit bank to apply for a joint credit line. TMC's subsidiary Youe Chung Capital Corporation intends to invest Aptos Technology. The loan to the subsidiary Youe Chung Capital Corporation.

(13) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors：None.

(14) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

2019/5/23

Position	Name	Office Date	Dismissal Date	Dismissal Reason
Vice President	Shen Mao-Tian	1989/1/4	2018/3/31	Retirement
Finance/ AccountingManager	Liao Sheng-Foo	1999/7/13	2018/3/23	Job transfer to special assistant of Chairman(Note)

Note：Due to his personal career planning, he was dismissed the special assistant of Chairman in February 2008 and retired.

5. Fee of CPA

(1) Fee of CPA

Accounting Firm	CPA's Name		Auditing Period	Remark
PriceWaterHouse Coopers	Roger Hsueh	Daniel Lee	2017.01.01~ 2018.06.30	Cooperate with the CPA's internal rotation
	Tina Cheng	Daniel Lee	2018.07.01~ 2018.12.31	Cooperate with the CPA's internal rotation

Note：The original accountant of TMC is Roger Hsueh Accountant and Daniel Lee Accountant. Due to cooperate with the CPA's internal rotation, since the third quarter of 2018, the financial report accountant has been changed to Tina Cheng Accountant and Daniel Lee Accountant. This adopted by the Audit Committee and the Board of Directors on November 8, 2018.

Unit：NTD$ thousand

Accounting Firm	CPA's Name	Auditing fees	Non-auditing fees					Auditing Period	Remark
			System Design	Registration	Human Resource	others	Sub total		
PriceWaterHouse Coopers	Roger Hsueh Daniel Lee	5,960	0	0	0	841	841	2018.01.01~ 2018.06.30	Note
	Tina Cheng Daniel Lee							2018.07.01~ 2018.12.31	

Note：A. The above fees paid to the certified public accountant are to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm.

(A) TMC：Auditing fees is NTD$4,900 thousand, non-auditing fees is NTD$100 thousand (Legal advice and agenda review etc.).

(B) Subsidiary-Innova Vision INC：auditing fees is NTD$ 310 thousand, non-auditing fees is NTD$ 140 thousand (Handling capital change and Calaview equity transfer service).

(C) Subsidiary-Miracle Technology Co., Ltd：auditing fees is NTD$500 thousand.

(D) Subsidiary-Innova Technology Company：auditing fees is NTD$100 thousand.

(E) Subsidiary-Yu-chang Investment：non-auditing fees is NTD$15 thousand (Handling surplus to capital increase, issuing new shares change registration and capital amount audit service).

(F) Subsidiary：Youe Chung Capital Corporation-auditing fees is NTD$ 150 thousand, non-auditing fees is NTD$ 586 thousand (Handling the Youe Chung Capital Corporation and merger of Yu-chang Investment).

B. The original accountant of TMC is Roger Hsueh Accountant and Daniel Lee Accountant. Due to cooperate with the CPA's internal rotation, since the third quarter of 2018, the financial report accountant has been changed to Tina Cheng Accountant and Daniel Lee Accountant. This adopted by the Audit Committee and the Board of Directors on November 8, 2018.

(2) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services：None.

(3) If the company changes accounting firm and the amount of audit fee paid in the year of change is less than that in the year before, the amount of decrease and reason：None.

(4) If the audit fee is more than 15% less than that paid in the previous year, the amount and percentage of decrease and reason：None.

6. Information of Changing CPA

(1) Regarding previous CPA

<table>
<tr><td>Date of change</td><td colspan="4">July 1, 2018</td></tr>
<tr><td>Reason for the change and explanation</td><td colspan="4">The attesting CPA of the Company was previously assigned to CPA Roger Hsueh and Daniel Lee of PricewaterhouseCoopers Taiwan and has been changed to CPA Tina Cheng and CPA Daniel Lee starting third quarter of 2018 in compliance with internal adjustment of the certifying CPA firm.</td></tr>
<tr><td rowspan="3">Termination initiated by client or accountant declined to accept the appointment</td><td colspan="2">Client
Status</td><td>CPA</td><td>Commissioner</td></tr>
<tr><td colspan="2">Commission terminated voluntarily</td><td>—</td><td>—</td></tr>
<tr><td colspan="2">Commission rejected (not renewed)</td><td>—</td><td>—</td></tr>
<tr><td>Audit opinions other than unqualified opinions issued in the past two years and reasons</td><td colspan="4">—</td></tr>
<tr><td rowspan="7">Opinions different from those of issuer</td><td rowspan="5">Yes</td><td>—</td><td colspan="2">Accounting principle or practice</td></tr>
<tr><td>—</td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td>—</td><td colspan="2">Auditing scope or procedures</td></tr>
<tr><td>—</td><td colspan="2">Others</td></tr>
<tr><td>—</td><td colspan="2"></td></tr>
<tr><td>No</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Other disclosure matters (disclosures required by Article 10 Section 6 Paragraph 1 Point 4&7 of the Standards)</td><td colspan="4">None</td></tr>
</table>

(2) Regarding succeeding CPA

CPA Firm	PricewaterhouseCoopers Taiwan
Name of CPA	Tina Cheng and Daniel Lee
Date of appointment	July 1, 2018
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	None
Succeeding CPAs' written opinions that are different from those of the previous CPAs	None

(3) The former CPA's reply to matters under Items 1 and 2-3, Subparagraph 6, Article 10 of the Regulations Governing Information to be published in Annual Reports of Public Companies：None.

7. Chairman, president, finance or accounting manager who had been served in the CPA firm or related firm in recent year：None.

8. Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads and Shareholders of 10% Shareholding or More

(1) Information on Net Change in Shareholding

Position	Name	2018		As of 2019/4/13	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	K.J. Wu	-	-	1,000,000	-
Director	Parkson Chen	(1,307,000)	(1,100,000)	(399,000)	-
Director	Full-Shue Investment Rep: Tsai Guo-Chi	(690,000)	-	-	-
Director	Tsai Yu-Shian	-	-	5,000	-
Independent Director	Wu Yu-Chiun	-	-	-	-
Independent Director	Ji Yun	-	-	-	-
Independent Director	Hsieh Tai-Ning	-	-	-	-
President	Yarn Chen	-	-	-	-
Vice President	Vincent Tsai	-	-	-	-
Vice President	Shen Mao-Tian (Dismissal Date：2018/3/31)	-	-	-	-
Finance/ Accounting Manager	Marie Wu (Office Date：2018/1/15)	-	-	-	-
Finance/ Accounting Manager	Liao Sheng-Foo (Dismissal Date：2018/3/23)	-	-	-	-
Holding more than 10% shareholders	Chairman of Youe Chung Capital Corporation (Office Date：2018/5/31)	37.081.440	-	-	-
Holding more than 10% shareholders	Yu-chang Investment (Dismissal Date：2018/5/31)	(37,081,440)	-	-	-

Note：Youe Chung Capital Corporation is the shareholder who holds more than 10% of TMC’s shares.

(2) Information of shares transferred：None.

(3) Information of equity pledged：None.

9. The relation of the top ten shareholders as the definition of related parties or relatives within second degree

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Youe Chung Capital Corporation	37,081,440	14.67%	-	-	-	-			-
Youe Chung Capital Corporation Rep: Yarn Chen	-	-	-	-	-	-			-
Chao-I, Wu	7,277,000	2.88%	-	-	-	-	K.J. Wu	Father & Daughter	-
Full-Shue Investment	6,364,000	2.52%	-	-	-	-			-
Full-Shue Investment Rep: Tsai Guo-Chi	-	-	-	-	-	-			-
INVESCO INT BUYBACK ACHIEVERS ETF	3,517,000	1.39%	-	-	-	-			-
K.J. Wu	3,282,000	1.30%	564,000	0.22%	-	-	Chao-I, Wu	Father & Daughter	-
Parkson Chen	3,185,127	1.26%	862,892	0.34%	-	-			-
Yung-Hsiang, Chang	2,635,000	1.04%	-	-	-	-			-
Chin-Hua, Chiu	2,376,000	0.94%	-	-	-	-			-
Cheng-Hsiang, Chen	2,306,000	0.91%	-	-	-	-			-
Yu-Chen, Lai	2,224,850	0.88%	-	-	-	-			-

10. Investment from directors, managers, and directly or indirectly controlled businesses

2018/12/31

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
SunnyLake Park International Holdings,Inc.	6,344,000	100%	-	-	6,344,000	100%
Youe Chung Capital Corporation	142,329,470	100%	-	-	142,329,470	100%
Innova Vision INC.	5,203,956	30.26%	5,514,596	32.06%	10,718,552	62.32%
Miracle Technology Co., Ltd.	18,287,168	100%	-	-	18,287,168	100%
Weida Hi-Tech	25,510,500	100%	-	-	25,510,500	100%

Note：Affiliated enterprises are the companies held as equity-investments.

IV. Stock Subscription

1. Capital and Shares

(1) Capital History

Unit：Shares；NTD

Year/ Month	Par value	Authorized shares		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source	Capital Increased by Assets Other than Cash	others
1988/10	$10.00	35,000,000	$350,000,000	8,750,000	$87,500,000	Note(1)		
1990/06	$10.00	35,000,000	$350,000,000	35,000,000	$350,000,000	Note(2)		
1991/05	$10.00	50,000,000	$500,000,000	40,250,000	$402,500,000	Note(3)		
1992/07	$10.00	50,000,000	$500,000,000	44,275,000	$442,750,000	Note(4)		
1995/06	$10.00	70,000,000	$700,000,000	55,883,750	$558,837,500	Note(5)		
1996/04	$10.00	70,000,000	$700,000,000	64,427,500	$644,275,000	Note(6)		
1996/06	$10.00	100,000,000	$1,000,000,000	88,077,125	$880,771,250	Note(7)		
1997/04	$10.00	100,000,000	$1,000,000,000	100,000,000	$1,000,000,000	Note(8)		
1997/06	$10.00	250,000,000	$2,500,000,000	146,700,000	$1,467,000,000	Note(9)		
1998/07	$10.00	270,000,000	$2,700,000,000	237,420,000	$2,374,200,000	Note(10)		
1999/08	$10.00	389,000,000	$3,891,000,000	267,287,969	$2,672,879,690	Note(11)		
1999/10	$10.00	389,000,000	$3,891,000,000	267,290,313	$2,672,903,130	Note(12)		
2000/08	$10.00	389,000,000	$3,891,000,000	294,037,400	$2,940,374,000	Note(13)		
2000/12	$10.00	389,000,000	$3,891,000,000	331,189,900	$3,311,899,000	Note(14)		
2001/07	$10.00	450,000,000	$4,500,000,000	374,784,587	$3,747,845,870	Note(15)		
2002/08	$10.00	500,000,000	$5,000,000,000	424,917,953	$4,249,179,530	Note(16)		
2003/06	$10.00	500,000,000	$5,000,000,000	398,093,953	$3,980,939,530	Note(17)		
2003/09	$10.00	500,000,000	$5,000,000,000	399,593,953	$3,995,939,530	Note(18)		
2003/11	$10.00	500,000,000	$5,000,000,000	398,181,953	$3,981,819,530	Note(19)		
2004/06	$10.00	500,000,000	$5,000,000,000	379,443,953	$3,794,439,530	Note(20)		
2004/08	$10.00	500,000,000	$5,000,000,000	369,443,953	$3,694,439,530	Note(21)		
2004/10	$10.00	500,000,000	$5,000,000,000	370,943,953	$3,709,439,530	Note(22)		
2004/12	$10.00	500,000,000	$5,000,000,000	361,963,953	$3,619,639,530	Note(23)		
2005/09	$10.00	500,000,000	$5,000,000,000	359,498,953	$3,594,989,530	Note(24)		
2006/02	$10.00	500,000,000	$5,000,000,000	353,902,953	$3,539,029,530	Note(25)		
2008/05	$10.00	500,000,000	$5,000,000,000	351,072,953	$3,510,729,530	Note(26)		
2008/10	$10.00	500,000,000	$5,000,000,000	345,072,953	$3,450,729,530	Note(27)		
2009/01	$10.00	500,000,000	$5,000,000,000	335,072,953	$3,350,729,530	Note(28)		
2009/11	$10.00	500,000,000	$5,000,000,000	338,908,953	$3,389,089,530	Note(29)		
2010/09	$10.00	500,000,000	$5,000,000,000	288,072,611	$2,880,726,110	Note(30)		
2011/09	$10.00	500,000,000	$5,000,000,000	282,072,611	$2,820,726,110	Note(31)		
2011/11	$10.00	500,000,000	$5,000,000,000	277,871,611	$2,778,716,110	Note(32)		
2011/12	$10.00	500,000,000	$5,000,000,000	271,871,611	$2,718,716,110	Note(33)		
2012/08	$10.00	500,000,000	$5,000,000,000	270,090,611	$2,700,906,110	Note(34)		
2012/11	$10.00	500,000,000	$5,000,000,000	262,713,611	$2,627,136,110	Note(35)		
2015/10	$10.00	500,000,000	$5,000,000,000	252,713,611	$2,527,136,110	Note(36)		

Note：

(1) The founding capital On October 21 1988 was NTD$87,500,000.

(2) Under the Letter of Approval from the SFC on March 16 1990, SFC (79) Tai Tsai Cheng (I) No. 000474, the company was permitted to public offering and raised funds by issuance of new shares at 262.5 million NTD.

(3) Under the Letter of Approval from the SFC on May 14 1991, SFC (80) Tai Tsai Cheng (I) No. 000999, the company was permitted to capitalize the retained earnings into equity at the amount of 52.5 million NTD.

(4) Under the Letter of Approval from the SFC on July 20 1992, SFC (81) Tai Tsai Cheng (I) No. 001738, the company was permitted to capitalize the retained earnings into equity at the amount of 40.25 million NTD.

(5) Under the Letter of Approval from the SFC on June 30 1995, SFC (84) No. Tai Tsai Cheng (I) No. 378708, the company was permitted to capitalize the retained earnings into equity at the amount of 116.0875 million NTD.

(6) Under the Letter of Approval from the SFC on January 5 1996, SFC (85) Tai Tsai Cheng (I) No. 64745, the company was permitted to raise funds by issuing new shares at the amount of NTD$85,437,500.

(7) Under the Letter of Approval from the SFC on June 10 1996, SFC (85) Tai Tsai Cheng (I) No. 368278, the company was permitted to capitalize the retained earnings into equity at the amount of NTD$236,496,250.

(8) Under the Letter of Approval from the SFC on December 21 1996, SFC (85) Tai Tsai Cheng (I) No. 71905, the company was permitted to raise funds by issuing new shares at the amount of NTD$119,228,750.

(9) Under the Letter of Approval of the SFC on June 5 1997, SFC (86) Tai Tsai Cheng (I) No. 451508, the company was permitted to capitalize the retained earnings into equity at the amount of 367 million NTD, and from capital reserves the amount of 100 million NTD.

(10) Under the Letter of Approval of SFC on July 8 1998, SFC (87) Tai Tsai Cheng (I) No.57619, the company was permitted to capitalize the retained earnings and capital reserve into equity at the amount of 628.47 million NTD and 278.73 million NTD respectively.

(11) Under the Letter of Approval of the SFC on May 20 1999, SFC (88) Tai Tsai Cheng (I) No. 47567, the company was permitted to capitalize the retained earnings into equity at the amount of NTD$292,665,680., and raise funds by issuing corporate bonds as equity at the amount of NTD$6,014,001.

(12) In October 1999, the corporate bonds were converted into equity at the amount of NTD$23,440.

(13) Under the Letter of Approval from the SFC on June 29 2000, SFC (89) Tai Tsai Cheng (I) No. 56329, the company was permitted to capitalize the capital reserve into equity at the amount of NTD$267, 290,310 and convert corporate bonds into equity at the amount of NTD$180,560.

(14) Under the Letter of Approval from the SFC on November 9 2000, SFC (89) Tai Tsai Cheng (I) No.90247, the company was permitted to raise funds from numerous sources for a total of NTD$371,525,000.

(15) Under the Letter of Approval from the SFC on May 22 2001, SFC (90) Tai Tsai Cheng (I) No. 131546, the company was permitted to capitalize the retained earnings into equity at the amount of NTD$435,946,870.

(16) Under the Letter of Approval from the SFC on June 18, SFC Tai Tsai Cheng (I) No. 0910132958, the company was permitted to capitalize the retained earnings into equity at the amount of NTD$501,333,660.

(17) Under the Letter of Approval from the SFC on December 19 2002 , SFC Tai Tsai Cheng (III) No. 0910167268, February 26 2003, SFC Tai Tsai Cheng (III) No. 0920106285, June 12 2003, SFC Tai Tsai Cheng (III) No. 0920126614, the company was permitted to decrease capital by repurchase treasury stocks for preserving the shareholders' equity.

(18) Capitalization of retained earnings amounted to NTD$ 15 million approved under the Letter Tai-Tsai-Chen-Tze (I) No. 0920131289 issued by the Securities and Futures Commission of the Ministry of Finance dated July 17 2003.

(19) Repurchased of bonus stocks to employees without being transferred in three years under the Letter (89)Tai-Tsai-Chen-Tze (III) No. 98643 issued by the Securities and Futures Commission of the Ministry of Finance dated December 6 2000 resulted in the capital reduction of NTD$14,120,000.

(20) Under the Letter of Approval from the SFC on June 3 2004, SFC Tai Tsai Cheng (III) No. 0930124885, the company was permitted to decrease capital of NTD$187,380,000 by repurchase treasury stocks for preserving the shareholders' equity.

(21) Under the Letter of Approval from the SFB on July 7 2004, SFB Jing Kung Cheng (III) No. 0930130255, the company was permitted to decrease capital of NTD$100,000,000 by repurchase treasury stocks for preserving the shareholders' equity.

(22) Under the Letter of Approval from the SFB on July 27 2004, SFB Jing Kung Cheng (I) No. 0930133470, the company was permitted to capitalize the retained earnings into equity at the amount of NTD$15,000,000.

(23) Under the Letter of Approval from the SFB on September 1 2004, SFB Jing Kung Cheng (III) No. 0930139490, the company was permitted to decrease capital of NTD$89,800,000 by repurchase treasury stocks for preserving the shareholders' equity.

(24) Under the Letter of Approval from the SFB on June 2005, SFB Jing Kung Cheng (III) No. 0940124037, the company was permitted to decrease capital of NTD$24,650,000 by repurchase treasury stocks for preserving the shareholders' equity.

(25) Under the Letter of Approval from the SFB on December 2005, SFB Jing Kung Cheng (III) No. 0940159771, the company was permitted to decrease capital of NTD$55,960,000 by repurchase treasury stocks for preserving the shareholders' equity.

(26) Under the Letter of Approval from the SFB in autumn 2008, SFB Jing Kung Cheng (III) No. 0970015115, the company was permitted to decrease capital of NTD$28,300,000 by repurchase treasury stocks for preserving the shareholders' equity.

(27) Under the Letter of Approval from the SFB on September 2008, SFB Jing Kung Cheng (III) No. 0970026404, the company was permitted to decrease capital of NTD$60,000,000 by repurchase treasury stocks for preserving the shareholders' equity.

(28) Under the Letter of Approval from the SFB on December 2008, SFB Jing Kung Cheng (III) No. 0970035293, the company was permitted to decrease capital of NTD$100,000,000 by repurchase treasury stocks for preserving the shareholders' equity.

(29) Increase capital into NTD$38,360,000 for employees' subscription warrants use.

(30) The capital reduction of NTD$508,363,420 was approved by Letter of Jin-Kuan-Cheng-3-Tzu No. 0990035554 of Financial Supervisory Commission, Executive Yuan on July 29, 2010.

(31) The capital reduction of NTD60,000,000 was approved by Letter of Jin-Kuan-Cheng-3-Tzu No. 1000046532 of Financial Supervisory Commission, Executive Yuan on 2010/09/22.

(32) The capital reduction of NTD42,010,000 was approved by Letter of Jin-Kuan-Cheng-3-Tzu No. 10000517786 of Financial Supervisory Commission, Executive Yuan on 2011/11/22.

(33) The capital reduction of NTD60,000,000 was approved by Letter of Jin-Kuan-Cheng-3-Tzu No. 1000063425 of Financial Supervisory Commission, Executive Yuan on 2011/12/26.

(34) The capital reduction of NTD41,820,000 was approved by Letter of Jin-Kuan-Cheng-3-Tzu No. 1010035989 of Financial Supervisory Commission, Executive Yuan on 2012/08/14.

(35) The capital reduction of NTD31,950,000 was approved by Letter of Jin-Kuan-Cheng-3-Tzu No. 1010049862 of Financial Supervisory Commission, Executive Yuan on 2012/11/02.

(36) The capital reduction of NTD100,000,000 was approved by Letter of Jin-Kuan-Cheng-3-Tzu No. 1040043244 of Financial Supervisory Commission, Executive Yuan on 2015/10/26.

(2) The types of outstanding shares as of the date this report is printed

2019/4/13
Unit：Shares

Types of shares	Authorized capital			Remarks
	Outstanding shares	Un-issued shares	Total	
Common shares	252,713,611	247,286,389	500,000,000	Stocks listed on the TSE

Note：Outstanding shares contain 20,000,000 shares of treasury stock (doesn't written off).

(3) Shelf Registration：None.

(4) Structure of Shareholders

2019/4/13
Unit：Shares；%

Quantity \ Shareholder	Government Agencies	Financial Institutions	Other institutional shareholders	QFII and foreign nationals	Individuals	Treasury stocks	Total
Total number	0	6	82	52	35,045	1	35,186
Shares held	0	76,715	52,361,982	6,202,727	174,072,187	20,000,000	252,713,611
Holding Proportion	0.00%	0.03%	20.72%	2.45%	68.89%	7.91%	100.00%

(5) Dispersion of shareholding

A. Common shares

2019/4/13

Holding Shares	Number of Shareholders	Total Shares	Holding %
1 ~ 999	16,142	3,179,998	1.26%
1,000 ~ 5,000	14,200	31,112,424	12.31%
5,001 ~ 10,000	2,531	20,040,613	7.93%
10,001 ~ 15,000	679	8,669,011	3.43%
15,001 ~ 20,000	524	9,755,596	3.86%
20,001 ~ 30,000	375	9,675,904	3.83%
30,001 ~ 50,000	340	13,912,174	5.51%
50,001 ~ 100,000	217	15,556,540	6.16%
100,001 ~ 200,000	95	13,148,863	5.20%
200,001 ~ 400,000	35	9,684,288	3.83%
400,001 ~ 600,000	17	8,242,956	3.26%
600,001 ~ 800,000	7	4,841,893	1.92%
800,001 ~1,000,000	6	5,257,934	2.08%
More than 1,000,001 shares	18	99,635,417	39.42%
Total	35,186	252,713,611	100.00%

B.Preferred stock：None.

(6) Major Shareholders

2019/4/13

Name \ Shares	Holding Shares	Holding ％
Youe Chung Capital Corporation	37,081,440	14.67%
Chao-I, Wu	7,277,000	2.88%
Full-Shue Investment	6,364,000	2.52%
INVESCO INT BUYBACK ACHIEVERS ETF	3,517,000	1.39%
K.J. Wu	3,282,000	1.30%
Parkson Chen	3,185,127	1.26%
Yung-Hsiang, Chang	2,635,000	1.04%
Chin-Hua, Chiu	2,376,000	0.94%
Cheng-Hsiang, Chen	2,306,000	0.91%
Yu-Chen, Lai	2,224,850	0.88%

(7) The market price, net value, earnings, dividend and related information on each outstanding share for the past two years

Item \ Year			2018	2018	AS of 2019/3/31（Note 8）
Market price per share（Note 1）	High		20.55	37.65	28.05
	Low		8.63	15.60	16.80
	Average		16.19	28.15	24.39
Net value per share（Note 2）	Before dividends were paid-out		12.30	13.08	13.42
	After dividends were paid-out		-	(Note 9)	(Note 10)
Earnings per share	Weighted average number of shares (in thousands)		225,910	195,632	195,632
	Earnings per share（Note 3）		(0.33)	1.02	0.31
Dividend per share	Cash dividend		-	(Note 9)	(Note 10)
	Stock dividend	Stock Dividend from Retained earnings	-	(Note 9)	(Note 10)
		Stock Dividend from Capital Reserve	-	(Note 9)	(Note 10)
	Accumulated unpaid dividend（Note 4）		-	-	(Note 10)
Analysis on ROI	P/E Ratio（Note 5）		(49.06)	27.60	(Note 10)
	P/P Ratio（Note 6）		-	(Note 9)	(Note 10)
	Dividend Yield（Note 7）		-	(Note 9)	(Note 10)

Note 1: Indicating the high and low market price, the average price is calculated by dividing the value of outstanding shares by the total number of outstanding shares.
Note 2: Calculated by the profit allocation decision resolved by shareholders' meeting held next year and the number of outstanding shares in the end of this year.
Note 3: When there is adjustment for stock dividend, the earnings per share before the adjustment and after the adjustment shall be both disclosed.
Note 4: When issuing equity security with a condition of reserving dividend, the unpaid accumulated dividend shall be disclosed.
Note 5: P/E ratio=average price at close for each share for the year/earnings per share.
Note 6: P/P ratio= average price at close for each share for the year/cash dividend per share.
Note 7: Cash Dividend Yield= Cash dividend per share/average price at close for each share for the year.
Note 8: Each net value and EPS shall be filled to the print date of annual report with the data attested (reviewed) by the CPA in last quarter. The other columns should also be filled up to the current year data as of the print date of the annual report.
Note 9: Pending for shareholders' approval.
Note 10: None.

(8) Dividend Policy and Status of Execution

A. Dividend Policy

The company will consider the overall environment and the special characteristics for the growth of the industry, long-term financial requirements as planned and stable growth when declaring dividends. Therefore, dividends will be allocated after the earnings have been allocated for retained earnings in order to meet the demand for capital. Capital requirements for the company shall be based on the capital budget. The procedure for allocating dividends is as follows:

（A） Map out the optimal capital budget.
（B） Figure out the capital resource for enforcing the budget.
（C） The amount of financing required for the budget will be deducted from the retained earnings (the amount short will be covered by funds raised from issuing new shares of capital stocks of corporate debts).
（D） A percentage from the remainder of the earnings shall be set aside as working capital and the rest will be allocated as dividends. In principle, the proportion for cash dividend should not exceed 20% of total dividend allocated.

B. The proposal of dividend allocation for this shareholders' meeting

TMC has drawn up the 2018 year surplus distribution case on the board of directors on March 20, 2019.TMC proposes to distribute cash dividend at the rate of NTD$194,083,152 (NTD$0.834 per share) in the 2018 Shareholders'Meeting.

C. Description of significant changes in expected dividend policies：None.

(9) The influence of issuing stock dividend as proposed in this shareholders' meeting on the operation performance and earnings per share of the company：

No stock dividend issuing proposal will be submitted to the shareholders' meeting.

(10) Remuneration to Employees and directors

A. Scope of remuneration to employees and directors referred to in the Articles of Incorporation：

The amount to cover accumulated loss shall be reserved from the earnings of this year, and no less than 10% of the balance as the remuneration to employees and no more than 2% of the balance as the remuneration to directors.

The remuneration to employees shall be paid by cash or stock, and the counterparts entitled to receive remuneration to employees referred to in the preceding paragraph shall include employees of the Company's subsidiaries.

The earnings referred to in the preceding paragraph are the net income before tax, remuneration to employees and directors.

When paying remuneration to employees and directors, the resolution shall be made upon 2/3 of directors' presence and 1/2 of the presented directors' agreement in the board of director meeting. Then the resolution shall be reported in shareholders' meeting.

B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period：

The basis for estimating the amount of employee and director is base on the company's articles of association.

In the case of the accounting treatment of the discrepancy between the actual distributed amount and the estimated figure, it shall be identified as accounting changes and stated as the income of the year of allocation.

C. The 2017 remuneration allocated to employees and directors：

Unit：NTD

	Proposal Proposed by board of directors	Actual Allocation by Shareholders' meeting	Difference
1. Allocation			
Director remuneration	0	0	No
employee remuneration-in cash	0	0	No
employee remuneration-in stock	0	0	No
2. Earnings per share			
Original Earnings per share	(0.33)	(0.33)	No
Set Earnings per share	(0.33)	(0.33)	No

D. The board of directors passed the 2018 remuneration allocated to employees and directors：

Unit：NTD

	Proposal Proposed by board of directors	Actual Distribution by Shareholders' meeting	Difference
1. Allocation			
Director remuneration	5,107,944	Note	Note
employee remuneration-in cash	25,964,995	Note	Note
employee remuneration-in stock	-	-	
2. Earnings per share			
Original Earnings per share	1.02	Note	Note
Set Earnings per share	1.02	Note	Note

Note：Pending for shareholders' approval. There is no difference between the aforementioned compensation of employees, directors and supervisors and the amount recognized in the board meeting's approval in March 20, 2019.

E. Linkage between directors' performance evaluation and salary compensation

The remuneration to directors shall be paid by the directors in accordance with the provisions of No. 23 of the Articles of Association, with a profit of not more than 2% of the current year. Consider the company's operating results, and give reasonable compensation by contribution and performance; the general manager and manager's policy of paying compensation, based on the salary level of the position in the same industry, the scope and responsibility of the position in the company, and the contribution of the company's operational objectives is paid. The procedures for setting up remuneration are based on the market salary level and experience, the company's overall operational performance, future business risks to industry, development trends, also think about individual achievement rate and contribution. The performance review and reasonableness of remuneration are approval by the compensation committee and the board of directors, the remuneration system is reviewed and approval at any time according to the actual operating conditions and relevant laws and regulations. To balance between continued operations and risk control.

(11) Purchase of Treasury stock：None.

2. Corporate bonds：None.

3. Preferred stock：None.

4. Issuance of global depository receipts：None.

5. Employees stock option certificates：None.

6. Merger and acquisitions or stock shares transferred with new stock shares issued：None.

7. Fund implementation plan：None.

V. Overview of Business Operation

1. Business overview

(1）Business Scope

A. Main Business

(A) The research, development, manufacturing and sales of masks.

(B) Provide services in technical assistance, consultation, inspection, repair and maintenance of the above products. The primary business of our company is the manufacturing of masks for semiconductors, ICs in particular. This constitutes about 75% of our sales. As for the masks used in LCDs and masks for WLCSP package, we will increase our investment depending on the development of the LCD industry and advanced package technology in the country.

B. Our products and Services

With the ongoing development and improvement in the manufacturing of IC chips in the foundries, we can supply masks for the following products:

Customer Industry	Mask Equipment	Mask Specification
Diode	Proximity Aligner	1X full field
Transistor	Projection Aligner	1X Reticle
IC	Stepper Aligner	projection5X/4X/2.5X/2X Reticle (5”&6”)
LCD	Nikon	masks up to 7”
CCD	Cannon	Chrome contact prints
LED	ASML	(4”~7”)
-	Ultratech	Large area mask(8”~24”)

C. New products and services under development

TMC aggressively plans to continue working closely with customers to develop photomask-making technology for deep sub-micro nodes, including optical proximity correction and ArF phase shift photomask.

（2）Industry Overview

A. Current Status and Future Outlook in Mask Industry

Mask is vital tooling for the production of integrated circuit (IC), and must be produced in conformity to customer specifications. In Taiwan, the production process of IC amazingly improved from the 7 micro to 10 nm at current moment or from IC used in digital watches to memory products and cell-phone communication devices. However, IC industry is moving towards high-end and advanced technology, latest progress is 10nm mask’s development and manufacturing. TMC didn’t invest in high-end technology in the past few years, so now; TMC still stays in 90 nm technology. Compared with other two competitors in Taiwan, TMC’s technology is far behind them. Fortunately, the demand for cell-phone is strong, and the popular of IOT, electric car and LED devices, the demand for IC in mature technology increased accordingly. And with the new management team set up in Q4 last year, we put much more effort on improving service quality and production efficiency to get new orders in areas mentioned above. And we saw a bright sales projection in the future.

B. Future trend in mask industry

Mask is critical to the IC industry and the product specifications of which followed the trend of development of IC technology. Since 1976, the IC industry of Taiwan has been on the growth and improvement, with production process technology advancing from 7μ→5μ→3.5μ→2μ→1.2μ→1.0μ→0.8μ→0.6μ→0.5μ→ 0.4μ→0.35μ→0.25μ→0.18μ→0.13μ→0.11μ→90nm→65nm→40nm→28nm→20nm, and even the 16nm, 10nm, 7nm, 5nm and 3 nm at the moment. Follow the trend of technology development; there are differences and gaps in mask production between FABs.In-house mask houses were set up by FABs; fewer orders were placed into independent mask houses. Such as the mask house set up by Samsung impacted the orders placed to PKL directly and the mask market in great China indirectly. When moving into advanced technology in IC design houses, it created negative impact to independent mask houses.

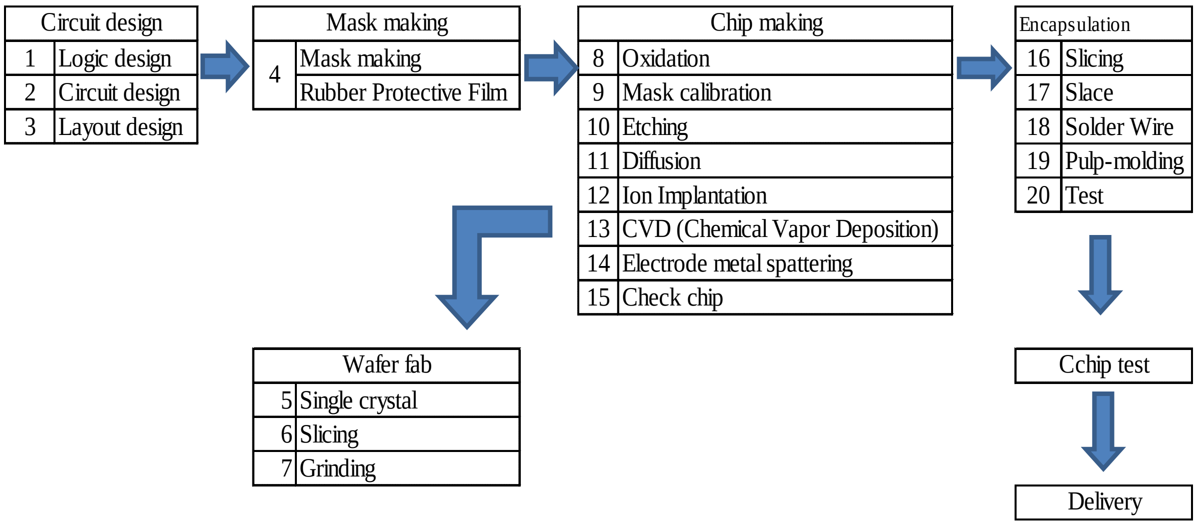
When it came to LCD monitor industry, the story is totally different. As the new generation of 10 or 10.5, the glass is getting bigger; it’s getting harder to use only one mask to apply to a whole piece of glass. The pattern shall be divided into 5 or 6 pieces of mask, and using the technology of stitch to finish one layer. Therefore, the technology level in LCD mask was promoted into a higher level. And, as the improvement of package technology, gold bump and RDL in wafer process needs mask as a tool to transfer the pattern. This process increased the large size mask demand like 9-inch mask (for 8-inch wafer) and 14-inch mask (for 12-inch wafer).

C. Overall economy, Industry development trend and Market competition

Semicondutor industry is the leading factor to help Taiwan manufacturing industry transforming into high technology industry and also contributed a lot for the prosperous of Taiwan economic. Taiwan semiconductor industry plays a leading role in global supply chain. The supply chain of semiconductor in Taiwan is highly integrated and the performance could be in a leading position in global wize. Mask is the key mold tool when manufacturing wafers and it is a key component in semiconductor industry.

Before ITRI could successfully establish its capacity in the production of mask, Taiwan firms had to send computer tapes to mask makers in other countries for the production of mask that Taiwan IC industry needed. This process was very time consuming. The successful development of the strength in the manufacturing of mask enabled Taiwan to significantly condense the lead-time for the development of IC products, and in turn, fortified the competitive power of the electronic products made in Taiwan. There are geographic distinctions for mask, as the USA, Japan and Europe also produced mask. However, continuous communications and correction are required in the process for the manufacturing of mask, and short delivery lead-time became the rule of the game in the industry. There are occasions that delivery is required in a dozen hours after an order was placed. As such, the establishment of a domestic firm for mask production was a common dream in the IC industry. Over the years, there have been new entrants to the mask production industry, which made this market highly competitive. And with the trend of emerging in-house mask houses for advanced technology, independent mask houses were facing an integration period to acquire others or to be merged. The company took a conservative strategy not to invest huge amount of cash into equipments, therefore to be standing tall as an independent mask house till now. Though TMC was not equipped with 28nm, 20nm, 10nm or 7nm mask technology, we only focus on mature technology in mask manufacturing, and other special mask like stitch mask and large size mask for package technology. Recently, TMC successfully helped an IC design house to manufacture its 6-inch-wafer proved the professional expertise of TMC in mask manufacturing. With our help, the FAB broke through the constraint of its equipment into advanced technology, which increased the utilization rate and lowered the production cost, brought benefit for all 3 parties.

D. The upper, middle and lower course in the supply chain



（3）Overview of research and development

The spending on research and development of successfully developed technologies and products in recent years as of the day this report is printed.

Year	RD Expense	Technology successfully developed
2018	NTD$113,965 thousand	90nm mask technology
2019Q1	NTD$45,753 thousand	90nm mask technology

（4）Business plan

A. Short term plan：continue the investment for the development of the 90nm products, improve yield rate and increase market share.

B. Medium term plan：the development of large size mask and special mask, improve yield rate and increase market share.

C. Long term plan：the development of technology under 65nm, new customer development.

2. Market analysis and the condition of sale and production

（1）Market analysis

A. Selling area of main products

Customers demand high quality in masks, fast delivery, and convenient communication. Therefore, mask supply is closely associated with geographic proximity. The only thing is mask firms in the country can meet the needs of the customer firms in technology and delivery time. Therefore, the mask industry is targeted to support the need of semiconductor and related industries in the region. The quality of masks directly affects the yield rate of foundries for the manufacturing of semiconductor chips. Accordingly, a good quality mask firm must invest in expensive equipment and good working environment for production. This is essential for the quality and delivery requirements of the customers. In addition, a better understanding on the needs of the customers is also important, as it can help save time for communication. Only by doing so, the manufacturing of masks can just meet the needs of the customers and not affect the yield rate and cost.

We have successfully positioned ourselves in the development of technological capacity. We persist in the concept of quality first. We pledge to satisfy the needs of our customers with high quality and high efficiency in service.

Unit：NTD$ thousand；%

Area \ Year		2017		2018	
		Amount	%	Amount	%
Domestic	Taiwan	889,437	62.33	1,662,696	57.61
Export	Asia	489,746	34.32	1,053,309	36.50
	America	27,645	1.94	143,579	4.98
	Other	20,245	1.41	26,398	0.91
Net Sales		1,427,073	100.00	2,885,982	100.00

B.The future supply and demand in the market and growth

The production volume of masks is closely associated with the volume of newly developed IC products and the production volume of the foundries. As for the actual situation in the development of IC in our country, the cost for the manufacturing of masks accounted for 1-2% of the IC chips production value. Looking at the performance of respective firms and their progress in setting up 12” foundries, we can see that IC production value is expected to pick up momentum in the few years that follow. By then, the value for the use of masks in the IC industry will increase substantially. The LCD industry in our country is also growing to top 3 in the world. We expected more and more manufacturing plants would join the production soon. We anticipate the expansion of the IC industry and the LCD industry in the country will boost the demand for masks, and our business will boom as well.

In our projection, though the production equipments are not in line with advanced technology to compete with other mask houses, we still accumulated over 30 years mask production experiences. And we have our specialties on making special masks and large size masks, we are confident of expanding order volume and making profit. Particularly, TMC merged Miracle Technology Co., Ltd. in Oct, 2017. TMC turned its role from a simple vendor of foundry FAB into a business partner of foundry FAB. This also reflected in the increased order volume from foundry FABs both in Taiwan and Korea. On the other hand, 3 subsidiaries of Miracle Technology Co., Ltd. in Mainland China also helped the expansion of sales in China area.

C. Niche market

(A) We have the technology and the talent for the R&D of 0.18 micron, 0.15 micron, 0.13 micron, 0.11 micron and 90 nm products. We have state-of-the-art equipment for production and fast delivery service. We believe our competitors cannot challenge our position.

(B) After the merger of Miracle Technology Co., Ltd., TMC now can provide IC design houses a turnkey solution service from mask production, wafer foundry to package and testing.

(C) With the combination of masks production technology from TMC and foundry process technology from Miracle Technology Co., Ltd., TMC now can help our customers to develop special masks and foundry process technology and also increase competition ability of our customers.

D. The advantages, challenges and solutions

(A) Advantages

a、We have the most extensively used electronic beam and the latest laser exposure equipment in the world. We also have the most sophisticated plants for production. This will be essential for enhancing our yield rate and effective for cutting cost down.

b、We successfully installed our information transmission system with the USA and Southeast Asia, which facilitates the taking of orders from overseas.

c、Most foundry FABs are working hard to expand their facilities for 8” and 12” wafer manufacturing, which will eventually boost up the demand for masks.

d、We possess advanced mask technology, and can meet the demand for production with 0.25um, 0.18um, 0.15um, 0.13um, 0.11um and 90 nm processes.

e、We have already enjoyed the economy of scale in production and have a high yield rate. We are not inferior to imported masks. Therefore, we can effectively cut down our cost for the products and have advantages in competition within the industry.

f、We are financially healthy and can invest in advanced techonology equipment in due time.

g、We are capable of providing turnkey solutions to IC design houses after the merge with Miracle Technology Co., Ltd.

(B) Challenges

a、The competition in the domestic market is getting severer and the selling price has dropped. The result is the trimming of profit.

b、We have inadequate supply of labor in the country and the wages are on the rise.

c、Current technology ceiling is 90nm which makes TMC not capable of competing with other mask houses.

(C) Solutions

a、We have standardized our production and enable each order to be processed at the same standard with stable quality.

b、We can handle information processing quickly, and have acquired more advanced computer systems to speed up processing the products designed by customers and shorten the delivery lead-time.

c、We have computerized our administrative support system, which helps enhance efficiency, reduce waste and cut costs.

d、We have applied new equipment timely and can fully meet the development needs in IC technology.

e、We have maintained normal speed in our production lines, and can deliver our goods to the hands of customers timely.

f、We have actively developed the deep sub-micro nodes, including optical proximity correction and ArF phase shift photomask. We work in conjunction with lower stream manufacturers in developing deep sub-micro nodes masks.

g、We add new equipment from time to time to expand our production capacity and meet the needs for masks at different levels. In doing so, we could maintain equilibrium in the profitability of different product lines and strengthen our competitiveness.

h、We have put a greater effort in developing overseas market to increase our revenue and profit.

i、To maintain a profound customer relationship, we put much effort to understand customers’ needs and develop special masks by customers’ requests.

(2) Application for main products and production process

Masks are an indispensable piece of mold for the manufacturing of IC. Basically, a mask is analogous to the negative for developing a photograph. Its function is like a negative, but its image is presented as a circuit.

The material of mask is a flat piece of glass. It may be a piece of quartz, soda lime glass or silicate boric acid glass. A super thin layer of chromium will be plated on its surface. In the production process, the circuit required for the IC can be stored in the computer magnetic tape with high precision, and then through the image generator to expose the image on a piece of glass tainted with a light-sensitive substance. After proper development, and through a chemical engraving process, the circuit is fixed on the glass and is delivered to the IC chips manufacturers for their process of production.

(3) Supply of key materials

A. We purchase blank masks from major manufacturers in Japan and the USA. Since pellicles can be obtained in Taiwan partially, insufficient volume will be imported from manufacturers in Japan and the USA. As for chemicals, we import them from the USA and Japan.

B. All indirect materials can be purchased domestically.

C. We purchase our machinery parts and components from original manufacturers from the USA and Japan.

(4) The list of major suppliers and buyers in the past two years

A. List of Major Suppliers in the Last 2 Fiscal Years

Unit：NTD$ thousand

Item	2017				2018				As of 2019 Q1			
	Supplier	Amount	%	Relation with The issuer	Supplier	Amount	%	Relation with The issuer	Supplier	Amount	%	Relation with the issuer
1	MagnaChip	99,628	20	None	MagnaChip	493,149	29	None	MSK	93,821	35	None
2	HOYA	81,998	17	None					VIS	29,095	11	None
3	INABATA	76,887	15	None					HOYA	27,627	10	None
4	Others	238,683	48		Others	1,206,582	71		Others	118,429	44	
Net purchase amount		497,196	100		Net purchase amount	1,699,731	100		Net purchase amount	268,972	100	

Note：Reasons for changes in % of purchases: The proportion of products sold is different, the materials purchased are different from the manufacturers.

B. List of Major Clients in the Last 2 Fiscal Years:

Item	2017				2018				2019 Q1			
	Name	Amount	%	Relation with the issuer	Name	Amount	%	Relation with the issuer	Name	Amount	%	Relation with the issuer
1	Others	1,427,073	100		Others	2,885,982	100		Others	711,254	100	
Net Sales		1,427,073	100		Net Sales	2,885,982	100		Net Sales	711,254	100	

Note：In the past two years and 2019 Q1 no single customer accounted for more than 10% of the company's total net sales.

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（5）The Production Value and Volume in the past two years

Unit：pcs thousand；NTD$ thousand

Production Capacity / Year / Main Products （or by Department）	2017			2018		
	Capacity	Volume	Value	Capacity	Volume	Value
Mask	45	28	808,326	45	43	977,165
Others	32,175	28,806	375,074	71,600	57,262	1,279,809
Total	32,220	28,834	1,183,400	71,645	57,305	2,256,974

（6）The Sales Volume and Value in the past two years

Unit：pcs thousand；NTD$ thousand

Sales Qty /Amt. / Year / Main Products (or by epartment)	2017				2018			
	Domestic		Export		Domestic		Export	
	Sales Qty.	Sales Amt.	Sales Qty.	Sales Amt.	Sales Qty.	Sales Amt.	Sales Qty.	Sales Amt.
Mask	20	713,375	8	311,601	31	990,054	12	458,338
Others	11,437	176,062	17,150	226,035	14,498	672,642	42,764	764,948
Total	11,457	889,437	17,158	537,636	14,529	1,662,696	42,776	1,223,286

3. Status of employees

2019/4/30

Year		2017	2018	As of 2019/4/30
No. of Employee	Technical(Engineer)	115	169	165
	Adm. and selling	104	102	129
	Operator	189	212	208
	Total	408	485	502
Average Age		38.67	38.53	40.25
Average Seniority		7.67	6.71	6.10
Academy Ratio	P.H.D.	3.68	3.92	3.19
	Master	9.56	20.00	20.52
	Bachelor	66.91	59.18	59.76
	Senior High School	17.65	15.05	14.74
	Below Senior High	2.20	1.85	1.79

4. Expenditure on environmental protection

(1) In the most recent year and up to the date of publication of the annual report, the company has not incurred any pollution disputes and losses.

(2) Future countermeasures and possible expenditures

- **Countermeasures**

The products from our company have to pass through the process of light exposure, developing, chemical etching, and strip photo-resistance, and washed with sulphuric acid before packaging. The entire process demands chemical treatment. To prevent pollution, we treat wastewater strictly through acid/alkaline treatment tanks to control the discharged water strictly within the standards designated by the Science-based Industrial Park Administration. In our efforts to control pollution and protect the environment, we can claim that we have the most advanced water and fume treatment facilities in the world. For preventing wastewater tanks from polluting underground water by being worn out, we have designed the wastewater tank in an “elevated” manner, enabling engineers to check leaks at any time. This can be called the most advanced wastewater treatment equipment in the world. All waste gases and fumes are absorbed by activated carbon and water before emission. All wastewater can be treated through the said process before being emitted into the Wastewater Treatment Center of the Hsinchu Science-based Industrial Park Waste Water Treatment Center for secondary treatment.

We have taken environmental protection as our first priority ever since our operation. There has been no record of any pollution so far.

The company has no direct or indirect sale of its products to Europe or governed by ROHS of EU.

- **Environmental expenditure**

A.The past year

2018 of environmental protection-related expenses of NTD$ 3,598 thousand, related to environmental protection routine maintenance, removal, handling, testing costs NTD $3,178 thousand. The processing facility maintenance and renewal expenses was NTD$ 420 thousand.

B.Future planning

2019 of expected environmental goals

(A) To set up a heat-exchanger to have the chiller unit set up in FAB 2 provide cold water for FAB 1. This project will replace the chiller unit set up in FAB1, estimated to save NTD$ 3,600 thousand each year. By shuting down one chiller unit, 25,000 tons of water (recycled water) will be saved. This project is planning to be finished by around NTD$ 1,800 thousand.

(B) The replacement of the air-conditioning box (MAU) of the first plant can save NTD$ 2,400 thousand per year and the estimated project expenditure is approximately NTD$ 10,000 thousand.

5. Employee / Employer relation

(1) Fringe benefits, advanced education, training programs, retirement systems for employees and enforcement thereof; the accords reached by and between labor and management, and efforts to safeguard employees' interests:

A. Employee fringe benefits and trainings:

[Salary and incentive system]

• A variety combination of salary package (Dragon Boat Festival, Moon Festival, year-end bonus), occasional increase in performance bonuses and allocation of earnings.
•There are also bonuses for outstanding performance and profit sharing to be issued with no fix schedule.
•Employee dividends, employee stock option system.

[Life Care and Protection]

•Complete group guarantee (free life insurance / accident insurance / hospitalization / accident medical / occupational disaster).
•Subsidy for new born babies, subsidy for weddings and funerals.
•Birthday / Festival Gift Certificate.
•Physical examinations for employees are conducted in a regular basis.
•Contracted stores with special discounts.
•Welfare Committee holds annual domestic/ foreign employee travels, ball games.
•Employee health care, regular doctors and nurses to the factory care, provide professional advice.
•Christmas party.

[Convenience facility]

•Free interior parking lots: there are huge parking spaces in the buildings and the parking lots are freely provided to the employees.
•Sporting facilities: there are an interior tennis court, an interior badminton court and a table tennis court inside the building.
•Provide nursery room and improve facilities for female colleagues.
•Set up a staff restaurant with free charge coffee and tea, and set up a 180-inch screen for watching.
•Provide dorms for job seekers in foreign counties.

[Training]

•Provide education for new colleagues.
•Functional training based on the needs of employee.
•Provide employee self-growth with external training.

B. Retirement:

The company has instituted its internal regulation governing the retirement of formal employees under the "Labor Standards Law" whereby a certain amount of salaries shall be appropriated as reserve for pension fund. Such fund will be deposited in Taiwan Bank. From July 1 2005 onward, employees eligible for pension under the new "Statue for Labor Retirement and Pension" are entitled to contribution made by the company to their respective individual accounts with the Labor Insurance Bureau. Such contribution shall be no less than 6% of their respective salary. The disbursement of pension to retired employees shall be made in accordance with their respective portion of deposits with the trustee account and the accumulated amount payable in lump sum or monthly installments.

C. Labor right maintenance negotiation：

- Regularly hold labor-management meetings to enable colleagues to communicate with the company.
- Provide an internal web platform to share information and interact instantly with colleagues.

(2) Labor-Management dispute over the last two years：None.

6. Important agreements

Nature of contract	Contracting parties	Contract Period	Content	Restriction clauses
Land lease agreements	Hsinchu Science Park Bureau	2009/09-2028/12 2009/06-2028/12 2005/01-2024/12 2009/11-2028/12 2015/09-2034/12 2014/03-2033/12	Building factories, warehouses, laboratory or storage and workplaces	None

VI. Financial information

1. Five-year Financial Summary

(1) Condensed balance sheets (consolidated)

Unit：NTD$ thousand

Item \ Fiscal year		2014	2015	2016	2017	2018	Up to March 31, 2019 (Note1)
Current Assets		2,266,095	2,274,628	1,984,072	1,623,242	1,734,383	1,709,672
Property, plant and equipment		1,330,605	1,100,506	939,984	989,220	966,563	935,307
Intagible Assets		43,254	40,177	8,391	38,291	112,544	111,123
Other Assets		583,033	539,296	625,471	459,396	1,050,828	1,648,512
Total Assets		4,222,987	3,954,607	3,557,918	3,110,149	3,864,318	4,404,614
Current Liabilities	Before Distribution	297,034	294,919	298,943	556,083	1,238,297	1,408,656
	After Distribution	428,370	370,733	298,943	556,083	(Note2)	(Note2)
Non-Current Liabilities		42,340	42,062	41,474	74,926	52,210	365,667
Total Liabilities	Before Distribution	339,374	336,981	340,417	631,009	1,290,507	1,774,323
	After Distribution	470,730	412,795	340,417	631,009	(Note2)	(Note2)
Total Equities Attributable to Parent Company		3,448,876	3,232,814	2,994,142	2,405,630	2,558,494	2,626,011
Capital		2,627,136	2,527,136	2,527,136	2,527,136	2,527,136	2,527,136
Capital Surplus		211,797	220,924	180,286	212,948	169,431	172,566
Retained Earnings	Before Distribution	894,895	796,254	613,296	539,080	738,815	799,619
	After Distribution	834,471	796,254	613,296	539,080	(Note2)	(Note2)
Other Equity		(14,287)	(20,506)	(35,582)	11,207	7,853	11,431
Treasury Stock		(270,665)	(290,994)	(290,994)	(884,741)	(884,741)	(884,741)
Non-Controlling Interests		434,737	384,812	223,359	73,510	15,317	4,280
Total Equity	Before Distribution	3,883,613	3,617,626	3,217,501	2,479,140	2,573,811	2,630,291
	After Distribution	3,752,257	3,541,812	3,217,501	2,479,140	(Note2)	(Note2)

Note 1：The above financial information was audited and certified by CPA.

Note 2：Pending for shareholders' approval.

(2) Condensed comprehensive income statements (consolidated)

Unit：NTD$ thousand

(The loss per share is expressed in NTD)

Item \ Fiscal year	2014	2015	2016	2017	2018	Up to March 31, 2019 (Note1)
Operating income	1,766,618	1,485,306	1,196,457	1,427,073	2,885,982	711,254
Gross profit	331,828	191,409	48,503	243,673	629,008	154,781
Operating profit or loss	36,223	(97,950)	(173,141)	(7,904)	259,536	21,838
Non-Operating income and expense	46,977	(13,527)	(66,197)	(57,365)	(55,890)	33,482
Net income before tax	83,200	(111,477)	(239,338)	(65,269)	203,646	55,320
Net income of continuing operations	56,728	(129,112)	(238,702)	(88,553)	145,820	49,842
Loss of discontinued operation	-	-	-	-	-	-
Net income (loss)	56,728	(129,112)	(238,702)	(88,553)	145,820	49,842
Other Comprehensive Incomes (Net)	5,757	(53,508)	(19,286)	293,804	1,299	3,503
Total Comprehensive Incomes	62,485	(182,620)	(257,988)	205,251	147,119	53,345
Net Incomes (Losses) Attributable to：Parent Company	60,268	(37,071)	(165,262)	(74,177)	199,203	60,804
Net Incomes (Losses) Attributable to：Non-Controlling Interest	(3,540)	(92,041)	(73,440)	(14,376)	(53,383)	(10,962)
Total Comprehensive Incomes (Losses) Attributable to：Parent Company	65,772	(44,436)	(177,164)	(27,427)	200,011	64,382
Total Comprehensive Incomes (Losses) Attributable to：Parent Company	(3,287)	(138,184)	(80,824)	232,678	(52,892)	(11,037)
Basic Gain (Loss) per Share	0.25	(0.15)	(0.71)	(0.33)	1.02	0.31

Note：The above financial information was audited and certified by CPA.

(3) Condensed balance sheets (stand-alone)

Unit：NTD$ thousand

Item \ Fiscal year		2014	2015	2016	2017	2018
Current Assets		1,528,571	1,622,605	1,642,976	754,702	1,162,525
Property, plant and equipment		1,111,337	929,734	800,553	840,707	855,134
Intagible Assets		3,738	2,959	1,699	1,255	939
Other Assets		1,087,106	942,123	811,738	1,101,279	1,514,835
Total Assets		3,730,752	3,497,421	3,256,966	2,697,943	3,533,433
Current Liabilities	Before Distribution	203,030	184,726	183,658	222,161	935,415
	After Distribution	334,386	260,540	183,658	222,161	(Note2)
Non-Current Liabilities		78,846	79,881	79,166	70,152	39,524
Total Liabilities	Before Distribution	281,876	264,607	262,824	292,313	974,939
	After Distribution	413,232	340,421	262,824	292,313	(Note2)
Capital		2,627,136	2,527,136	2,527,136	2,527,136	2,527,136
Capital Surplus		211,797	220,924	180,286	212,948	169,431
Retained Earnings	Before Distribution	894,895	796,254	613,296	539,080	738,815
	After Distribution	834,471	796,254	613,296	539,080	(Note2)
Other Equity		(14,287)	(20,506)	(35,582)	11,207	7,853
Treasury Stock		(270,665)	(290,994)	(290,994)	(884,741)	(884,741)
Total Equity	Before Distribution	3,448,876	3,232,814	2,994,142	2,405,630	2,558,494
	After Distribution	3,317,520	3,157,000	2,994,142	2,405,630	(Note2)

Note 1：The above financial information was audited and certified by CPA.

Note 2：Pending for shareholders’ approval.

(4) Condensed comprehensive income statements (stand-alone)

Unit：NTD$ thousand

(The loss per share is expressed in NTD)

Item \ Fiscal year	2014	2015	2016	2017	2018
Operating income	1,395,544	1,286,008	1,019,528	1,024,976	1,448,393
Gross profit	204,442	237,339	115,183	216,650	471,228
Operating profit or loss	64,844	108,301	(12,586)	73,561	287,563
Non-Operating income and expense	12,111	(129,858)	(152,415)	(130,953)	(61,955)
Net income before tax	76,955	(21,557)	(165,001)	(57,392)	225,608
Net income of continuing operations	60,268	(37,071)	(165,262)	(74,177)	199,203
Loss of discontinued operation	-	-	-	-	-
Net income (loss)	60,268	(37,071)	(165,262)	(74,177)	199,203
Other comprehensive profit and loss (net after tex)	5,504	(7,365)	(11,902)	46,750	808
Total current comprehensive profit and loss	65,772	(44,436)	(177,164)	(27,427)	200,011

Note：The above financial information was audited and certified by CPA.

(5) CPA and auditing opinions over the last five years

Fiscal year	Name of CPA	Auditing opinions
2014	Kwok-Wah Tsang Lin Yu-Kwan	Modified Unqualified
2015	Kwok-Wah Tsang Daniel Lee	Unqualified Opinion
2016	Daniel Lee Kwok-Wah Tsang	Unqualified Opinion
2017	Roger Hsueh Daniel Lee	Unqualified Opinion
2018	Tina Cheng Daniel Lee	Unqualified Opinion

2. Five-year Financial Analysis

(1) Consolidated Financial Ratio Analysis complying with IFRS

Analysis items (Note 2) \ Fiscal year (Note 1)		2014	2015	2016	2017	2018	Up to March 31, 2019
Financial Structure (%)	Debt-asset ratio	7.56	8.52	9.57	20.29	33.40	40.28
	Ratio of long-term capital to property, plant and equipment	310.34	328.72	346.71	258.19	271.69	184.63
Solvency (%)	Current ratio	752.88	771.27	663.70	291.91	140.06	121.37
	Quick ratio	674.37	609.12	538.92	208.77	100.08	85.58
	Interest coverage ratio	592.58	-	-	(17.33)	37.54	18.90
Operating ability	Receivables turnover rate (times)	3.75	3.92	14.62	3.66	5.37	4.94
	Average collection days for receivables	98	94	25	99.72	67.97	73.88
	Inventory turnover rate (times)	11.21	2.54	9.63	3.77	6.00	5.34
	Payables turnover rate (times)	13.22	12.02	66.50	11.11	11.45	9.79
	Average days for sale	33	144	38	96.82	60.83	68.39
	roperty, plant and equipment turnover rate (times)	1.2	1.22	4.69	1.48	2.95	2.20
	Total asset turnover rate (times)	0.37	0.36	1.27	0.43	0.83	0.69
Profitability	Return on assets (%)	1.59	(3.16)	(6.35)	(2.57)	4.31	5.06
	Return on equity (%)	1.72	(3.44)	(6.98)	(3.11)	5.77	7.66
	Ratio of income before tax to paid-in capital	2.93	(4.41)	(9.47)	(2.58)	8.06	8.76
	Profit margin before tax (%)	4.32	(8.69)	(19.95)	(6.21)	5.05	7.01
	Earnings per share (NTD$)	0.25	(0.15)	(0.71)	(0.33)	1.02	0.31
Cash flow	Cash flow ratio (%)	210.30	99.72	14.91	107.31	(12.88)	3.42
	Cash flow adequacy ratio (%)	304.43	168.70	157.00	190.86	115.66	96.91
	Cash flow reinvestment ratio (%)	4.06	2.90	0.64	11.11	(3.34)	1.42
Leveraging	Operating leverage	5.40	(8.88)	(6.20)	(81.74)	3.05	6.80
	Financial leverage	1.00	1.00	1.00	0.69	1.02	1.16

Reasons for changes in financial ratios in the last two years：

A. Financial Structure (Debt-asset ratio), Solvency (Current ratio、Quick ratio、Interest coverage ratio)：As a result of the increase in short-term borrowings, the current liabilities increased.

B. Operating Ability (Receivables turnover rate、Average collection days for receivables、Inventory turnover rate、Fixed assets turnover rate、Total assets turnover rate)：The company's capacity utilization rate increased and sales increased, the operating capacity increased significantly.

C. Profitability (Return on assets、Return on shareholders' equity、Ratio of income before tax to paid-in capital、Profit margin before tax、Earnings per share)：The net profit of the current period turned from loss to profit, the profitability of each item increased.

D. Cash Flow (Cash flow ratio、Cash flow adequacy ratio、Cash flow reinvestment ratio)：Due to the negative net cash flow from operating activities during the period.

E. Leveraging (Operating leverage、Financial leverage)：Due to the operating profit of the current period was changed from loss to profit and financial cost was higher.

Note 1：The financial information from 2014 to 2018 years has been verified by CPA.

Note 2: The calculation formula of the analysis project is as follows:

A. Financial Structure

(A) Debt-asset ratio = total liabilities / total assets

(B) Debt-asset ratio = total liabilities / total assets

B. Solvency

(A) Current ratio = current assets / current liabilities

(B) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities

(C) Interest coverage ratio = income before income tax and interest expenses / current interest expenses

C. Operating ability

(A) Receivables (including accounts receivable and notes receivable arising from business oeprations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period

(B) Average collection days for receivables = 365 / receivables turn over rate

(C) Inventory turnover rate = cost of sales / average inventory

(D) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period

(E) Average days of sale = 365 / inventory turnover rate

(F) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment

(G) Total asset turnover rate = net sales / average total assets

D. Profitability

(A) Return on assets = [net income + interest expenses (1- tax rate)] / averate total assets

(B) Return on equity = net income / averate total equity

(C) Profit margin before tax = net income / net sales

(D) Earnings per share = (profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares

E. Cash flow

(A) Cash flow ratio = Net cash flow from operating activities / current liabilities

(B) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)

(C) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current assets + working capital)

F. Leveraging:

(A) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income

(B) Financial leverage = operating income / (operating income / interest expenses)

(2) Individual Financial Ratio Analysis complying with IFRS

Analysis item (Note2) \ Fiscal year (Note 1)		2014	2015	2016	2017	2018
Financial Structure (%)	Debt-asset ratio	7.56	7.57	8.07	10.83	27.59
	Ratio of long-term capital to property, plant and equipment	317.43	356.31	383.90	294.49	303.81
Solvency (%)	Current ratio	752.88	878.38	894.58	339.71	124.28
	Quick ratio	674.37	795.11	813.58	254.53	103.63
	Interest coverage ratio	951.06	-	-	(2294.68)	73.21
Operating Ability	Receivables turnover rate (times)	3.85	4.05	3.78	3.97	4.80
	Average collection days for receivables	95	90	97	92	76
	Inventory turnover rate (times)	12.53	12.64	11.81	8.69	8.09
	Payables turnover rate (times)	13.23	11.59	14.30	16.31	16.79
	Average days for sale	29	29	31	42	45
	Fixed assets turnover rate (times)	1.20	1.26	1.18	1.25	1.71
	Total assets turnover rate (times)	0.37	0.36	0.30	0.34	0.46
Profitability	Return on assets (%)	1.59	(1.03)	(4.89)	(2.49)	6.48
	Return on shareholders' equity (%)	1.72	(1.11)	(5.31)	(2.75)	8.03
	Ratio of income before tax to paid-in capital	2.93	(0.85)	(0.50)	(2.27)	10.11
	Profit margin before tax (%)	4.32	(2.88)	(16.21)	(7.24)	13.75
	Earnings per share (NTD$)	0.25	(0.15)	(0.71)	(0.33)	1.02
Cash Flow	Cash flow ratio (%)	210.30	158.07	47.02	282.97	24.69
	Cash flow adequacy ratio (%)	282.52	215.41	200.96	217.76	198.45
	Cash flow reinvestment ratio (%)	4.05	2.92	0.20	12.84	4.61
Leveraging	Operating leverage	7.36	5.92	(36.97)	6.61	2.54
	Financial leverage	1.00	1.00	1.00	1.00	1.01

Reasons for changes in financial ratios in the last two years：

A. Financial Structure (Debt-asset ratio), Solvency (Current ratio、Quick ratio、Interest coverage ratio)：As a result of the increase in short-term borrowings, the current liabilities increased.

B. Operating Ability (Receivables turnover rate、Fixed assets turnover rate、Total assets turnover rate)：The company's capacity utilization rate increased and sales increased, the operating capacity increased significantly.

C. Profitability (Return on assets、Return on shareholders' equity、Ratio of income before tax to paid-in capital、Profit margin before tax、Earnings per share)：The net profit of the current period turned from loss to profit, the profitability of each item increased.

D. Cash Flow (Cash flow ratio、Cash flow reinvestment ratio)：The net cash flow from operating activities during the period was lower than previous years.

E.Leveraging (Operating leverage) ：The operating profit of the current period turned from loss to profit, it was larger than the previous period.

Note 1：The financial information from 2014 to 2018 years has been verified by CPA.
Note 2: The calculation formula of the analysis project is as follows:

A. Financial Structure

(A) Debt-asset ratio = total liabilities / total assets

(B) Debt-asset ratio = total liabilities / total assets

B. Solvency

(A) Current ratio = current assets / current liabilities

(B) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities

(C) Interest coverage ratio = income before income tax and interest expenses / current interest expenses

C. Operating ability

(A) Receivables (including accounts receivable and notes receivable arising from business oeprations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period

(B) Average collection days for receivables = 365 / receivables turn over rate

(C) Inventory turnover rate = cost of sales / average inventory

(D) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period

(E) Average days of sale = 365 / inventory turnover rate

(F) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment

(G) Total asset turnover rate = net sales / average total assets

D. Profitability

(A) Return on assets = [net income + interest expenses (1- tax rate)] / averate total assets

(B) Return on equity = net income / averate total equity

(C) Profit margin before tax = net income / net sales

(D) Earnings per share = (profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares

E. Cash flow

(A) Cash flow ratio = Net cash flow from operating activities / current liabilities

(B) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)

(C) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current assets + working capital)

F. Leveraging:

(A) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income

(B) Financial leverage = operating income / (operating income / interest expenses)

3. Audit committee’s report in the most recent years

Taiwan Mask Corporation

Auditing Report from Auditing Committee

◦The Board of Directors has prepared Taiwan Mask Corporation (“the Company”) 2018 Business Report, financial statements, and proposal for earnings apporpriation. The CPA firm of PWC was retained to audit the Company’s financial statements and CPA Tina Cheng and CPA Daniel Lee have issued an audit report relating to financial statements. The above Business Report, financial statements, and earnings apporpriation proposals have been examined and determined to be correct and accurate by the Auditing Committee of Taiwan Mak Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To Shareholders’ meeting held in 2019

Taiwan Mask Corporation

Chairman of Auditing Committee: Wu Yu-Chiun

2019/3/20

Taiwan Mask Corporation and Subsidiaries

Affiliates Consolidated Financial Statements

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 10 “Consolidated and Separate Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Truly yours,

Taiwan Mask Corporation

Chairman: K.J. Wu

2019/3/20

4. Financial statements in the most recent years

Auditor's Report

(108)Tsai-Shen-Bao No.18003611

To Taiwan Mask Corporation：

Opinion

We have audited the accompanying consolidated balance sheets of Taiwan Mask Corporation and its subsidiaries (the "Group") as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent auditors, 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements in the current period are stated as follows:

Evaluation of Inventories

Description

Refer to Note 4(13) for the accounting policies on the evaluation of inventories, Note 5(2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, and Note 6(5) for the detail description of inventory accounts. The inventory amount and allowance for inventory valuation loss as of December 31, 2018 is NTD$ 569,547 thousand and NTD$ 160,972 thousand respectively.

The Group is primarily engaged in mask and integrated circuit services in semiconductor industry. Due to the rapid technological innovations, short life-cycle and competition within the mask industry, the risk of price fluctuation and inventory obsolete is higher than other industry. Since the inventory amount is material in this Group, the evaluation of inventories has been identified a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Based on the understanding of the operation and industrial nature of the reticle group, it is reasonable to assess the policies and procedures adopted for the inventory allowance for impairment losses.
2. Evaluate management's inventory assessment report to verify the correctness of inventory age.
3. Verify the amount of the net realizable value of the inventory to confirm the admissibility of the inventory evaluation loss.

Income recognition

Description

For the accounting policy on income recognition, please refer to Note 4 (25) of the financial report; the operating income in 2018 is NTD$2,885,982.

The Group mainly produces and sells products such as masks and integrated circuits used in semiconductors. The sales customers are numerous and scattered. The trading conditions vary according to market conditions and customer needs. Considering the sales revenue is the main transaction of the company. The consolidated financial statements have a significant impact. The accountant believes that the recognition of its sales revenue is one of the most important matters for the year.

How our audit addressed the matter

The audit procedures that the accountant has implemented are as follows：

1. Understand the type of major income and assess internal operations, review revenue recognition accounting treatment.
2. Obtain the sales revenue statement, sample the sales transactions and verify the relevant documents to verify the appropriateness of the sales revenue.
3. For the balance of accounts receivable at the end of the period, execute the certificate and balance confirmation test procedures, and perform tests on the adjustment items of the letter of the letter to confirm that the differences have been properly adjusted.
4. Execute the cut-off test for the sales receipts transaction for a certain period of time before and after the closing date, and confirm that the account is correct at the time of entry.

Other matter–Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Taiwan Mask Corporation as of and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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.

Independent Auditor's 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 auditor's 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 ROC GAAS 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 ROC GAAS, 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 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

Form 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

For and on behalf of PricewaterhouseCoopers, Taiwan

Tina Cheng

Certified Public Accountants

Daniel Lee

Taiwan Mask Corporation and Subsidiaries
Consolidated Balance Sheets
DECEMBER 31, 2018 AND 2017

in thousand NTD

	Assets	Notes	DECEMBER 31, 2018 AMOUNT	%	DECEMBER 31, 2017 AMOUNT	%
	Current Assets					
1100	Cash and Cash Equivalents	6(1)	$ 563,408	15	$ 636,955	20
1110	Financial Asset at Fair Value Through Profit or Loss-Cur.	12(4)	-	-	22,891	1
1136	Financial Assets at Amortized Cost- Cur.	6(3)	54,335	1	-	-
1147	Debt Investments in No Active Market-Cur.	12(4)	-	-	21,699	1
1150	Notes Receivables(Net)	6(4)	1,277	-	2,633	-
1170	Accounts Receivables(Net)	6(4)	597,152	16	469,460	15
1180	Accounts Receivables－Related Parties(Net)	6(4) and7	4,178	-	1,089	-
1200	Other Receivables		13,607	-	17,356	1
1210	Other Receivables－Related Parties	7	4,636	-	7,590	-
1220	Tax Assets		710	-	8,254	-
130X	Inventories	6(5)	408,575	11	343,997	11
1410	Prepayments		77,026	2	88,103	3
1470	Other Current Assets		9,479	-	3,215	-
11XX	**Total Current Assets**		1,734,383	45	1,623,242	52
	Non-Current Assets					
1510	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	6(2)	731,826	19	-	-
1523	Available-for-Sale Financial Assets - Non Current	12(4)	-	-	230,986	8
1535	Financial Assets at Amortized Cost-Non Cur.	6(3) and8	29,727	1	-	-
1550	Investment under Equity Method	6(6)	126,760	3	96,197	3
1600	Properties, Plants and Equipment	6(7)and8	966,563	25	989,220	32
1780	Intangible Assets		112,544	3	38,291	1
1840	Deferred Income Tax Assets	6(22)	5,238	-	27,017	1
1900	Other Non-Current Assets	6(11)and8	157,277	4	105,196	3
15XX	**Total Non-Current Assets**		2,129,935	55	1,486,907	48
1XXX	**Total Assets**		$ 3,864,318	100	$ 3,110,149	100

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Balance Sheets
DECEMBER 31, 2018 AND 2017

in thousand NTD

	Liabilities and Equities	Notes	DECEMBER 31, 2018 AMOUNT	%	DECEMBER 31, 2017 AMOUNT	%
	Current Liabilities					
2100	Short Term Loans	6(8)	$ 591,000	15	$ 81,253	3
2130	Contract Liabilities- Current	6(16)	58,701	2	-	-
2150	Notes Payables		54	-	234	-
2170	Accounts Payables		236,387	6	157,789	5
2200	Other Payables		287,675	7	173,071	5
2220	Other Payables－Related Parties	7	1,003	-	-	-
2230	Current Income Tax Liabilities		17,744	1	19,223	1
2300	Other Current Liabilities		45,733	1	124,513	4
21XX	**Total Current Liabilities**		1,238,297	32	556,083	18
	Non-Current Liabilities					
2540	Long-term Loans	6(9)	-	-	24,627	1
2570	Deferred Income Tax	6(22)	17,189	-	15,609	-
2640	Defined Benefit Liabilities- Non Current	6(11)	21,917	1	28,914	1
2645	Guarantee deposits received		3,223	-	94	-
2670	Other Non-Current Liabilities	6(10)	9,881	-	5,682	-
25XX	**Total Non-Current Liabilities**		52,210	1	74,926	2
2XXX	**Total Liabilities**		1,290,507	33	631,009	20
	Equities Attributable to Parent Company					
	Stock	6(12)				
3110	Common Stock		2,527,136	65	2,527,136	81
	Additional Paid-in Capital	6(13)				
3200	Additional Paid-in Capital		169,431	5	212,948	7
	Retained Earnings	6(14)				
3310	Legal Reserve		524,792	14	599,009	19
3320	Special Reserve		14,287	-	14,287	-
3350	Uncompensated Deficit		199,736	5	(74,216)	(2)
	Other Equities	6(15)				
3400	Other Equities		7,853	-	11,207	-
3500	**Treasury Stock**	6(12)	(884,741)	(23)	(884,741)	(28)
31XX	**Total Equities Attributable to Parent Company**		2,558,494	66	2,405,630	77
36XX	**Non-Controlling Interests**		15,317	1	73,510	3
3XXX	**Total Equities**		2,573,811	67	2,479,140	80
	Major Commitments and Contingencies	9				
	Major Events after Financial Statement Date	11				
3X2X	**Total Liabilities and Equities**		$ 3,864,318	100	$ 3,110,149	100

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

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

in thousand NTD
(Except gain (loss) per share is in NTD)

	Items	Notes	2018 AMOUNT	%	2017 AMOUNT	%
4000	**Operating Incomes**	6(16)and14	$ 2,885,982	100	$ 1,427,073	100
5000	**Operating Costs**	6(5)	(2,256,974)	(78)	(1,183,400)	(83)
5900	**Gross Income from Operations**		629,008	22	243,673	17
	Operating Expenses					
6100	Selling Expenses		(114,735)	(4)	(118,108)	(8)
6200	Administrative Expenses		(143,525)	(5)	(74,276)	(5)
6300	R & D Expenses		(113,965)	(4)	(59,193)	(4)
6450	Expected Credit Impairment Benefit		2,753	-	-	-
6000	**Total Operating Expenses**		(369,472)	(13)	(251,577)	(17)
6900	**Operating Gain & Loss**		259,536	9	(7,904)	-
	Non-Operating Incomes and Losses					
7010	Other Incomes	6(17)	30,044	1	6,449	-
7020	Other Gains and Losses	6(18)	(36,415)	(1)	(3,093)	-
7050	Financial Costs	6(19)	(5,573)	-	(3,646)	-
7060	The share of affiliates and joint venture profits and losses recognized by the equity method		(43,946)	(2)	(57,075)	(4)
7000	**Total Non-Operating Incomes and Losses**		(55,890)	(2)	(57,365)	(4)
7900	**Earnings (Loss)Before Tax**		203,646	7	(65,269)	(4)
7950	Income Tax Expense (Benefit)	6(22)	(57,826)	(2)	(23,284)	(2)
8200	**Net Income (Loss)**		$ 145,820	5	($ 88,553)	(6)

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

in thousand NTD
(Except gain (loss) per share is in NTD)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
	Other Comprehensive Incomes (Net)					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Re-measurements of defined benefit plan		$ 650	-	($ 38)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		649	-	2,462	-
8362	Unrealized Evaluation Profit and Loss of Available-for-Sales Financial Assets		-	-	291,380	20
8360	**Total Components of other comprehensive income that will be reclassified to profit or loss**		649	-	293,842	20
8500	**Total Comprehensive Incomes**		$ 147,119	5	$ 205,251	14
	Net Incomes (Losses) Attributable to：					
8610	Parent Company		$ 199,203	7	($ 74,177)	(5)
8620	Non-Controlling Interest		(53,383)	(2)	(14,376)	(1)

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

in thousand NTD
(Except gain (loss) per share is in NTD)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
	Total		$ 145,820	5	($ 88,553)	(6)
	Total Comprehensive Incomes (Losses) Attributable to：					
8710	Parent Company		$ 200,011	7	($ 27,427)	(2)
8720	Non-Controlling Interest		(52,892)	(2)	232,678	16
	Total		$ 147,119	5	$ 205,251	14
	Basic Gain (Loss) per Share	6(23)				
9750	**Net Gain (Loss)**		$	1.02	($	0.33)
	Diluted Gain or Loss per Share	6(23)				
9850	**Net Gain (Loss)**		$	1.01	($	0.33)

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

Taiwan Mask Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

in thousand NTD

		Equities Attributable to Parent Company										
				Retained Earnings			Other Equities					
	Notes	Common Stock	Additional Paid-in Capital	Legal Reserves	Special Reserves	Uncompensated Deficit	Conversion balance of financial statement translation of foreign operating agencies	Unrealized Evaluation Profit and Loss of Available-for-Sales Financial Assets	Treasury Stock	Total	Non-Controlling Interest	Total Equities
For the year ended December 31, 2017												
Balance at January 1, 2017		$ 2,527,136	$ 180,286	$ 761,097	$ 14,287	($ 162,088)	$ 5,719	($ 41,301)	($ 290,994)	$ 2,994,142	$ 223,359	$ 3,217,501
Net Loss		-	-	-	-	(74,177)	-	-	-	(74,177)	(14,376)	(88,553)
Other Comprehensive Profit or Loss	6(15)	-	-	-	-	(39)	1,732	45,057	-	46,750	247,054	293,804
Total Comprehensive Profit or Loss		-	-	-	-	(74,216)	1,732	45,057	-	(27,427)	232,678	205,251
Year 2016 Deficit Compensated with Legal Reserves	6(14)	-	-	(162,088)	-	162,088	-	-	-	-	-	-
APIC-Dividend Paid by Parent Company and received by Subsidiaries	6(13)	-	5,628	-	-	-	-	-	-	5,628	-	5,628
Changes of the Shares Invested in Subsidiaries	6(13)	-	27,034	-	-	-	-	-	-	27,034	(43,987)	(16,953)
Buy-Back Treasury Stock		-	-	-	-	-	-	-	(667,963)	(667,963)	-	(667,963)
Decrease of Non-Controlling Interest		-	-	-	-	-	-	-	-	-	(338,540)	(338,540)
Subsidiaries Sold Out the Shares of Parent Company—Treasury Stock Transaction		-	-	-	-	-	-	-	74,216	74,216	-	74,216
Ending Balance as of 2017/12/31		$ 2,527,136	$ 212,948	$ 599,009	$ 14,287	($ 74,216)	$ 7,451	$ 3,756	($ 884,741)	$ 2,405,630	$ 73,510	$ 2,479,140
For the year ended December 31, 2018												
Beginning Balance as of 2018/1/1		$ 2,527,136	$ 212,948	$ 599,009	$ 14,287	($ 74,216)	$ 7,451	$ 3,756	($ 884,741)	$ 2,405,630	$ 73,510	$ 2,479,140
Impact of Retroactive Applications	6(15)	-	-	-	-	3,756	-	(3,756)	-	-	-	-
Adjusted Balance as of January 1, 2018		2,527,136	212,948	599,009	14,287	(70,460)	7,451	-	(884,741)	2,405,630	73,510	2,479,140
Net Income		-	-	-	-	199,203	-	-	-	199,203	(53,383)	145,820
Other Comprehensive Profit or Loss	6(15)	-	-	-	-	406	402	-	-	808	491	1,299
Total Comprehensive Profit or Loss		-	-	-	-	199,609	402	-	-	200,011	(52,892)	147,119
Year 2017 Deficit Compensated with Legal Reserves	6(14)	-	-	(74,217)	-	74,217	-	-	-	-	-	-
Changes of the Shares Invested in Subsidiaries	6(13)	-	(4,946)	-	-	(3,630)	-	-	-	(8,576)	-	(8,576)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(13)	-	(38,571)	-	-	-	-	-	-	(38,571)	-	(38,571)
Decrease of Non-Controlling Interest		-	-	-	-	-	-	-	-	-	(5,301)	(5,301)
Balance at December 31, 2018		$ 2,527,136	$ 169,431	$ 524,792	$ 14,287	$ 199,736	$ 7,853	$ -	($ 884,741)	$ 2,558,494	$ 15,317	$ 2,573,811

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

Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

in thousand NTD

	Notes	FOR THE YEARS ENDED DECEMBER 31,2018	FOR THE YEARS ENDED DECEMBER 31,2017
Cash Flow from Operating Activities			
Net Income(Loss) Before Tax		$ 203,646	($ 65,269)
Adjustments to Reconcile Net Income to Net Cash Flow from Operating Activities			
Revenues and Expenses			
Depreciation	6(20)	146,423	160,373
Amortization	6(20)	3,131	2,187
Expected Credit Impairment Benefit / Bad Debt Expenses		(2,753)	18,167
Interest Incomes	6(17)	(3,158)	(2,963)
Interest Expenses	6(19)	5,573	3,647
Allowances for Sales Return and Discounts		-	183
Net Profit of Financial Asset at Fair Value Through Profit or Loss	6(18)	12,430	(1,348)
Dividend income	6(17)	(16,264)	(2,128)
The Share of Affiliates Profits and Losses Recognized by the Equity Method		43,946	57,075
Gains (loss) on Disposal of Property, Plants and Equipment	6(18)	33,489	(1,748)
Gain (loss) on disposal of investments	6(18)	649	(61,585)
Impairment Loss of Financial Assets	6(18)	(3,735)	23,970
The Changes of Assets/ Liabilities related to Operating Activities			
The Changes of Assets related to Operating Activities			
Force of Financial Asset at Fair Value Through Profit or Loss		(529,269)	524,578
Notes Receivable		1,356	7,322
Accounts Receivable		(94,491)	9,635
Accounts Receivable-related Parties		(935)	7,068
Other Receivables		4,022	(18,799)
Other Receivables-related Parties		4,251	(1,506)
Inventories		(12,744)	(17,261)
Prepayments		3,775	2,297
Other Current Assets		6,908	(38)
The Changes of Liabilities related to Operating Activities			
Contract Liabilities		(24,888)	-
Notes Payable		(181)	156
Accounts Payable		43,488	(15,414)
Other Payables		39,102	36,388
Other Payables- related Parties		1,003	-
Other Current Liabilities		(3,615)	(48,881)
Accrued Pension Liability		(7,102)	(13,351)
Other Non-Current Liabilities		-	(220)
Net Cash In-Flow (Out-Flow) from Operating Activities		(145,943)	602,535
Interest Received		3,112	3,093
Dividends Received		16,264	2,128
Interest Paid		(4,469)	(3,647)
Income Tax Paid		(28,403)	(5,744)
Net Cash In-Flow(Out-Flow) from Operating Activities		(159,439)	598,365

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

in thousand NTD

	Notes	FOR THE YEARS ENDED DECEMBER 31,2018	FOR THE YEARS ENDED DECEMBER 31,2017
Cash Flow from Investment Activities			
Acquisition of Amortized Cost Financial Assets		($ 32,635)	$ -
Disposal of Amortized Cost Financial Assets		15,995	-
Disposal of Debt Investment in No Active Market		-	434,376
Acquisition of Available-for-sales Financial Assets		-	(67,254)
Disposal of Available-for-sales Financial Assets		-	14,008
Acquisition of investment property by the Equity Method		(66,991)	(49,864)
Cash Out-Flow from Merge		(149,693)	(37,797)
Acquisition of Property, Plants and Equipment	6(27)	(205,618)	(129,816)
Disposal of Property, Plants and Equipment		29,453	-
Acquisition of Intangible Assets		(2,163)	(977)
Disposal of Intangible Assets		-	4,437
Increase of Other Financial Assets		-	(3)
Increase of Refundable Deposits		(1,105)	(2,131)
Net Cash In-Flow(Out-Flow) from Investment Activities		(412,757)	164,979
Cash Flow from Funding Activities			
Increase of Short Term Loan		916,000	25,092
Redemption of Short Term Loan		(406,253)	-
Redemption of Long Term Loan		(26,303)	(415)
Buy Back Treasury Stock		-	(357,063)
Treasury Stock Transactions		-	239,893
Lease account payable		11,525	-
Increase of Guarantee Deposits		3,029	6
The Changes of Non-Controlling Interests		-	(319,502)
Net Cash In-Flow (Out-Flow) from Funding Activities		497,998	(411,989)
Adjustments of Exchange Rate		651	5,229
Increase (Decrease) of Cash and Cash Equivalents		(73,547)	356,584
Beginning Balance of Cash and Cash Equivalents		636,955	280,371
Ending Balance of Cash and Cash Equivalents		$ 563,408	$ 636,955

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

TAIWAN MASK CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY

TAIWAN MASK CORPORATION (TMC or the Company) was established in the Republic of China (R.O.C.) on 1988/10/21 and first operated in March, 1989. Based on the resolution made on 2000/6/12 shareholders' meeting, TMC merged Shin-Tai Corporation on 2000/12/1. The Company and the subsidiaries (the Group) is primarily engaged in the research, development, manufacturing and selling of Mask and Circuit, and also provide technology assistance, consultation, inspection and maintenance services for Mask and Circuit. The Group is also manufacturing and selling medical wares.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to the Board of Directors and issued on March 20, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments to IFRSs as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12,'Recognition of deferred tax assets for unrealised	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1,'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12,'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28,'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment:

A. IFRS 9, "Financial instruments"

(A) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to recognize the equity instrument not held for trading at fair value in other comprehensive income.

(B) The impairment losses of debt instruments are assessed using an "expected credit loss" approach. An entity assesses at the end of each financial reporting period whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of loss allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(C)The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4) B and C.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify customer contract.
Step 2: Identify contract liabilities.
Step 3: Define transaction price.
Step 4: Allocate transaction price into contract liabilities.
Step 5: Recognize revenue when finish contract liabilities.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

(2) Effect of new issuances of or amendments to International Financial Reporting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, ' Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, ' Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, "Leases"

IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and Standing Interpretations Committee (SICs). The standard requires lessees to recognize a "right-of-use asset" and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). Lessor accounting still uses the dual classification approach: operating lease and finance lease, and only increases the related disclosures.
The Group expects to recognize the lease contract of lessees in line with IFRS 16. Accordingly, on January 1, 2018, the Group will have to increase 'right-of-use asset' by $329,853 and increase lease liability by$329,853, respectively.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

(A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.

(E) When the Group loses control of a subsidiary, the Group re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Investor	Subsidiary	Main business activities	December 31, 2018	December 31, 2017	Remark
Taiwan Mask Corporation	Taiwan Mask Corp.-USA	Selling of masks	-	100	Note 6
Taiwan Mask Corporation	SunnyLake Park International Holding, Inc.	Investing in communication business	100	100	
Taiwan Mask Corporation	Youe Win Capital Corporation	Investing in communication business	-	100	Note 4
Taiwan Mask Corporation	Youe Chung Capital Corporation	Investing in communication business	100	100	Note 4
Taiwan Mask Corporation	Innova Vision INC.	Medical device manufacturing, wholesale and trading	30.26	30.26	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	Note 1
Taiwan Mask Corporation	Weida Hi-Tech	Research, design, development, manufacturing and sales of display panel control chips and modules	100	-	Note 5
Youe Win Capital Corporation	Innova Vision INC.	Medical device manufacturing, wholesale and tradin	-	21.48	Note 4
Youe Win Capital Corporation	Suichang Investment Co., Ltd.	Investing in communication business	-	100	Note 4
Youe Chung Capital Corporation	Innova Vision INC.	Medical device manufacturing, wholesale and tradin	32.06	10.58	Note 4
Miracle Technology CO., LTD.	Jingjing Investment Co., Ltd.	Investing in communication business	100	100	Note 1
Miracle Technology CO., LTD.	Miracle Technology (Samoa)Co., Ltd.	Investing in communication business	100	100	Note 1
Jingjing Investment Co., Ltd.	Miko-China Enterprise (Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	Note 1

Investor	Subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Remark
Jingjing Investment Co., Ltd.	MIKO Technology Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	Note 1
Miracle Technology (Samoa)Co., Ltd.	Misun Technology Co., Ltd.	Investing in communication business	100	100	Note 1
Misun Technology Co., Ltd.	Miracle International Enterprise(ShanHai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	Note 1
Miko-China Enterprise (Shanghai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	64.29	-	Note 3
Miracle International Enterprise(ShanHai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	35.71	-	Note 3
Youe Chung Capital Corporation	Suichang Investment Co., Ltd.	Investing in communication business	-	-	Note 4
Innova Vision INC.	Innova Technology Company	Medical device manufacturing, wholesale and trading	100	100	
Innova Vision INC.	Innova Vision (B.V.I.) Inc.	Investing in communication business	100	100	
Innova Vision INC.	Innova Vision Kabushiki Kaisha	Medical device manufacturing, wholesale and trading	9.23	-	
Innova Vision INC.	Calaview International Holding Company Limited	Investing in communication business	100	-	Note 2
Innova Vision (B.V.I.) Inc.	Innova Vision Kabushiki Kaisha	Medical device manufacturing, wholesale and trading	90.77	100	

Investor	Subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Remark
Calaview International Holding Company Limited	Innova Vision Shenzen	Medical device manufacturing, wholesale and trading	100	-	Note 2
Weida Hi-Tech	Touch Hi-Tech	Touch screen system hardware design and software development and production	100	-	Note 5
Weida Hi-Tech	Smart Touch Co., Ltd.	Investing in communication business	100	100	Note 5
Weida Hi-Tech	Central Star Ltd.	Investing in communication business	22.30	35.71	Note 5
Smart Touch Co., Ltd.	Central Star Ltd.	Investing in communication business	77.70	64.29	Note 5
Central star Ltd.	Touch Hi-Tech	Touch screen system hardware design and software development and production	-	100	Note 5

Note1：The company acquired Miracle Technology 100% shares, and then the income and loss from Miracle Technology were combined into the consolidated financial statements of the company.

Note2：The Group acquired Calaview International Holding Company Limited 100% shares, also acquired its subsidiary Innova Vision Shenzen 100% shares indirectly. Starting from that time, the income and loss from Calaview and its subsidiary were combined into the consolidated financial statements of the company.

Note3：In March 2007, the Group jointly invested and established Sichuan Miracle Electronic Technology Co., Ltd., and held 71.42% of the shares. The company's income and loss were included in the consolidated statement since the acquisition of control, and it was obtained in December of the Republic of China. 100% equity.

Note4：The group organized reorganization, and the company's related assets and liabilities were merged into Yu Chuan Investment Co., Ltd., in May 2018.

Note5：In August 2018, the company obtained control through the acquisition of the equity of Wei Dao Hi-Tech Co., Ltd., and incorporated the income and loss of the company and its subsidiaries into the consolidated statement since the acquisition of control 100% equity in November 2018.

Note6：The Company was dissolved in 2018.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2018 and 2017 the non-controlling interest amounted to $15,317 and $73,510, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest				
		December 31, 2018		December 31, 2017		
subsidiary	Main business activities	Amount	Ownership (%)	Amount	Ownership (%)	Remark
Inova Vision INC. and subsidiary	Taiwan	$ 15,317	37.68%	$ 67,202	37.68%	

Summarized financial information of the subsidiaries:

Balance sheets

	Innova Vision INC. and subsidiary	
	December 31, 2018	December 31, 2017
Current assets	$ 230,150	$ 265,385
Non-current assets	74,607	124,283
Current liabilities	(259,250)	(211,242)
Non-current liabilities	(4,854)	(67)
Total net assets	$ 40,653	$ 178,359

Statements of comprehensive income

	Innova Vision INC. and subsidiary	
	2018	2017
Income	$ 161,782	$ 166,766
Gain (loss) before income tax	($ 124,489)	($ 128,099)
Tax income(gain)	(5,621)	(2,671)
Income (loss) from Continuing Operation	(130,110)	(130,770)
Income (loss) from Continuing Operation	(130,110)	(130,770)
Other comprehensive income (net after tax)	(1,565)	1,941
Total comprehensive income for the period	($ 131,675)	($ 128,829)
Total comprehensive income attributable to Non-controlling interest	($ 55,482)	($ 48,540)
Payment to non-controlling equity dividends	$ -	$ -

Statements of cash flows

	Innova Vision INC. and subsidiary	
	2018	2017
Cash provided by (used in) operating activities	($ 12,842)	($ 30,209)
Cash provided by (used in) investing activities	(25,167)	(24,759)
Cash provided by (used in) financing activities	51,651	50,000
Effects of exchange rate change on cash and cash equivalents	(2,214)	1,938
Net increase (decrease) in cash and cash equivalents	11,428	(3,030)
Cash and cash equivalents at beginning of year	17,612	20,642
Cash and cash equivalents at end of year	$ 29,040	$ 17,612

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in NTD, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(A)Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(D) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

(A) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii.All resulting exchange differences are recognised in other comprehensive income.

(B) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(C) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realized within twelve months from the balance sheet date;

(D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(A) Liabilities that are expected to be settled within the normal operating cycle;

(B) Liabilities arising mainly from trading activities;

(C) Liabilities that are to be settled within twelve months from the balance sheet date;

(D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(A) The objective of the Group’s business model is achieved by collecting contractual cash flows.

(B) The assets’ contractual cash flows represent solely payments of principal and interest.

B. The Group’s time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component and lease receivables, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the

Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~56years

Machinery and equipment	2~14years
Utility equipment	3~6years
Transportation equipment	3~6years
Leasehold assets	2~10years
Mold equipment	2years
Other equipment	3~5years

(16) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

A. Trademarks and licenses

Separately acquired trademarks and licenses are stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 10 to 15 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(18) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(A)Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B)Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(22) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from tax laws to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(23) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares and paid-in capital in excess on the effective date of new shares issuance.

(25) Revenue recognition

Sales of goods

A. The Group manufacturing and selling of Mask and Circuit, also medical wares. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(26) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as president of company that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31 2018, the carrying amount of inventories was $408,575.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	$ 3,182	$ 1,609
Checking accounts and demand deposits	535,426	527,899
Time deposits	24,800	107,447
Total	$ 563,408	$ 636,955

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2018
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed and OTC stocks	$ 613,771
Unlisted and non-OTC stocks	63,926
Privately Offered Fund	110,247
	787,944
Valuation adjustment	(56,118)
Total	$ 731,826

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss is listed below:

		2018
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	($	20,269)
Unlisted and non-OTC stocks		10,836
Beneficiary certificates		89
Total	($	9,344)

B. The Group has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

D. Information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

(3) Financial assets at amortized cost

Items		December 31, 2018
Current item:		
Time deposits	$	54,335
Non-current items:		
Time deposits	$	29,727

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost is listed below:

		2018
Interest income	$	797

B. Details of the Group's financial assets at amortized cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

D. Information on investments in debt instruments without active market as of December 31, 2017 is provided in Note 12(4).

(4) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 1,277	$ 2,633
Accounts receivable	$ 599,932	$ 493,027
Accounts receivable – related parties	4,178	1,089
	604,110	494,116
Less: Allowance for sales returns and discounts	-	(1,912)
Less: Loss allowance	(2,780)	(21,655)
	$ 601,330	$ 470,549

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 483,098	$ 1,277	$ 306,782	$ 2,633
Less than 30 days	76,987	-	101,559	-
Between 31 and 90 days	32,436	-	54,278	-
Between 91 and 180 days	2,288	-	9,716	-
More than 181 days	9,301	-	21,781	-
	$ 604,110	$ 1,277	$ 494,116	$ 2,633

The above ageing analysis was based on past due date.

B. The Group has no notes and accounts receivable pledged to others as collateral.

C. As at December 31, 2018 without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $601,330 respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 140,121	($ 33,540)	$ 106,581
Work in process	151,213	(39,685)	111,529
Finished goods	216,131	(85,464)	130,667
Merchandise inventories	62,082	(2,283)	59,798
Total	$ 569,547	($ 160,972)	$ 408,575

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 135,838	($ 45,946)	$ 89,892
Work in process	126,523	(40,354)	86,169
Finished goods	194,978	(62,105)	132,873
Merchandise inventories	35,219	(156)	35,063
Total	$ 492,558	($ 148,561)	$ 343,997

The cost of inventories recognized as expense for the year:

	2018	2017
Cost of sold inventory	$ 2, 248, 479	$ 1, 161, 119
Allowance(reversal) for valuation and obsolescence loss	10, 296	22, 775
Revenue from sale of scraps	(882)	(824)
Others	(919)	330
	$ 2, 256, 974	$ 11, 834

(6) Investments accounted for using equity method

	December 31, 2018	December 31, 2017
Associates:		
Advagene Biopharma Co., Ltd.	$ 126, 760	$ 96, 197

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

	2018	2017
Income (Loss) from Continuing Operation	(\$ 111,323)	(\$ 138,127)
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss) for the period	(\$ 111,323)	(\$ 138,127)

(7) Property, plant and equipment

	Buildings (Land)	Machinery and equipment	Office Equipment	Transportation	Leasehold Improvements	Molding Equipment	Other Equipment	Leasing assets	Construction in progress and equipment under installation	Total
January 1, 2018										
Cost	$ 1,490,342	$ 2,201,484	$ 18,474	$ 4,848	$ 112,728	$ 16,837	$ 12,137	$ 5,903	$ 10,666	$ 3,873,419
Accumulated depreciation and impairment	(965,516)	(1,812,298)	(10,905)	(3,199)	(68,800)	(12,479)	(11,002)	-	-	(2,884,199)
	$ 524,826	$ 389,186	$ 7,569	$ 1,649	$ 43,928	$ 4,358	$ 1,135	$ 5,903	$ 10,666	$ 989,220
2018										
January 1	$ 524,826	$ 389,186	$ 7,569	$ 1,649	$ 43,928	$ 4,358	$ 1,135	$ 5,903	$ 10,666	$ 989,220
Combined transfer number	-	-	777	-	-		3,597	-		4,374
Combined transfer number-Accumulated depreciation	-	-	(1,184)	-	-	-	(19,696)	-	-	(20,880)
Acquisitions	53,552	103,219	10,113	-	2,327	2,569	4,705	3,634	4,679	184,798
Disposals-Cost	-	(87,351)	(2,208)	(537)	(86,894)		(15,557)	-	-	(192,547)
Disposals-Accumulated depreciation	-	58,218	1,481	537	53,891	-	15,478	-	-	129,605
Depreciation	(38,258)	(86,637)	(4,002)	(384)	(8,606)	(2,526)	(2,806)	(3,204)	-	(146,423)
Transfer to expense-Cost	-	-	-	-	-	(14,319)	-	-	-	(14,319)
Transfer to expense-Accumulated depreciation	-	-	-	-	-	11,857	-	-	-	11,857
Net exchange differences-Cost	14	2	84	(19)	-	-	-	-	-	81
Net exchange differences-Accumulated depreciation	(14)	(2)	(84)	17	-	-	-	-	-	(83)
December 31	$ 540,120	$ 376,635	$ 13,730	$ 1,263	$ 4,646	$ 1,939	$ 6,552	$ 6,333	$ 15,345	$ 966,563
December 31, 2018										
Cost	$ 1,543,908	$ 2,217,354	$ 28,424	$ 4,292	$ 28,161	$ 5,087	$ 24,578	$ 9,537	$ 15,345	$ 3,876,686
Accumulated depreciation and impairment	(1,003,788)	(1,840,719)	(14,694)	(3,029)	(23,515)	(3,148)	(18,026)	(3,204)	-	(2,910,123)
	$ 540,120	$ 376,635	$ 13,730	$ 1,263	$ 4,646	$ 1,939	$ 6,552	$ 6,333	$ 15,345	$ 966,563

	Buildings (Land)	Machinery and equipment	Office Equipment	Transportation	Leasehold Improvements	Molding Equipment	Other Equipment	Construction in progress and equipment under installation	Total
January 1, 2017									
Cost	$ 1,436,236	$ 2,055,412	$ 10,575	$ 3,357	$ 111,512	$ 14,267	$ 12,137	$ 8,604	$ 3,652,100
Accumulated depreciation and impairment	(922,276)	(1,705,706)	(5,138)	(1,274)	(59,722)	(7,598)	(10,402)	-	(2,712,116)
	$ 513,960	$ 349,706	$ 5,437	$ 2,083	$ 51,790	$ 6,669	$ 1,735	$ 8,604	$ 939,984
<u>2017</u>									
January 1	$ 513,960	$ 349,706	$ 5,437	$ 2,083	$ 51,790	$ 6,669	$ 1,735	$ 8,604	$ 939,984
Combined transfer number	40,215	8	527	48	-	-	-	-	40,798
Acquisitions	8,043	136,354	4,060	5,903	1,217	2,571	-	10,666	168,814
Disposals	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-
Combined individual influences	-	-	-	-	-	-	-	-	-
Depreciation	(41,778)	(101,100)	(2,452)	(482)	(9,079)	(4,882)	(600)	-	(160,373)
Reclassification	4,386	4,218	-	-	-	-	-	(8,604)	-
Net exchange differences	-	-	(3)	-	-	-	-	-	(3)
December 31	$ 524,826	$ 389,186	$ 7,569	$ 7,552	$ 43,928	$ 4,358	$ 1,135	$ 10,666	$ 989,220
December 31, 2017									
Cost	$ 1,490,342	$ 2,201,484	$ 18,474	$ 10,751	$ 112,728	$ 16,837	$ 12,137	$ 10,666	$ 3,873,419
Accumulated depreciation and impairment	(965,516)	(1,812,298)	(10,905)	(3,199)	(68,800)	(12,479)	(11,002)	-	(2,884,199)
	$ 524,826	$ 389,186	$ 7,569	$ 7,552	$ 43,928	$ 4,358	$ 1,135	$ 10,666	$ 989,220

A. The significant components of buildings include main land, building and factory, which is/are depreciated over 3 and 56 years, respectively.

B. Amount of borrowing costs in 2018 and 2019 capitalized as part of property, plant and equipment were $0.

C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(8) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings Credit borrowings	$ 591,000.0	1.138%~1.35%	-

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings Credit borrowings	$ 81,253	2.886%~3.087%	–

Interest expense recognized in profit or loss amounted to $4,274 and $1,520 for the years ended December 31, 2018 and 2017, respectively.

(9) Long-term borrowings

The years ended December 31, 2018: None.

For the long-term loan contract of the Group from November 11, 2012 to January 11, 2032, the Group had settled the loan in advance in July 2018 due to financial planning considerations.

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2017
Bank borrowings secured borrowings	2012.11.11~2032.01.11 payable at maturity date, commencing 20 years after the initial date of borrowing	1.62%	Land and buildings	$ 26,303
Less: Current portion of long-term borrowings				(1,676)
				$ 24,627

(10) Finance lease liabilities

The Group leases in transportation and machine equipment under finance lease. Future minimum lease payments and their present values as at December 31, 2018 and 2017 are as follows:

	December 31, 2018		
	Total finance lease liability	Future financial expenses	Present value of finance lease liabilities
Current items:			
Not more than 1 year	$ 8,987	($ 749)	$ 8,238
Non-current items:			
More than 1 year but not more than 5 years	10,132	(251)	9,881
Not more than 5 years	-	-	-
	10,132	(251)	9,881
Total	$ 19,119	($ 1,000)	$ 18,119

The years ended December 31, 2017: None.

(11) Pensions

A.(A) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(B) The amounts recognized in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 41,564)	($ 47,832)
Fair value of plan assets	29,020	27,605
Net defined benefit liability	($ 12,544)	($ 20,227)

(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 47,832)	$ 27,605	($ 20,227)
Current service cost	(264)	-	(264)
Interest (expense) income	(555)	347	(208)
	(48,651)	27,952	(20,699)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	774	774
Change in financial assumptions	(942)	-	(942)
Change in demographic assumptions	(120)	-	(120)
Experience adjustments	940	-	940
	(122)	774	652
Pension fund contribution	-	617	617
Paid pension	7,209	(323)	6,886
Balance at December 31	($ 41,564)	$ 29,020	($ 12,544)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 57,300)	$ 25,972	($ 31,328)
Merger transfer	(3,748)	1,317	(2,431)
Current service cost	(552)	-	(552)
Interest (expense) income	(737)	374	(363)
	(62,337)	27,663	(34,674)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(119)	(119)
Change in financial assumptions	(815)	-	(815)
Change in demographic assumptions	(89)	-	(89)
Experience adjustments	983	-	983
	79	(119)	(40)
Pension fund contribution	-	487	487
Paid pension	14,426	(426)	14,000
Balance at December 31	($ 47,832)	$ 27,605	($ 20,227)

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(E) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Discount rate	1.00%~1.125%	1.25%
Future salary increases	2.00%~2.5%	2.00%~2.50%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 1,334)	$ 1,392	$ 1,353	($ 1,304)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 1,467)	$ 1,521	$ 1,487	($ 1,482)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(F) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to $635.

(G) As of December 31, 2018, the weighted average duration of the retirement plan is 12-16 years.

B.(A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $12,984 and $9,747, respectively.

(12) Share capital

A. As of December 31, 2018, the Company's authorized capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options issued by the Company), and the paid-in capital was $2,527,136 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

Unit: share in thousands

	2018	2017
January	195,632	232,265
Subordinate companies increase holdings of stock	-	(16,633)
Purchase of treasury shares	-	(20,000)
December 31	195,632	195,632

B. Treasury shares

(A) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2018 (Expressed in thousands of shares)	
Shares held by	Reason for reacquisition	Number of shares	Book value
Subsidiary-Youe Chung Capital Corporation	Subsidiary holds shares of the company	37,081	$ 527,678
Taiwan Mask Corporation	To be reissued to employees	20,000	357,063
	Total	57,081	$ 884,741

		December 31, 2017 (Expressed in thousands of shares)	
Shares held by	Reason for reacquisition	Number of shares	Book value
Subsidiary-Suichang Investment Co., Ltd.	Subsidiary holds shares of the company	37,081	$ 527,678
Taiwan Mask Corporation	To be reissued to employees	20,000	357,063
	Total	57,081	$ 884,741

(B) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(C) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(D) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(E) The Group organized and reorganized in May 2018, and merged Suichang Investment Co., Ltd. and Youe Win Capital Corporation into Youe Chung Capital Corporation (hereinafter referred to as "Suichang Campany", "Youe Win Campany" and "Youe Chung Company"). Suichang Campany and Youe Win Campany were closed and transferred the relevant assets and liabilities to Youe Chung Company. Before the reorganization, Suichang Company held the shares, and after reorganization, Youe Chung Company held the shares of the company. As of December 31, 2017, Suichang Company held 37,081 shares, with an average book value of $14.23 per share and a fair value of $18 per share. As of December 31, 2018, Youe Chung Company held 37,081 shares, the average book value per share was $14.23, and the fair value per share was $18.35. The transfer of treasury stock costs is based on the book value of the shares held by Suichang Company in each period, based on the indirect shareholding ratio of the Company.

(F) In July 13, 2017, the board of directors passed to purchase treasury stocks. From July 17, 2017 to September 13, 2017 were bought back 20,000 shares, and purchase amount was $357,063.

(13) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Detail of capital surplus as below:

	Treasury shares	Recognition of changes in ownership interest in subsidiaries	Employee stock options	Total
Juanary 1, 2018	$ 145,471	$ 62,959	$ 4,518	$ 212,948
Adjustment of the shareholding ratio of the invested company	-	(7,484)	2,538	(4,946)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(38,571)	-	(38,571)
December 31, 2018	$ 145,471	$ 16,904	$ 7,056	$ 169,431

	Treasury shares	Recognition of changes in ownership interest in subsidiaries	Employee stock options	Total
Juanary 1, 2017	$ 139,843	$ 40,443	$ -	$ 180,286
Subordinate company is allocated cash to the company	5,628	-	-	5,628
Adjustment of the shareholding ratio of the invested company	-	22,516	4,518	27,034
December 31, 2017	$ 145,471	$ 62,959	$ 4,518	$ 212,948

(14) Retained earnings (deficit to be compensated)

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.

B. To well design a long term financial plan and stabilize the operation, the company chose a residual dividend policy to plan the future capital fund needs based on capital investment budget. First to appropriate the retained earnings to get capital funds fulfilled and residual earnings will be paid off as dividends. The steps are:

(A) Define an optimized capital budget.

(B) Define the fund needs to fulfill one capital budget.

(C) Define how much fund shall be fulfilled by retained earnings. (Unfulfilled part shall be fulfilled by fund raising or bond issuing.)

(D) To reserve a certain amount of residual earnings, then dividends shall be paid off to shareholders. According to the dividend policy of the company, cash dividend ratio shall not be lower than 20% of total dividends.

C. Except for covering accumulated deficit, increasing capital or payment of cash in proportion to ownership percentage, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall be limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the end of the financial reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. As resolved by the shareholders on June 13, 2018 and June 23, 2017, the deficit in 2017 and 2016 shall be compensated by legal reserve for $74,217 and $162,088.

F. On March 20, 2019, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2018 were $194,083 at $0.834 (in dollars) per share.

G. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(21).

(15) Other equity items

	2018		
	Unrealized evaluation of profit and loss	Foreign currency translation	Total
January 1	$ 3,756	$ 7,451	$ 11,207
Effect on retrospective application	(3,756)	-	(3,756)
Foreign currency conversion difference:			
–Group	-	402	402
December 31	$ -	$ 7,853	$ 7,853

	2017		
	Unrealized evaluation of profit and loss	Foreign currency translation	Total
January 1	($ 41,301)	$ 5,719	($ 35,582)
Revaluation	45,057	-	45,057
Foreign currency conversion difference:			
–Group	-	1,732	1,732
December 31	$ 3,756	$ 7,451	$ 11,207

(16) Operating revenue

	2018
Revenue from contracts with customers	$ 2,885,982

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

2018	Semiconductor	Medical division	Total
Revenue from dept.	$ 2,943,827	$ 161,782	$ 3,105,609
Revenue from internal dept. contracts	(218,921)	(706)	(219,627)
Revenue from external customer contracts	$ 2,724,906	$ 161,076	$ 2,995,982
Timing of revenue recognition			
At a point in time	$ 2,724,906	$ 161,076	$ 2,995,982

B. Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	December 31, 2018
Contract liability	$ 58,701

C. Related disclosures for 2017 operating revenue are provided in Note 12(5).

(17) Other income

	2018	2017
Interest income：		
Bank deposits	$ 2,340	$ 2,963
Financial assets at amortised cost		
Interest income	797	-
Other interest income	21	-
Total interest income	3,158	2,963
Rent income	271	15
Dividend income	16,264	2,128
Others	10,351	1,343
	$ 30,044	$ 6,449

(18) Other gains and losses

	2018	2017
Gains(Losses) on disposals of property, plant and equipment	($ 33,489)	$ 1,748
Gains(Loss) on disposal of investments	(649)	61,585
Currency exchange gains(loss)	12,654	(21,841)
Gains(Loss) on financial assets at fair value through profit or loss	(12,430)	1,348
Reversal of impairment loss(Impairment loss) recognised in profit or loss, financial	3,735	(23,970)
Other expenses	(6,236)	(21,963)
	$ (36,415)	$ (3,093)

(19) Finance costs

	2018	2017
Interest expense	$ 4,508	$ 3,561
Other finance expense	1,065	85
	$ 5,573	$ 3,646

(20) Expenses by nature

	2018	2017
Employee benefit expenses	$ 395,903	$ 255,075
Depreciation charges on property, plant and equipment	146,423	160,373
Amortisation charges on intangible	3,131	2,187
Total	$ 545,457	$ 417,635

(21) Employee benefit expense

	2018	2017
Wages and salaries	$ 344,067	$ 210,740
Labour and health insurance fees	23,865	21,999
Pension costs	13,456	10,672
Other personnel expenses	14,515	11,664
	$ 395,903	$ 255,075

A. According to the Articles of Incorporation of the Company, the current year's profit shall be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed as follows: no less than 10% as employees' compensation, and no more than 2% as directors' remuneration.

B. For the ended of 2018, employees' compensation was accrued at $25,884, respectively; directors' and supervisors' remuneration was accrued at 5,108, respectively. The aforementioned amounts were recognized in salary expenses.

In 2017, due to accumulated losses, there were no employee bonus and the compensation of the directors were estimated.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

Components of income tax expense:

	2018	2017
Current tax:		
Current tax on profits for the year	$ 36,083	$ 22,535
Previous income tax low (high) estimate	(1,616)	321
Total current tax	34,467	22,856
Deferred tax:		
Origination and reversal of temporary differences	24,344	428
Impact of change in tax rate	(985)	-
Total deferred tax	23,359	428
Income tax expense	$ 57,826	$ 23,284

B. Reconciliation between income tax expense and accounting profit

	2018	2017
Tax calculated based on profit before tax and statutory tax rate	($ 23,445)	($ 12,768)
Effect disallowed by tax regulation	50,359	6,355
Effect from Alternative Minimum Tax	-	6,039
Taxable loss not recognised as deferred tax assets	26,560	32,448
Prior year income tax (over) underestimation	(1,616)	321
Change in assessment of realisation of deferred tax assets	6,953	(9,111)
Effect from changes in tax regulation	(985)	-
Income tax expense	$ 57,826	$ 23,284

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2018					
	January 1	Business combination	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:						
-Temporary differences:						
Loss on inventory	$ 1,879	$ -	$ 2,708	$ -	$ -	$ 4,587
Allowance for bad debts	3,010	-	(3,010)	-	-	-
Investment tax credits	4,900	-	(4,900)	-	-	-
Unrealised pensions	4,490	-	(4,490)	-	-	-
Unrealised exchange loss	311	-	(305)	-	-	6
Other	12,427	-	(11,782)	-	-	645
Total	$ 27,017	$ -	($ 21,779)	$ -	$ -	$ 5,238
Deferred tax liabilities:						
-Temporary differences:						
Unrealised exchange gain	(145)	-	(754)	-	-	(899)
Other	(15,464)	-	(826)	-	-	(16,290)
	($ 15,609)	-	(1,580)	-	-	(17,189)
Total	$ 11,408	$ -	($ 23,359)	$ -	$ -	($ 11,951)

	2017					
	January 1	Business combination	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:						
-Temporary differences:						
Loss on inventory	$ 3,855	$ -	($ 1,976)	$ -	$ -	$ 1,879
Allowance for bad debts	1,283	-	1,727	-	-	3,010
Allowance for Sales Returns and Discoutns	252	-	(252)	-	-	-
Investment tax credits	6,919	-	(2,019)	-	-	4,900
Unrealised pensions	6,765	-	(2,275)	-	-	4,490
Unrealised exchange loss	-	-	311	-	-	311
Other	9,124	-	3,914	-	(611)	12,427
Net operating carryforwards	1,729	-	(1,729)	-	-	-
Total	$ 29,927	$ -	($ 2,299)	$ -	($ 611)	$ 27,017
Deferred tax liabilities:						
-Temporary differences:						
Unrealised exchange gain	(1,593)	-	1,448	-	-	(145)
Other	-	(15,887)	423	-	-	(15,464)
	(1,593)	(15,887)	1,871	-	-	($ 15,609)
Total	$ 28,334	($ 15,887)	($ 428)	$ -	($ 611)	$ 11,408

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2018				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred income tax assets	Expiry year
2014	Amount filed	$ 24,288	$ 24,288	2024
2015	Amount filed	35,299	35,299	2025
2015	Amount filed	30,501	30,501	2025
2016	Amount filed	8,476	8,476	2026
2016	Amount filed	73,464	73,464	2026
2016	Amount filed	51,003	51,003	2026
2017	Assessed	10,657	10,657	2027
2017	Assessed	161,256	161,256	2027
2017	Assessed	85,413	85,413	2027
2018	Assessed	131,239	131,239	2028
2018	Assessed	34,401	34,401	2028

December 31, 2017				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred income tax assets	Expiry year
2014	Amount filed	$ 24,288	24,288	2024
2015	Amount filed	35,299	35,299	2025
2016	Amount filed	8,476	8,476	2026
2016	Amount filed	73,464	73,464	2026
2017	Assessed	10,657	10,657	2027
2017	Assessed	161,256	161,256	2027

E. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Can deduct temporary differences	$ 483,755	$ 741,996

F. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has accessed the impact of the change in income tax rate.

(23) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 199,203	195,632	$ 1.02
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 199,203	195,632	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,411	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 199,203	197,043	$ 1.01

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic loss per share			
Profit attributable to ordinary shareholders of the parent	($ 74,177)	225,910	($ 0.33)

The weighted average number of shares outstanding in 2018, which has been deducted from the number of shares held by the subsidiary company, Yu Chuan Investment (shares) company, which are regarded as treasury shares of the company (the number of shares is calculated according to the shareholding ratio of the company).

The weighted average number of outstanding foreign shares in 2017 has been deducted from the number of shares held by the subsidiary company, Suichang Investment Co., Ltd., which holds shares of the company as treasury shares (the number of shares is calculated based on the shareholding ratio of the company). In addition, due to the loss of the above-mentioned various periods, the employee's compensation has an anti-dilution effect, so the diluted loss per share is equal to the basic loss per share.

(24) Transactions with non-controlling interest

Acquisition of additional equity interest in a subsidiary

On December 26, 2017, the Group acquired an additional 58.92% of shares of its subsidiary- Suichang Investment Co., Ltd., for a total cash consideration of $328,580. The carrying amount of non-controlling interest in 372,567 was $372,567 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by $372,567 and decrease in the equity attributable to owners of the parent by $43,987. The effect of changes in interests in 43,987 on the equity attributable to owners of the parent for the years ended December 31, 2017 is shown below:

	Year ended December 31, 2017
Carrying amount of non-controlling interest acquired	$ 372,567
Consideration paid to non-controlling interest	(328,580)
Capital surplus- difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	$ 43,987

(25) Business combinations

A. In August, 2018, the Group acquired 65.35% equity of Wei Da Hi-Tech Co., Ltd. in cash of $ 191,710 and obtained control of the company. The main business items of the company are research, design and development of display panel control chips and their modules, manufacturing and sales. The Group expects to combine semiconductor industry resources and expand its business scale after the acquisition

(A) The following table summarizes the consideration paid for Wei Da Hi-Tech Co., Ltd. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

		Merger date
Purchase consideration		
Purchase consideration-Cash	$	191,710
Non-controlling interests account for the identifiable net assets share of the acquiree		66,179
		257,889
Obtaining the fair value of identifiable assets and liabilities		
Cash		107,824
Trade receivables		32,147
Other receivables		1,704
Inventories		50,274
Other Current Assets		5,620
Property, plant and equipment		4,357
Intangible assets		20,701
Other Non-Current Assets		938
Accounts payable	(	19,705)
Other accounts payable	(	10,995)
Other current liabilities	(	1,788)
Other non-current liabilities	(	100)
Identifiable net assets		190,977
Goodwill	$	66,912

(B) The fair value of the acquired identifiable intangible assets is provisional pending receipt of the final valuations for those assets.

(C) The operating revenue included in the consolidated statement of comprehensive income since August, 2018 contributed by Weida Hi-Tech Company was $43,582. Weida Hi-Tech Company also contributed loss before income tax of $24,536 over the same period. Had Weida Hi-Tech Company been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue of $3,047,757 and profit before income tax of $187,218.

B. In October 2017, the Group acquired 100% equity of Miracle Technology Co., Ltd. in cash at $252,651 and obtained control over Miracle Technology Co., Ltd., which is mainly engaged in the manufacture of electronic components, electronic materials and precision instruments, designed with power components. The Group expects to combine semiconductor industry resources and expand its business scale after the acquisition.

(A) The following table summarizes the consideration paid for Miracle Company and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

		Merger date
Purchase consideration-Cash	$	252,651
Non-controlling interests		250
		252,901
Obtaining the fair value of identifiable assets and liabilities		
Cash		214,854
Notes and trade receivables		201,803
Other receivables		1,648
Inventories		42,228
Other Current Assets		1,985
Financial Assets Carried at Cost		3,115
Property, plant and equipment		48,323
Intangible assets		3,344
Other Non-Current Assets		313
Short-term borrowings	(	56,160)
Accounts payable	(	118,226)
Current income tax liabilitie	(	2,029)
Deferred income tax liabilities	(	15,887)
Other current liabilities	(	68,068)
Long-term borrowings	(	27,448)
Accrued Pension	(	2,431)
Identifiable net assets		227,364
Goodwill	$	25,537

(B) The fair value of the acquired identifiable intangible assets is $3,344.

(C) The operating revenue included in the consolidated statement of comprehensive income since October, 2017 contributed by Miracle Company was $253,304. Miracle Company also contributed profit before income tax of $1,026 over the same period. Had Miracle Company been consolidated from January 1, 2017, the consolidated statement of comprehensive income would show operating revenue of $2,129,917 and profit before income tax of $3,765.

(26) Operating leases

The Group leases in land and building assets under non-cancellable operating lease agreements. The lease terms to 2034. The Group recognized rental expenses of $33,823 and $35,877 in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018		December 31, 2017	
Not later than one year	$	15,891	$	28,443
Later than one year but not later than five years		54,954		58,037
Later than five years		60,083		67,244
	$	130,928	$	153,724

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	2018	2017
Purchase of property, plant and equipment	$ 184,798	$ 168,814
Add: Opening balance of payable on equipment	11,606	5,869
Ending balance of advanced on equipment	133,635	48,644
Less: Opening balance of advanced on equipment	(48,644)	(81,905)
Ending balance of payable on equipment	(75,777)	(11,606)
Cash paid during the year	$ 205,618	$ 129,816

(28) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Deposits received	Total liabilities from financing activities
January 1,2018	$ 81,253	$ 26,303	$ 94	$ 107,650
Changes in cash flow from financing	509,747	(26,303)	3,029	486,473
Changes in acquisition of subsidiaries	-	-	100	100
December 31, 2018	$ 591,000	$ -	$ 3,223	$ 594,223

7. RELATED PARTY TRANSACTIONS

(1)Names of related parties and relationship

Names of related parties	Relationship with the Group
Innova Vision Shenzen	Subsidiary(note1)
Weida Hi-Tech	The general manager of the company is the chairman of the company(note2)
WishRich Technology Co., Ltd.	The director of the subsidiary of the company is the chairman of the company
Maxchip Electronics Corporation	The director of the company is the chairman of the company
Hsin Chiao Technology Corporation	The director of the subsidiary of the company is the chairman of the company
Advanced Silicon SA	The chairman of the subsidiary of the company is the director of the company
Macroblock, Inc.	The company's subsidiaries are directors of the company
Other Related Parties	General manager of the company

Note1: merged into the Group in January, 2018.

Note2: merged into the Group in September, 2018.

(2) <u>Significant related party transactions</u>

A. Operating revenue:

	2018	2017
Sales of goods:		
Other Related Parties	$ 39,800	$ 78

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases:

	2018	2017
Purchases of goods:		
Other Related Parties	$ 63,928	$ -

Goods and services are purchased from associates on normal commercial terms and conditions.

C. Receivables from related parties:

	December 31, 2018	December 31, 2017
Trade receivables:		
Other Related Parties	$ 4,178	$ -
Other receivables:		
Other Related Parties	4,636	7,590
Total	$ 8,814	$ 7,590

D. Payables to related parties:

	December 31, 2018	December 31, 2017
Accounts payable:		
Other Related Parties	$ -	$ -
Other accounts payable:		
Other Related Parties	1,003	-
Total	$ 1,003	$ -

E. Property transactions:

(A) Acquisition of office equipment:

	2018	2017
Other Related Parties	$ 1,790	$ -

(B) Acquisition of financial assets:

	Accounts	No. of shares	Objects	Year ended December 31, 2018 Consideration
Other Related Parties	Investment which is adopting equity method	141,103	Shares of Weida Hi-Tech	$ 1,646

2017:None.

F. Loans to /from related parties:

Outstanding balance: ("other account receivable")：

	December 31, 2018	December 31, 2017
Subsidiaries	$ -	$ 15,193
Less:Allowance for Bad Debts	-	(7,603)
	$ -	$ 7,590

(3)Key management compensation

	2018	2017
Salaries and short-term employee benefits	$ 20,715	$ 9,978
Post-employment benefits	20,886	-
Total	$ 41,601	$ 9,978

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value		
Asset item	December 31, 2018	December 31, 2017	Purpose
Time deposits(Financial assets at amortised cost-Non current)	$ 29,727	$ -	Outbound cargo guarantee and lease deposit
Time deposits(Other non-current assets)	-	45,723	Outbound cargo guarantee and lease deposit
Land and buildings		302,324	Long-term borrowings
Machinery and equipment	-	30,240	Long-term borrowings
	$ 29,727	$ 378,287	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

Subidiary - Innova Vision International Inc. (IVKK) imported contact lenses in

March 2015 contained anti-UV material, which did not match up with the materials disclosed in the certification issued by Japanese government. Japanese government issued an oral order to ask IVKK make announcements on the newspapers about the material unmatched and stopped the selling activities in Japan. IVKK then discussed with its major agents to return the goods and negotiated a “return and change of the goods plan”. Some of the agents have already returned the goods one after plan.

The Group had recognized losses against returned contact lenses and all the compensation. Till 2018/12/31, the ending balance of the compensation payable is $20,323 and booked as “other current liabilities”.

(2) Commitments

A. Signed but not yet paid equipment maintenance contracts

	December 31, 2018	December 31, 2017
Machine maintenance	$ 33,765	$ 43,303

B. Operating leases contracts

Please see Note 6(26).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL REPORTING PERIOD

The company's subsidiary, Yu Chuan Investment Co., Ltd. (hereinafter referred to as " Yu Chuan Investment") is a long-term investment. On March 18, 2019, the board of directors of the Yu Chuan Investment decided to participate in the subscription of the private equity of Aptos Technology Co., Ltd. The shares of NT$4 obtained Group Aptos Technology Co., Ltd. obtained 16,250 shares with a total amount of $65,000.

12. OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2018, the Group’s strategy, which was unchanged from 2017, was to maintain the gearing ratio within reasonable security range. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total borrowings	$ 591,000	$ 107,556
Less: Cash and cash equivalents	(563,408)	(636,955)
Net debt	27,592	(529,399)
Total equity	2,573,811	2,479,140
Total capital	$ 2,601,403	$ 1,949,741
Gearing ratio	1.06%	-

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 731,826	$ -
Financial assets designated as at fair value through profit or loss on initial recognition	-	22,891
Financial assets at fair value through other comprehensive income		
Available-for-sale financial assets	-	230,986
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	563,408	636,955
Financial assets at amortised cost	84,062	-
Investments in debt instruments without active market	-	21,699
Notes receivable	1,277	2,633
Accounts receivable	601,330	470,549
Other receivables	18,243	24,946
Guarantee deposits paid	12,867	10,830
Other financial assets	-	45,723
	$ 2,013,013	$ 1,467,212
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 591,000	$ 81,253
Notes payable	54	234
Accounts payable	236,387	157,789
Other accounts payable	288,678	173,071
Lease account payable	18,119	-
Long-term borrowings (including current portion)	-	26,303
Guarantee deposits received	3,223	94
	$ 1,137,461	$ 438,744

B. Financial risk management policies

(A) The daily operations of the Group are subject to a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on unpredictable events in the financial markets and seeks to mitigate potential adverse effects on the Group's financial position and financial performance.

(B) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(A) Market risks

i. Foreign exchange risk

The Group’s businesses involve some non-functional currency operations (the Company’s and certain subsidiaries’ functional currency: NTD; other certain subsidiaries’ functional currency: USD, JPY and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018			
(Foreign currency: functional currency)	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
USD:NTD	USD	6,179	30.715	$ 189,786
RMB:NTD	CNY	45,477	4.472	203,372
Financial liabilities				
Monetary items				
USD:NTD	USD	2,576	30.715	79,124
JPY:NTD	JPY	113,393	0.2782	31,546

(Foreign currency: functional currency)	December 31, 2017				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	
Financial assets					
Monetary items					
USD:NTD	USD	6,889	29.76	$	205,021
JPY:NTD	JPY	19,367	0.2642		5,188
Financial liabilities					
Monetary items					
USD:NTD	USD	641	29.76		19,073
JPY:NTD	JPY	110,578	0.2642		29,251

ii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to $12,654 and ($21,841).

iii. Analysis of foreign currency risk arising from significant foreign exchange variation:

	Year ended December 31, 2018				
	Sensitivity Analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	1,898	$	-
RMB:NTD	1%		2,034		-
Financial liabilities					
Monetary items					
USD:NTD	1%	($	791)		-
JPY:NTD	1%	(	315)		-

	Year ended December 31, 2017		
	Sensitivity Analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 2,050	$ -
JPY:NTD	1%	52	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 191	-
JPY:NTD	1%	293	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and available-for-sale financial assets.

ii. The Group mainly invests in equity instruments comprised of shares and open-end funds. The value of equity instruments are susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase of 1% in the price of the aforementioned financial assets at fair value through profit or loss while the other conditions remain unchanged could increase the Group's non-operating revenue for the year ended December 31, 2018 and 2017 by $7,318 and $229, respectively. A change of 1% in the price of the aforementioned available-for-sale financial instruments could increase the Group's other comprehensive income for the year ended December 31, 2018 and 2017 by $0 and $2,310, respectively.

Cash flow and fair value Interest rate risk

i. The Group's main interest rate risk arises from short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2018, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.

ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually reprised and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing short term interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $5,910 and $813, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(B) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and fair value through profit or loss.

ii. According to the Group's credit policy, each operating entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors, and the utilization of credit limits is regularly monitored.

iii. The Group refers to the forecast ability of global economic indicators to adjust the loss rate which is based on historical and current information when assessing the future default possibility of contract assets, accounts receivable and other receivables. The provision matrix as of December 31, 2018 is as follows:

	Expected loss rate	Total book value	Loss allowance
December 31, 2018			
Not past due	0%	$ 262,325	$ -
Up to 30 days past due	0%	70,170	-
31~90 days past due	5%	11,816	590
91~180 days past due	35%	498	174
181~360 days past due	50%	22	11
More than 360 days	100%	-	-
Individual provision	0.77%	259,259	2,005
Total		$ 604,090	$ 2,780

iv. Movement in relation to the group applying the simplified approach to provide loss allowance for notes and trade receivable is as follows:

	2018	
	Accounts receivable	Contract assets
At January 1_IAS 39	$ 21,655	$ -
Adjustments under new standards	-	-
At January 1_IFRS 9	21,655	-
Reversal of impairment loss	(2,753)	-
Reclassified to other income in this period	(12,628)	-
Amount that was written off due to uncollectible	(2,072)	-
Reclassified	(1,422)	-
December 31	$ 2,780	$ -

(C) Liquidity risks

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The surplus cash generated by each operating entities of the Group will be gathered back to the Group treasury. The Group treasury then invests surplus cash in demand deposits, time deposits, financial assets at fair value through profit or loss, financial assets at amortized cost and debt investments in no active market (time deposits with 3-12 months period), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. At the year ended December 31, 2018 and 2017, the Group held financial assets at monetary market of $614,561 and $679,936, respectively. Those are expected to readily generate cash inflows for managing liquidity risk.

iii. Non-derivative financial liabilities:

	December 31, 2018	December 31, 2017
Fixed rate:		
Expiring within one year	$ 249,000	$ -

iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non- derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Over 1 year	Total
December 31, 2018			
Short-term borrowings	$ 591,000	$ -	$ 591,000
Notes payable	54	-	54
Accounts payable	236,387	-	236,387
Other payables	288,678	-	288,678
Other current liabilities	20,323	-	20,323
Lease account payable	8,987	10,132	19,119

	Less than 1 year	Over 1 year	Total
December 31, 2017			
Short-term borrowings	$ 81,253	$ -	$ 81,253
Notes payable	234	-	234
Accounts payable	157,789	-	157,789
Other payables	173,071	-	173,071
Other current liabilities	43,527	-	43,528
Long-term borrowings	1,676	24,627	26,303

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1：Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability, including financial assets available for sale in the Group.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes and trade receivables, other receivables, short-term borrowings, notes and trade payables, and other payables are reasonably approximate to the fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss	$ 598,163	$ -	$ 133,663	$ 731,826

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss	$ 22,891	$ -	$ -	$ 22,891
Available-for-sale financial assets				
Equity securities	87,484	-	143,502	230,986
Total	$ 110,375	$ -	$ 143,502	$ 253,877

D. The methods and assumptions the Group used to measure fair value are as follows:

(A) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed and OTC stocks	Open-end fund
Market quoted price	Closing price	Net asset value

(B) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the financial reporting date.

(C) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheets. The pricing and inputs information used during valuation are carefully assessed and adjusted based on current market conditions.

(D) The Group adjusted credit risks assessment into fair value calculation of financial and non-financial instruments to reflect the credit risk of counterparty and quality of the Group.

E. There was no transfer into or out between Level 1 and Level 2 for the year ended December 31, 2018 and 2017.

F. The following chart is the movement of Level 3 for the year ended December 31, 2018 and 2017:

	Equity securities
January 1, 2018	$ 143,502
Acquired in the period	28,075
The invested company reduces the capital	(16,026)
Reversal of impairment	3,735
Recognized in profit (loss)	(25,623)
December 31, 2018	$ 133,663

	Equity securities
January 1, 2017	$ 142,767
Acquired in the period	20,311
The investment capital is refunded in this period	(14,080)
Gains and losses recognised in other comprehensive income	16,817
Transfers out from level 3	(5,320)
Recognized in profit (loss)	(16,993)
December 31, 2017	$ 143,502

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

December 31, 2018

	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Nonderivative equity instrument:					
Unlisted shares	$ 48,915	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value
Venture capital shares Private equity fund	84,748	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value

December 31, 2017

	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Nonderivative equity instrument:					
Unlisted shares	$ 76,567	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value
Venture capital shares Private equity fund	66,935	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in a different outcome. For financial assets and liabilities classified as Level 3, if the factors of assessment changed, then the impact to income or other comprehensive income is:

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Net asset value	±1%	$ 1,337	$ (1,337)	$ -	$ -

			December 31, 2017			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Net asset value	±1%	$ -	$ -	$ 1,435	($ 1,435)

(4) <u>Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017</u>

A. Summary of significant accounting policies adopted in 2017

(A) Financial assets at fair value through profit or loss

i. Financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

Iii. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently premeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(B) Available for sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

iii. They are initially recognized at fair value plus transaction costs. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(C) Loans and receivables

i. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

ii. Investment in debt instrument without active market

Investments in debt instrument without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(D) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more even that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset directly.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017,IAS 39, to January 1, IFRS 9, were as follows:

		Available-forsale-equity	Held-tomaturity				Effects	
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Measured at amortised cost	Debt instrument without active market	Other non-current assets	Total	Retained earnings	Others equity
IAS39	$ 22,891	$ 230,986	$ -	$ 21,699	$ 105,196	$ 380,772	$ 539,080	$ 11,207
Transferred into and measured at fair value through profit or loss	230,986	(230,986)	-	-	-	-	3,756	(3,756)
Transferred into and measured at amortised cost	-	-	67,422	(21,699)	(45,723)	-	-	-
IFRS9	$ 253,877	$ -	$ 67,422	$ -	$ 59,473	$ 380,772	$ 542,836	$ 7,451

Under IAS 39, because the cash flows of debt instruments, which were classified as: available for-sale financial assets and debt instruments without active market, amounting to $230,986、$21,699and $45,723, respectively, do not meet the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at fair value through profit or loss" amounting to $230,986 and “financial assets at amortized cost” amounting to $67,422. Increased retained earnings and reduced other equity interest in the amounts of $3,756 and $3,756 on initial application of IFRS 9.

C .The significant accounts as for the year ended December 31, 2017, are as follows:

(A)Financial assets at fair value through profit or loss

Items	December 31, 2017
Current items:	
Financial assets held for trading	
Beneficiary certificates	$ 22,682
Valuation adjustment of financial assets held for trading	209
Total	$ 22,891

i. The Group recognised net profit amounting to $1,348 on financial assets held for trading for the year ended December 31, 2017.

ii. No financial assets at fair value through profit or loss held by the Group were pledged to others.

(B) Available-for-sale financial assets

Items	December 31, 2017
Non-current items:	
Listed and OTC stocks	$ 90,871
Unlisted and non-OTC stocks	98,633
Private fund	94,243
Total	283,747
Valuation adjustment of financial assets held for trading	3,756
Accumulated Impairment - Available-for-Sale Financial Assets	(56,517)
Total	$ 230,986

i. The Group recognized $45,057 in other comprehensive income for fair value change for the year ended December 31, 2017.

ii. The Group recognized accumulated impairment loss of $56,517 on bond investments—as of December 31, 2107.

iii. As of December 31, 2017, no available-for-sale financial assets held by the Group were pledged to others.

(C) Investments in debt instruments without active markets

Items	December 31, 2017
Current items:	
Time deposits	$ 21,699

i. The Group investments bank debentures from three months to twelve months.

ii. As of December 31, 2017, no investments in debt instruments without active markets held by the Group were pledged to others.

D. Credit risk information for the year ended December 31, 2017:

(A) Credit risk refers to the risk of financial loss to the Group arising from default by the client or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

(B) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(C) The credit quality information of financial assets that are neither past due nor impaired is as follows：

		December 31, 2017
Group 1	$	242,670
Group 2		62,200
	$	304,870

Group 1：Domestic customers.

Group 2：Foreign customers.

(D) The ageing analysis of financial assets that were past due but not impaired is as follows:

		December 31, 2017
Up to 30 days	$	101,559
31 to 90 days		54,278
91 to 180 days		9,716
Over 180 days		126
	$	165,679

(E) Movements in the provision for impairment of accounts receivable for the year ended December 31, 2017:

	2017					
	Individual provision		Group provision		Total	
At January 1	$	3,052	$	-	$	3,052
Provision for impairment		17,514		653		18,167
Reclassified		-		436		436
At December 31	$	20,566	$	1,089	$	21,655

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017:

Sales of goods

(A) The Group manufactures and sells related products such as mask and medical equipment. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group’s activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(B) The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized. The volume discounts are estimated based on the anticipated annual sales quantities.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

	2017
Operating Revenue	$ 1,427,073

C. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting the above accounting policies for the year ended December 31, 2018 are as follows:

		December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from chages in accounting policy
Contract liabilities	(1)	58,701	-	58,701
Advance sales receipts	(1)	-	58,701	(58,701)

Note (1): Recognize contract liabilities related to sales contracts in accordance with IFRS 15, expressed as advance receipts under the original accounting policy.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company’s paid-in capital: Please refer to table3.

E. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: None.

F. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

G. The amount of real estate acquired is NT$300 million or the paid-up capital is over 20%. ： None.

H. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 5.

(3) Information on investments in Mainland China

Please refer to table 6.

14、SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The basis of the Group's corporate composition, divisional basis and departmental information has not changed significantly during the period.

(2) Measurement of segment information

The Group allocates resources according to the adjusted net profit of each department to assess the performance of the operating department.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Year ended December 31, 2018：

	Mask and Semiconductor division	Medical division	Total
Revenue from external customers	$ 2,724,906	$ 161,076	$ 2,885,982
Inter-segment revenue	$ 218,921	$ 706	$ 219,627
Total segment revenue	$ 328,134	($ 124,488)	$ 203,646
Segment income (loss) including:			
Depreciation	($ 120,921)	($ 25,502)	($ 146,423)
Amortisation	($ 2,990)	($ 141)	($ 3,131)
Financial cost	($ 4,861)	($ 712)	($ 5,573)
Interest income	$ 2,963	$ 195	$ 3,158
Recognised investment profit or loss which is adopting equity method	($ 43,946)	$ -	($ 43,946)
Segment assets	$ 3,559,561	$ 304,757	$ 3,864,318

Year ended December 31, 2017：

	Mask and Semiconductor division	Medical division	Total
customers	$ 1,265,854	$ 161,219	$ 1,427,073
Inter-segment revenue	$ 17,423	$ 5,547	$ 22,970
Total segment revenue	$ 62,830	($ 128,099)	($ 65,269)
Segment income (loss) including:			
Depreciation	$ 122,608	$ 37,765	$ 160,373
Amortisation	$ 2,010	$ 177	$ 2,187
Financial cost	($ 3,596)	($ 50)	($ 3,646)
Interest income	$ 2,945	$ 18	$ 2,963
Recognised investment profit or loss which is adopting equity method	($ 57,075)	$ -	($ 57,075)
Segment assets	$ 2,730,748	$ 379,401	$ 3,110,149

(4) Reconciliation for segment income (loss)

Inter-department sales are conducted on a fair-trade basis. External income reported to the chief operating decision is measured in a consistent manner with income in the income statement.

The consolidated profit and loss, assets and liabilities of the relevant departments are consistent with the consolidated profit and loss, consolidated assets and consolidated liabilities, so there is no adjustment information.

(5) Information on products and services

External customer income mainly comes from reticle and semiconductor sales revenue and medical equipment revenue, and related product performance is the same as Note 14 (III)

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 1,662,696	$ 966,369	$ 1,017,362	$ 1,110,074
Others	1,223,286	194	409,711	58
Total	$ 2,885,982	$ 966,563	$ 1,427,073	$ 1,110,132

(7) Major customer information

For the years ended December 31, 2018 and 2017 there was no single external customer's income accounting for 10% of the total combined income.

TAIWAN MASK CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 1

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing	Transaction Amounts	Reason for Financing	Loss Ending Balance	Collateral Item	Collateral Value	Financing Limits for Each Borrowing	Financing Company's Total Financing	Note
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	Other receivable	Y	$ 200,000	$ 200,000	$ 65,780	-	The need for short-term financing	$ -	-	$ -	-	$ -	$ 1,023,398	$ 1,023,398	1
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	Other receivable	Y	300,000	300,000	138,000	-	The need for short-term financing	-	-	-	-	-	1,023,398	1,023,398	1
0	TAIWAN MASK CORPORATION	Innova Vision INC.	Other receivable	Y	200,000	200,000	160,000	-	The need for short-term financing	-	-	-	-	-	1,023,398	1,023,398	1
1	Innova Vision INC.	Innova Vision Shenzen	Other receivable	Y	-	-	8,281	-	The need for short-term financing	465	-	-	-	-	20,327	20,327	2
1	Innova Vision INC.	Innova Technology Company	Other receivable	Y	-	-	16,990	-	The need for short-term financing	35,256	-	-	-	-	16,261	16,261	2
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	Other receivable	Y	-	-	56,171	-	The need for short-term financing	18,726	-	-	-	-	20,327	20,327	2

TAIWAN MASK CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

FOR THE YEAR ENDED DECEMBER 31, 2018

Table2

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	DECEMBER 31, 2018				Note
				Shares	Carrying Value	%	Fair Value	
TAIWAN MASK CORPORATION	Wk Technology Fund-Common Stock	None	Financial assets at fair value through profit or loss - non-current	$ 806,400	$ -	1.89%	$ -	
TAIWAN MASK CORPORATION	Tech Alliance Corp.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	652,129	-	2.07%	-	
TAIWAN MASK CORPORATION	Furun Investment Co., Ltd.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	1,743,000	17,430	10.53%	17,430	
TAIWAN MASK CORPORATION	Unicon Optical Co., Ltd.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	10,000,000	117,600	2.06%	117,600	
TAIWAN MASK CORPORATION	Spirox Corporation-Common Stock	None	Financial assets at fair value through profit or loss - non-current	2,229,000	59,069	2.06%	59,069	
SunnyLake Park International Holdings,Inc.	MechanicNet Group,Inc.-Preferred Stock	None	Financial assets at fair value through profit or loss - non-current	759,999	-	特別股	-	
SunnyLake Park International Holdings,Inc.	MechanicNet Group,Inc.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	166,666	-	3.74%	-	
SunnyLake Park International Holdings,Inc.	Telegraph Hill Partners II,L.P.-Fund	None	Financial assets at fair value through profit or loss - non-current	-	-	1.74%	-	
SunnyLake Park International Holdings,Inc.	Telegraph Hill Partners III,L.P.-Fund	None	Financial assets at fair value through profit or loss - non-current	-	USD 2,759,169	0.85%	USD 2,759,169	
Youe Chung Capital Corporation	Orgchem Technologies, INC.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	1,453,288	19,074	2.66%	19,074	
Youe Chung Capital Corporation	Spirox Corporation-Common Stock	None	Financial assets at fair value through profit or loss - non-current	3,421,000	90,656	3.31%	90,656	
Youe Chung Capital Corporation	Macroblock, INC.-Common Stock	The company is a director of the company	Financial assets at fair value through profit or loss - non-current	3,647,609	330,838	9.12%	330,838	
Youe Chung Capital Corporation	Aptos Technology-Common Stock	None	Financial assets at fair value through profit or loss - non-current	4,964,216	12,411	8.74%	12,411	
Youe Chung Capital Corporation	TAIWAN MASK CORPORATION-Common Stock	Subsidiary	Financial assets at fair value through profit or loss - non-current	37,081,440	680,444	14.67%	680,444	

TAIWAN MASK CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2018

Table3

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name (Note 1)	Financial Statement Account	Counter -party (Note 2)	Nature of Relationship (Note 2)	Beginning Balance		Acquisition (Note 3 and 4)		Disposal (Note 3)				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount (Note 5)
Youe Chung Capital Corporation	Macroblock, INC-Stock	Financial assets at fair value through profit or loss - non-current	-	-	-	$ -	3,647,609	$ 305,669	-	$ -	$ -	$ -	3,647,609	$ 330,838

Note1: The securities referred to in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above projects.

Note2: Investors using the equity method in the securities account must fill in the two columns.

Note3: The cumulative purchase and sale amount should be calculated separately according to the market price to reach NT$300 million or 20% of the paid-up capital.

Note4: The acquisition in this period include the purchase of 3,500,000 shares and 147,609 shares of stock dividends.

TAIWAN MASK CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

Table4

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions: Financial Statements Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	TAIWAN MASK CORPORATION	Innova Vision INC.	1	Other receivables	$ 182,946	Pay by agreed time	4.73%
0	TAIWAN MASK CORPORATION	Innova Vision INC.	1	Interest income	3,181	Pay by agreed time	0.11%
0	TAIWAN MASK CORPORATION	Innova Vision INC.	1	Rental income	8,618	Pay by agreed time	0.30%
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Other receivables	138,000	Pay by agreed time	3.57%
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Interest income	2,282	Pay by agreed time	0.08%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Other receivables	65,780	Pay by agreed time	1.70%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Sales	7,863	Month-end 60 days	0.27%
0	TAIWAN MASK CORPORATION	Miko Technology co., Ltd.	1	Sales	49,321	Month-end 60 days	1.71%
1	Innova Vision INC.	Miko Technology co., Ltd.	3	Trade receivables	5,810	Month-end 60 days	0.15%
1	Innova Vision INC.	Innova Technology Company	3	Sales	33,388	Month-end 90 days	1.16%
1	Innova Vision INC.	Innova Technology Company	3	Trade receivables	22,570	Month-end 90 days	0.58%
1	Innova Vision INC.	Innova Technology Company	3	Other receivables	16,990	Pay by agreed time	0.44%
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Sales	18,978	Month-end 30 days	0.66%
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Trade receivables	3,160	Month-end 30 days	0.08%
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Other receivables	56,171	Pay by agreed time	1.45%
1	Innova Vision INC.	Innova Vision Shenzen	3	Other receivables	8,281	Pay by agreed time	0.21%
2	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Sales	3,120	Month-end 30 days	0.11%
2	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Other payables	43,218	Pay by agreed time	1.12%
3	Miko Technology co., Ltd.	Miracle International Enterprise(ShanHai) Co., Ltd.	3	Sales	62,158	Month-end 30 days	2.15%
3	Miko Technology co., Ltd.	Miracle International Enterprise(ShanHai) Co., Ltd.	3	Trade receivables	18,671	Month-end 30 days	0.48%

Note 1: TAIWAN MASK CORPORATION and its subsidiaries are coded as follows:

a. TAIWAN MASK CORPORATION is coded 0.

b.The subsidiaries are coded consecutively beginning from 1 in the order presented in the table above.

Note 2: Transactions are categorized as follows:

a. The parent company to subsidiary.

b. Subsidiary to parent company.

c. Subsidiary to subsidiary.

Note 3: The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of assets and liabilities, the ending balance is calculated as the total assets. If it is a profit or loss item, the accumulated amount in the period accounts for the total combined revenue.

Note 4: Only transactions with a total amount of NT$1 million or more will be disclosed, and the transaction will not be disclosed separately.

TAIWAN MASK CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2018

Table5

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount December 31, 2018	Original Investment Amount December 31, 2017	Balance as of December 31, 2018 Shares	Balance as of December 31, 2018 Percentage of Ownership	Balance as of December 31, 2018 Carrying Value	Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
Taiwan Mask Corporation	SunnyLake Park International Holdings, Inc.	British Virgin Islands	Investing in communication business	203,026	191,183	6,344,000	100	84,774	(65)	(65)	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Taiwan	Investing in communication business	1,697,627	300,000	142,329,470	100	413,877	(325,699)	(43,736)	
Taiwan Mask Corporation	Innova Vision INC.	Taiwan	Medical device manufacturing, wholesale and trading	52,040	190,706	5,203,956	30.26	12,301	(130,110)	(39,368)	
Taiwan Mask Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, research and development, manufacturing	165,691	98,700	12,549,652	28.48	98,808	(111,323)	(32,924)	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Taiwan	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	252,651	252,651	10,527,143	100	313,715	56,132	61,787	
Taiwan Mask Corporation	Weida Hi-Tech	Taiwan	Research, design, development, manufacturing and sales of display panel control chips and modules	293,371	-	25,510,500	100	233,623	(40,964)	(21,495)	
Youe Chung Capital Corporation	Innova Vision INC.	Taiwan	Medical device manufacturing, wholesale and trading	55,146	50,785	5,514,596	32.06	13,035	(130,110)	(36,520)	
Youe Chung Capital Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, research and development, manufacturing	65,719	30,000	3,550,223	9.85	27,952	(111,323)	(7,432)	
Innova Vision INC.	Innova Technology Company	Taiwan	Contact lens sales	5,000	5,000	500,000	100	(35,322)	(9,020)	(9,020)	
Innova Vision INC.	Calaview International Holding Company Limited	Seychelles	Investing in communication business	-	-	1,000,000	100	(7,834)	(2,319)	(2,319)	
Innova Vision INC.	Innova Vision (B.V.I.) Inc.	British Virgin Islands	Investing in communication business	60,157	60,157	1,000,000	100	(45,678)	(6,953)	(6,953)	
Innova Vision INC.	Innova Vision Kabushiki Kaisha	Japan	Contact lens sales	8,349	-	600	8.06	(4,662)	(7,161)	(206)	
Innova Vision (B.V.I.) Inc.	Innova Vision Kabushiki Kaisha	Japan	Contact lens sales	56,420	56,420	5,900	90.77	(45,847)	(7,161)	(6,955)	
Miracle Technology CO., LTD.	Jingjing Investment Co., Ltd.	Taiwan	Investing in communication business	10,012	10,012	1,400,000	100	160,700	55,889	55,889	
Miracle Technology CO., LTD.	Miracle(Samoa)Co.,Ltd.	British Virgin Islands	Investing in communication business	10,215	10,215	-	100	20,275	3,094	3,094	
MIRACLE(SAMOA)CO.,LTD	Misun Technology Co., Ltd.	British Virgin Islands	Investing in communication business	10,215	10,215	-	100	20,275	3,094	3,094	
Jingjing Investment Co., Ltd.	Miko Technology Co., Ltd.	Hong Kong	Investing in communication business	37	37	10,000	100	64,863	28,115	28,115	
Weida Hi-Tech	Smart Touch Co.,Ltd.	British Virgin Islands	Investing in communication business	14,602	15,847	4,573	100	3	(1,842)	(1,842)	
Weida Hi-Tech	Central Star Ltd.	Seychelles	Investing in communication business	4,076	7,657	129,200	22.3	-	(1,023)	(228)	
Smart Touch Co.,Ltd.	Central Star Ltd.	British Virgin Islands	Investing in communication business	13,714	13,714	450,000	77.7	1	(1,023)	(795)	

TAIWAN MASK CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

Table6

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Balance of Accumulated Outflow of Investment	Investment Flows: Outflow	Investment Flows: Inflow	Balance Accumulated Outflow of Investment	Net Income (Loss) of the Investee Company	Percentage of Ownership (%)	Income (Loss) Recognized in Current Period (Note 2)	Carrying Amount as of December 31, 2018	Balance of Accumulated Inward Remittance of	Note
Miko-China Enterprise (Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power	$ 3,283	2	$ 3,283	$ -	$ -	$ 3,283	$ 27,480	100%	$ 27,480	$ 109,719	$ -	註2(2)B
Miracle International Enterprise(ShanHai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power	10,215	2	10,215	-	-	10,215	3,094	100%	3,094	20,275	-	註2(2)B
Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	11,618	2	-	-	-	-	(5,054)	100%	(2,967)	25,380	-	註2(2)B
Innova Vision Shenzen	Medical device manufacturing, wholesale and tradin	4,337	2	-	-	-	-	(2,319)	100%	(2,319)	(7,860)	-	註2(2)B
Touch Hi-Tech	Research, design, development, manufacturing and sales of display	5,743	2	4,109	1,634	-	5,743	(8,079)	100%	(5,215)	2,045	-	註2(2)B

Company Name	Ending Balance of Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
Miko-China Enterprise (Shanghai) Co., Ltd.	$ 3,283	$ 3,283	$ 166,564
Miracle International Enterprise(ShanHai) Co., Ltd.	10,215	10,215	166,564
Sichuan Miracle Power Technology Co., Ltd.	-	-	166,564
Innova Vision Shenzen	-	4,337	24,392
Touch Hi-Tech	5,743	5,743	100,027

Note 1：The methods for engaging in investment in Mainland China include the following:

a. Direct investment in Mainland China.

b. Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).

c. Other methods.

Note 2：The investment income (loss) recognized in current period:Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

The investment income (loss) were determined based on the following basis:

a. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.

b. The financial statements was audited and certificated by independent auditors of the parent company in Taiwan.

c. Others.

Note 3: The relevant figures in this table should be listed in NTD.

5. Stand-alone financial statements in the most recent years

Independent Auditors' Report

To the Board of Directors and Shareholders of

TAIWAN MASK CORPORATION

Opinion

We have audited the accompanying separate balance sheets of TAIWAN MASK CORPORATION as of December 31, 2018 and 2017, and the related statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2018 and 2017, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the separate financial statements present fairly, in all material respects, the separate financial position of TAIWAN MASK CORPORATION as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of TAIWAN MASK CORPORATION in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of the other independent auditors, 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the separate financial statements in the current period are stated as follows:

Evaluation of inventories

Description

Refer to Note 4(12) for the accounting policies on the evaluation of inventories, Note 5(2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, inventory accounts description please refer to Note 6(5), and Note 6(6) for the details of allowance for inventory valuation. The inventory amount and allowance for inventory valuation loss as of December 31, 2018 is NT$ 133,290 thousand and NT$ 4,966 thousand respectively.

TAIWAN MASK CORPORATION is primarily engaged in mask and integrated circuit services in semiconductor industry. Due to the rapid technological innovations, short life-cycle and competition within the mask industry, the risk of price fluctuation and inventory obsolete is higher than other industry. Since the inventory amount is material in this Company, the evaluation of inventories has been identified a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Based on the understanding of the operation and industrial nature of the reticle group, it is reasonable to assess the policies and procedures adopted for the inventory allowance for impairment losses.
2. Evaluate management's inventory assessment report to verify the correctness of inventory age.
3. Verify the amount of the net realizable value of the inventory to confirm the admissibility of the inventory evaluation loss.

Income recognition

Description

For the accounting policy on income recognition, please refer to Note 4 (24) of the financial report; the operating income for the year ended December 31, 2018 is NT$1,448,393.

TAIWAN MASK CORPORATION mainly produces and sells products such as masks and integrated circuits used in semiconductors. The sales customers are numerous and scattered. The trading conditions vary according to market conditions and customer needs. Considering the sales revenue is the main transaction of the company. The consolidated financial statements have a significant impact. The accountant believes that the recognition of its sales revenue is one of the most important matters for the year.

How our audit addressed the matter

The audit procedures that the accountant has implemented are as follows:

1. Understand the type of major income and assess internal operations, review revenue recognition accounting treatment.
2. Obtain the sales revenue statement, sample the sales transactions and verify the relevant documents to verify the appropriateness of the sales revenue.
3. For the balance of accounts receivable at the end of the period, execute the certificate and balance confirmation test procedures, and perform tests on the adjustment items of the letter of the letter to confirm that the differences have been properly adjusted.
4. Execute the cut-off test for the sales receipts transaction for a certain period of time before and after the closing date, and confirm that the account is correct at the time of entry.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 TAIWAN MASK CORPORATION’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 t TAIWAN MASK CORPORATION 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 financial reporting process of TAIWAN MASK CORPORATION.

Independent auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ROC GAAS 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 separate financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the separate 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 internal control of TAIWAN MASK CORPORATION.
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 ability of TAIWAN MASK CORPORATION to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 auditor's report. However, future events or conditions may

cause TAIWAN MASK CORPORATION to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within TAIWAN MASK CORPORATION to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the 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 separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

For and on behalf of PricewaterhouseCoopers, Taiwan

Tina Cheng

Certified Public Accountants

Daniel Lee

2019/3/20

TAIWAN MASK CORPORATION
SEPARATE BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	ASSETS	Notes	DECEMBER 31, 2018 AMOUNT	%	DECEMBER 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and Cash Equivalents	6(1)	$ 204,750	6	$ 173,577	7
1136	Financial Assets at Amortized Cost- Cur.	6(3)	25,000	1	-	-
1150	Notes Receivables(Net)	6(4)	1,151	-	1,751	-
1170	Accounts Receivables(Net)	6(4)	337,293	9	241,574	9
1180	Accounts Receivables－Related Parties(Net)	6(4)and7	6,762	-	15,496	1
1200	Other Receivables		7,716	-	9,142	-
1210	Other Receivables－Related Parties	7	386,726	11	116,389	4
1220	Tax Assets		-	-	7,548	-
130X	Inventories	6(5)	128,324	4	113,280	4
1410	Prepayments		63,233	2	75,907	3
1470	Other Current Assets		1,570	-	38	-
11XX	**Total Current Assets**		1,162,525	33	754,702	28
	Non-Current Assets					
1510	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	6(2)	194,099	5	-	-
1523	Available-for-Sale Financial Assets - Non Current	12(4)	-	-	83,331	3
1535	Financial Assets at Amortized Cost-Non Cur.	6(3)and8	29,413	1	-	-
1550	Investment under Equity Method	6(6)	1,157,098	33	914,479	34
1600	Properties, Plants and Equipment	6(7)	855,134	24	840,707	31
1780	Intangible Assets		939	-	1,255	-
1840	Deferred Income Tax Assets	6(21)	6	-	9,534	-
1900	Other Non-Current Assets	8	134,219	4	93,935	4
15XX	**Total Non-Current Assets**		2,370,908	67	1,943,241	72
1XXX	**Total Assets**		$ 3,533,433	100	$ 2,697,943	100

(Continued)

TAIWAN MASK CORPORATION
SEPARATE BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	LIABILITIES AND EQUITY	Notes	DECEMBER 31, 2018 AMOUNT	%	DECEMBER 31, 2017 AMOUNT	%
	Current Liabilities					
2100	Short Term Loans	6(8)	$ 591,000	17	$ -	-
2130	Contract Liabilities- Current	6(15)	21,857	1	-	-
2170	Accounts Payables		66,879	2	49,550	2
2200	Other Payables		231,520	7	136,175	5
2230	Current Income Tax Liabilities		9,939	-	13,184	-
2310	Advance Receipts		-	-	20,296	1
2399	Other Current Liabilities-Other	6(9)	14,220	-	2,956	-
21XX	**Total Current Liabilities**		935,415	27	222,161	8
	Non-Current Liabilities					
2570	Deferred Income Tax	6(21)	899	-	145	-
2640	Defined Benefit Liabilities- Non Current	6(10)	19,568	1	26,412	1
2670	Other Non-Current Liabilities	6(9)	19,057	-	43,595	2
25XX	**Total Non-Current Liabilities**		39,524	1	70,152	3
2XXX	**Total Liabilities**		974,939	28	292,313	11
	Equity					
	Stock	6(11)				
3110	Common Stock		2,527,136	72	2,527,136	94
	Additional Paid-in Capital	6(12)				
3200	Additional Paid-in Capital		169,431	4	212,948	8
	Retained Earnings	6(13)				
3310	Legal Reserve		524,792	15	599,009	22
3320	Special Reserve		14,287	-	14,287	1
3350	Uncompensated Deficit		199,736	6	(74,216)	(3)
	Other Equities	6(14)				
3400	Other Equities		7,853	-	11,207	-
3500	**Treasury Stock**	6(11)	(884,741)	(25)	(884,741)	(33)
3XXX	**Total Equities**		2,558,494	72	2,405,630	89
	Major Commitments and Contingencies	9				
	Major Events after Financial Statement Date	11				
3X2X	**Total Liabilities and Equities**		$ 3,533,433	100	$ 2,697,943	100

The accompanying notes are an integral part of these separate financial statements.

TAIWAN MASK CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(Except gain (loss) per share is in NTD)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Operating Incomes**	6(15)	$ 1,448,393	100	$ 1,024,976	100
5000	**Operating Costs**	6(5)	(977,165)	(67)	(808,326)	(79)
5900	**Gross Income from Operations**		471,228	33	216,650	21
5950	**Realized Gross profit**		471,228	33	216,650	21
	Operating Expenses					
6100	Selling Expenses		(42,237)	(3)	(52,813)	(5)
6200	Administrative Expenses		(64,815)	(5)	(44,977)	(4)
6300	R & D Expenses		(76,974)	(5)	(45,299)	(5)
6450	Expected Credit Impairment Benefit		361	-	-	-
6000	**Total Operating Expenses**		(183,665)	(13)	(143,089)	(14)
6900	**Operating Gain & Loss**		287,563	20	73,561	7
	Non-Operating Incomes and Losses					
7010	Other Incomes	6(16)	30,098	2	20,636	2
7020	Other Gains and Losses	6(17)	(19,708)	(1)	(25,305)	(2)
7050	Financial Costs	6(18)	(3,540)	-	(25)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		(68,805)	(5)	(126,259)	(12)
7000	**Total Non-Operating Incomes and Losses**		(61,955)	(4)	(130,953)	(12)
7900	**Earnings (Loss)Before Tax**		225,608	16	(57,392)	(5)
7950	Income Tax Expense (Benefit)	6(21)	(26,405)	(2)	(16,785)	(2)
8000	**Profit from continuing operations for the year**		199,203	14	(74,177)	(7)
8200	**Net Income (Loss)**		$ 199,203	14	($ 74,177)	(7)
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Re-measurements of defined benefit plan		$ 406	-	($ 39)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		402	-	1,732	-
8362	Unrealized loss on valuation of available-for-sale financial assets	12(4)	-	-	45,057	4
8360	**Total Components of other comprehensive income that will be reclassified to profit or los**		808	-	46,750	4
8500	**Total Comprehensive Incomes (Losses)**		$ 200,011	14	($ 27,427)	(3)
	Basic Gain (Loss) per Share	6(22)				
9750	**Net Gain (Loss)**		$ 1.02		($ 0.33)	
	Diluted Gain or Loss per Share	6(22)				
9850	**Net Gain (Loss)**		$ 1.01		($ 0.33)	

The accompanying notes are an integral part of these separate financial statements.

TAIWAN MASK CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

				Retained Earnings			Other Equity Interest			
	Notes	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain on valuation of available-for-sale financial assets	Treasury Stock	Total Equities
For the year ended December 31, 2017										
Balance at January 1, 2017		$ 2,527,136	$ 180,286	$ 761,097	$ 14,287	($ 162,088)	$ 5,719	($ 41,301)	($ 290,994)	$ 2,994,142
Net Loss		-	-	-	-	(74,177)	-	-	-	(74,177)
Other Comprehensive Profit or Loss	6(14)	-	-	-	-	(39)	1,732	45,057	-	46,750
Total Comprehensive Profit or Loss		-	-	-	-	(74,216)	1,732	45,057	-	(27,427)
Year 2016 Deficit Compensated with Legal Reserves	6(13)	-	-	(162,088)	-	162,088	-	-	-	-
APIC-Dividend Paid by Parent Company and received by Subsidiaries	6(12)	-	5,628	-	-	-	-	-	-	5,628
Changes of the Shares Invested in Subsidiaries	6(12)	-	27,034	-	-	-	-	-	-	27,034
Buy-Back Treasury Stock		-	-	-	-	-	-	-	(667,963)	(667,963)
Subsidiaries Sold Out the Shares of Parent Company—Treasury Stock Transaction		-	-	-	-	-	-	-	74,216	74,216
Balance at December 31, 2017		$ 2,527,136	$ 212,948	$ 599,009	$ 14,287	($ 74,216)	$ 7,451	$ 3,756	($ 884,741)	$ 2,405,630
For the year ended December 31, 2018										
Balance at January 1, 2018		$ 2,527,136	$ 212,948	$ 599,009	$ 14,287	($ 74,216)	$ 7,451	$ 3,756	($ 884,741)	$ 2,405,630
Impact of Retroactive Applications	6(14)	-	-	-	-	3,756	-	(3,756)	-	-
Adjusted Balance as of January 1, 2018		2,527,136	212,948	599,009	14,287	(70,460)	7,451	-	(884,741)	2,405,630
Net Income		-	-	-	-	199,203	-	-	-	199,203
Other Comprehensive Profit or Loss	6(14)	-	-	-	-	406	402	-	-	808
Total Comprehensive Profit or Loss		-	-	-	-	199,609	402	-	-	200,011
Year 2017 Deficit Compensated with Legal Reserves	6(13)	-	-	(74,217)	-	74,217	-	-	-	-
Changes of the Shares Invested in Subsidiaries	6(12)	-	(4,946)	-	-	(3,630)	-	-	-	(8,576)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(12)	-	(38,571)	-	-	-	-	-	-	(38,571)
Balance at December 31, 2018		$ 2,527,136	$ 169,431	$ 524,792	$ 14,287	$ 199,736	$ 7,853	$ -	($ 884,741)	$ 2,558,494

The accompanying notes are an integral part of these separate financial statements.

TAIWAN MASK CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
Cash Flow from Operating Activities			
Net Income(Loss) Before Tax		$ 225,608	($ 57,392)
Adjustments to Reconcile Net Income to Net Cash Flow from Operating Activities			
Revenues and Expenses			
Depreciation	6(19)	117,535	122,381
Amortization	6(19)	897	1,197
Expected Credit Impairment Benefit / Bad Debt Expenses		(361)	5,430
Interest Incomes	6(16)	(7,486)	(5,629)
Interest Expenses	6(18)	3,540	25
Net Profit of Financial Asset at Fair Value Through Profit or Loss	6(17)	29,253	(1,139)
Dividend income	6(16)	(4,170)	-
The Share of Affiliates Profits and Losses Recognized by the Equity Method		68,805	126,259
Gain (loss) on disposal of investments	6(17)	(47)	(2,445)
Impairment Loss of Financial Assets	6(17)	(3,735)	18,415
The Changes of Assets/ Liabilities related to Operating Activities			
The Changes of Assets related to Operating Activities			
Force of Financial Asset at Fair Value Through Profit or Loss		(145,729)	-
Financial assets at fair value through profit or loss		-	518,867
Notes Receivable		600	1,465
Accounts Receivable		(95,358)	11,413
Accounts Receivable-related Parties		8,734	(15,496)
Other Receivables		1,471	(7,057)
Other Receivables-related Parties		(3,375)	(64,713)
Inventories		(15,044)	(40,541)
Prepayments		12,674	(1,117)
Other Current Assets		(1,532)	1,213
Other Financial Assets		-	(4)
The Changes of Liabilities related to Operating Activities			
Contract Liabilities		1,561	-
Notes Payable		17,329	(34)
Other payables		24,161	23,633
Advance Receipts		-	1,807
Other Current Liabilities		9,018	148
Accrued Pension Liability		(6,869)	(13,423)
Other Non-Current Liabilities		-	(220)
Net Cash In-Flow from Operating Activities		237,480	623,043
Interest Received		4,259	5,758
Dividends Received		4,170	-
Interest Paid		(3,147)	(25)
Income Tax Paid		(11,821)	(127)
Net Cash In-Flow from Operating Activities		230,941	628,649

(Continued)

TAIWAN MASK CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
Cash Flow from Investment Activities			
Acquisition of Amortized Cost Financial Assets		($ 25,000)	$ -
Disposal of Amortized Cost Financial Assets		15,995	-
Disposal of Debt Investment in No Active Market		-	433,500
Acquisition of Available-for-sales Financial Assets		-	(46,944)
Acquisition of investment property by the Equity Method		(372,205)	(592,652)
The capital returned by the invested company		-	14,080
Other Receivables- Increase of related Parties		(263,780)	-
Acquisition of Property, Plants and Equipment	6(24)	(146,191)	(123,315)
Acquisition of Intangible Assets		(581)	(753)
Increase of Refundable Deposits		(472)	(1,829)
Net Out-Flow from Investment Activities		(792,234)	(317,913)
Cash Flow from Funding Activities			
Increase of Short Term Loan		916,000	-
Redemption of Short Term Loan		(325,000)	-
Buy Back Treasury Stock		-	(357,063)
Lease account payable		1,457	-
Increase of Guarantee Deposits		9	6
Net Cash In-Flow (Out-Flow) from Funding Activities		592,466	(357,057)
Increase (Decrease) of Cash and Cash Equivalents		31,173	(46,321)
Beginning Balance of Cash and Cash Equivalents		173,577	219,898
Ending Balance of Cash and Cash Equivalents		$ 204,750	$ 173,577

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

TAIWAN MASK CORPORATION
NOTES TO SEPARATE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

TAIWAN MASK CORPORATION (TMC or the Company) was established in the Republic of China (R.O.C.) on 1988/10/21 and first operated in March, 1989. Based on the resolution made on 2000/6/12 shareholders' meeting, TMC merged Shin-Tai Corporation on 2000/12/1. The company's main business items are mask research, development, manufacturing, sales and supply of technical support, consulting, inspection and repair services and international trade of the aforementioned products.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These separate financial statements were authorized for issuance by the Board of Directors on March 20, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments to IFRSs as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12,'Recognition of deferred tax assets for unrealised	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1,'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12,'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28,'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment:

A. IFRS 9, "Financial instruments"

(A) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to recognize the equity instrument not held for trading at fair value in other comprehensive income.

(B) The impairment losses of debt instruments are assessed using an "expected credit loss" approach. An entity assesses at the end of each financial reporting period whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of loss allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(C) The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4) B and C.

B. IFRS 15, ‘Revenue from contracts with customers’ and amendments

IFRS 15, ‘Revenue from contracts with customers’ replaces IAS 11, ‘Construction contracts’, IAS 18, ‘Revenue’ and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify customer contract.

Step 2: Identify contract liabilities

Step 3: Define transaction price.

Step 4: Allocate transaction price into contract liabilities.

Step 5: Recognize revenue when finish contract liabilities.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IAS 7, ‘Disclosure initiative’

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Company expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

(2)Effect of new issuances of or amendments to International Financial Reporting Standards as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, ' Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, ' Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, "Leases"

IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and Standing Interpretations Committee (SICs). The standard requires lessees to recognize a "right-of-use asset" and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). Lessor accounting still uses the dual classification approach: operating lease and finance lease, and only increases the related disclosures.

The Company expects to recognize the lease contract of lessees in line with IFRS 16. Accordingly, on January 1, 2018, the Company will have to increase 'right-of-use asset' by $329,678 and increase lease liability by$329,678, respectively.

(3)IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These separate financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the separate financial statements have been prepared under the historical cost convention:

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with Financial Supervisory Commission, R.O.C. requires IFRSs and International Accounting Standard the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3)Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The separate financial statements are presented in "New Taiwan Dollars (NTD)", which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(D) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(A) The operating results and financial position of all the Company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(B) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(C) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realized within twelve months from the balance sheet date;

(D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(A) Liabilities that are expected to be settled within the normal operating cycle;

(B) Liabilities arising mainly from trading activities;

(C) Liabilities that are to be settled within twelve months from the balance sheet date;

(D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(A) The objective of the Company's business model is achieved by collecting contractual cash flows.

(B) The assets' contractual cash flows represent solely payments of principal and interest.

B. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component and lease receivables, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) De recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12)Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13)Investments accounted for using equity method / associates and subsidiaries

A. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.

D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.

E. When the Company loses control of a subsidiary, the Company re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if all the related assets or liabilities were disposed of. That is, other comprehensive income in relation to the subsidiary should be reclassified to profit or loss.

F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

K. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5~56years
Machinery and equipment	5~14years
Transportation equipment	6years
Utility equipment	3~6years

(15) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(16) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Employee benefit

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees’ compensation and directors’ and supervisors’ remuneration

Employees’ compensation and directors’ and supervisors’ remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the un-appropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from tax laws to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(22) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares and paid-in capital in excess on the effective date of new shares issuance.

(24) Revenue recognition

A. The Company manufacturing and selling of Mask. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these separate financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgments in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31 2018, the carrying amount of inventories was $128,324.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Demand deposits	$ 179,950	$ 114,057
Time deposits	24,800	59,520
Total	$ 204,750	$ 173,577

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash pledged to others.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2018
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed and OTC stocks	$ 199,533
Unlisted and non-OTC stocks	32,442
	231,975
Valuation adjustment	(37,876)
Total	$ 194,099

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss is listed below:

	2018
Financial assets mandatorily measured at fair value through profit or loss	
Listed and OTC stocks	($ 29,253)
Unlisted and non-OTC stocks	3,768
Beneficiary certificates	14
Total	($ 25,471)

B. The Company has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

D. Information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

(3) Financial assets at amortized cost

Items	December 31, 2018
Current item:	
Time deposits	$ 25,000
Non-current items:	
Time deposits	$ 29,413

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost is listed below:

	2018
Interest income	$ 797

B. Details of the Company's financial assets at amortized cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

D. Information on investments in debt instruments without active market as of December 31, 2017 is provided in Note 12(4).

(4) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 1,151	$ 1,751
Accounts receivable	$ 338,069	$ 244,284
Accounts receivable – related parties	6,762	15,496
	344,831	259,780
Less: Loss allowance	(776)	(2,710)
	$ 344,055	$ 257,070

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 262,325	$ 1,151	$ 185,854	$ 1,751
Less than 30 days	70,170	-	51,838	-
Between 31 and 90 days	11,816	-	20,167	-
Between 91 and 180 days	498	-	301	-
More than 181 days	22	-	1,620	-
	$ 344,831	$ 1,151	$ 259,780	$ 1,751

The above ageing analysis was based on past due date.

B. The Company has no notes and accounts receivable pledged to others as collateral.

C. As at December 31, 2018 without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were $344,055 respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 99,364	($ 4,966)	$ 94,398
Work in process	10,608	-	10,608
Finished goods	23,318	-	23,318
Total	$ 133,290	($ 4,966)	$ 128,324

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 90,712	($ 15,557)	$ 75,155
Work in process	7,565	-	7,565
Finished goods	30,560	-	30,560
Total	$ 128,837	($ 15,557)	$ 113,280

The cost of inventories recognized as expense for the year:

	2018	2017
Cost of sold inventory	$ 987,756	$ 813,042
Allowance(reversal) for valuation and obsolescence loss	(10,591)	(4,716)
	$ 977,165	$ 808,326

The Company's inventory portion prepared for the depreciation loss in the previous period has been sold, resulting in a rebound in the net realizable value of the inventory and recognition as a decrease in the cost of goods sold.

(6)Investments accounted for using equity method

	December 31, 2018	December 31, 2017
Taiwan Mask Corp. - USA	$ -	($ 502)
SunnyLake Park International Holdings, Inc.	84,774	70,774
Youe Win Capital Corporation	-	212,600
Youe Chung Capital Corporation	413,877	255,246
Innova Vision INC.	12,301	53,968
Advagene Biopharma Co., Ltd. (note)	98,808	66,397
Miracle Technology CO., LTD.	313,715	255,996
Weida Hi-tech	233,623	-
	$ 1,157,098	$ 914,479

Note1：The Company was dissolved in 2018.

Note2：The Company organized reorganization, and the company’s related assets and liabilities were merged into Yu Chuag Investment Co., Ltd., in May 2018.

A. Information about the Company’s subsidiaries is provided in Note 4(3) of the 2018 consolidated financial statements.

B. In October 2017, the Company acquired 100% equity of Miracle Technology Co., Ltd. in cash at $252,651 and obtained control of Miracle Technology Co., Ltd. Information about Miracle Technology Co., Ltd. is provided in Note 6(25) of the 2018 consolidated financial statements.

C. The company did not subscribe for the share capital of the company's employee stock options in accordance with the shareholding ratio in June, 2018. In addition, the company purchased 2,679,652 shares of the company in cash at $66,991 in October, 2018.

D. From August to October, 2018, the Company acquired 100% equity of Wei Da Hi-Tech Co., Ltd. in cash of $ 293,371 and obtained control of Wei Da Hi-Tech Co., Ltd. Information about Wei Da Hi-Tech Co., Ltd. is provided in Note 6(25) of the 2018 consolidated financial statements.

(7) Property, plant and equipment

	Buildings (Land)	Machinery and equipment	Transportation	Office Equipment	Construction in progress and equipment under installation	Total
January 1, 2018						
Cost	$ 1,439,964	$ 1,882,717	$ 8,092	$ 11,707	$ 10,666	$ 3,353,146
Accumulated depreciation and impairment	(960,474)	(1,546,637)	(608)	(4,720)	-	(2,512,439)
	$ 479,490	$ 336,080	$ 7,484	$ 6,987	$ 10,666	$ 840,707
2018						
January 1	$ 479,490	$ 336,080	$ 7,484	$ 6,987	$ 10,666	$ 840,707
Acquisitions	42,394	73,002	3,635	7,665	5,266	131,962
Depreciation	(37,479)	(72,986)	(3,569)	(3,501)	-	(117,535)
Reclassifications	586	-	-	-	(586)	-
December 31	$ 484,991	$ 336,096	$ 7,550	$ 11,151	$ 15,346	$ 855,134
December 31, 2018						
Cost	$ 1,482,944	$ 1,955,719	$ 11,727	$ 19,372	$ 15,346	$ 3,485,108
Accumulated depreciation and impairment	(997,953)	(1,619,623)	(4,177)	(8,221)	-	(2,629,974)
	$ 484,991	$ 336,096	$ 7,550	$ 11,151	$ 15,346	$ 855,134

	Buildings (Land)	Machinery and equipment	Transportation	Office Equipment	Construction in prog: and equipment unde installation	Total
January 1, 2017						
Cost	$ 1,429,855	$ 1,744,636	$ 2,189	$ 7,647	$ 8,604	$ 3,192,931
Accumulated depreciation and impairment	(921,285)	(1,468,441)	(243)	(2,409)	-	(2,392,378)
	$ 508,570	$ 276,195	$ 1,946	$ 5,238	$ 8,604	$ 800,553
2017						
January 1	$ 508,570	$ 276,195	$ 1,946	$ 5,238	$ 8,604	$ 800,553
Acquisitions	8,042	133,864	-	4,060	10,666	156,632
Depreciation	(41,509)	(78,196)	(365)	(2,311)	-	(122,381)
Reclassifications	4,387	4,217	5,903	-	(8,604)	5,903
December 31	$ 479,490	$ 336,080	$ 7,484	$ 6,987	$ 10,666	$ 840,707
December 31, 2017						
Cost	$ 1,439,964	$ 1,882,717	$ 8,092	$ 11,707	$ 10,666	$ 3,353,146
Accumulated depreciation and impairment	(960,474)	(1,546,637)	(608)	(4,720)	-	(2,512,439)
	$ 479,490	$ 336,080	$ 7,484	$ 6,987	$ 10,666	$ 840,707

A. Amount of borrowing costs capitalized as part of property, plant and equipment were $0.

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(8) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings Credit borrowings	$ 591,000.0	1.138%~1.35%	-

The year ended December 31, 2017: None.

Interest expense recognized in profit or loss amounted to $3,187 and $0 for the years ended December 31, 2018 and 2017, respectively.

(9) Finance lease liabilities

The Company leases in transportation and machine equipment under finance lease. Future minimum lease payments and their present values for the year ended December 31, 2018 and 2017 are as follows:

	December 31, 2018		
	Total finance lease liability	Future financial expenses	Present value of finance lease liabilities
Current items:			
Not more than 1 year	$ 2,411	($ 166)	$ 2,245
Non-current items:			
More than 1 year but not more than 5 years	5,200	(106)	5,094
Not more than 5 years	-	-	-
	5,200	(106)	5,094
Total	$ 7,611	($ 272)	$ 7,339

The year ended December 31, 2017: None.

(10) Pensions

A.(A) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year.

If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(B) The amounts recognized in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Determine the present value of the welfare obligation	($ 26,622)	($ 32,996)
Project equity fair value	7,054	6,584
Net defined benefit liability	($ 19,568)	($ 26,412)

(C) Movements in net defined benefit liabilities are as follows:

	Determine the present value of the welfare obligation	Project equity fair value	Net defined benefit liability
2018			
January 1	($ 32,996)	$ 6,584	($ 26,412)
Current service costs	(264)	-	(264)
Interest (expense) income	(370)	85	(285)
	(33,630)	6,669	(26,961)
Recognized:			
Plan assets rewards (not including amount of interest income	-	176	176
Effect from financial	(435)	-	(435)
Effect from demographic assumption differences	(87)	-	(87)
Experience adjustment	321	-	321
	(201)	176	(25)
Deposited retirement fund	-	532	532
Pension benefits	7,209	(323)	6,886
December 31	($ 26,622)	$ 7,054	($ 19,568)

	Determine the present value of the welfare obligation	Project equity fair value	Net defined benefit liability
2017			
January 1	($ 45,850)	$ 6,057	($ 39,793)
Current service costs	(552)	-	(552)
Interest (expense) income	(566)	75	(491)
	(46,968)	6,132	(40,836)
Recognized:			
Plan assets rewards (not including amount of interest income	-	(14)	(14)
Effect from financial	(453)	-	(453)
Effect from demographic assumption differences	(91)	-	(91)
Experience adjustment	516	-	516
	(28)	(14)	(42)
Deposited retirement fund	-	466	466
Pension benefits	14,000	-	14,000
December 31	($ 32,996)	$ 6,584	($ 26,412)

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(E) The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	1.125%	1.25%
Future salary increase rate	2.125%	2.125%

The assumptions of future mortality in 2018 and 2017 are estimated according to the Taiwan Annuity Insurance Life Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increase rate	
	Increase by 0.25%	Reduced by 0.25%	Increase by 0.25%	Reduced by 0.25%
December 31, 2018 Impact on determining the present value of welfare obligations	($ 876)	$ 915	$ 884	($ 882)
December 31, 2017 Impact on determining the present value of welfare obligations	($ 980)	$ 1,023	$ 991	($ 955)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(F) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2019 amount to $549.

(G) As of December 31, 2018, the weighted average duration of the retirement plan is 16 years.

B.(A) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) The pension costs under defined contribution pension plans of the Company for the year ended December 31, 2018 and 2017 were $6,371 and $5,203, respectively.

(11) Share capital

A. As of December 31, 2018, the Company's authorized capital was $5,000,000, consisting of 500,000,000 shares of common stock (including 20,000,000 shares which were reserved for employee stock options), and the paid-in capital was $2,527,136, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

Unit: share in thousands

	2018	2017
January 1	195,632	232,265
Subordinate companies increase holdings of stock	-	(16,633)
Purchase of treasury shares	-	(20,000)
December 31	195,632	195,632

B. Treasury shares

(A) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2018 (Expressed in thousands of shares)	
Shares held by	reacquisition	of shares	Book value
Subsidiary-			
Youe Chung Capital Corporation	Subsidiary holds shares of the company	37,081	$ 527,678
Taiwan Mask Corporation	To be reissued to employees	20,000	357,063
		57,081	$ 884,741

		December 31, 2017 (Expressed in thousands of shares)	
Shares held by	Reason for reacquisition	Number of shares	Book value
Subsidiary-			
Suichang Investment Co., Ltd.	Subsidiary holds shares of the company	37,081	$ 527,678
Taiwan Mask Corporation	To be reissued to employees	20,000	357,063
		57,081	$ 884,741

(B) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company’s issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(C) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(D) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company’s credit rating and the stockholders’ equity should be retired within six months of acquisition.

(E) The Group organized and reorganized in May 2018, and merged Suichang Investment Co., Ltd. and Youe Win Capital Corporation into Youe Chung Capital Corporation (hereinafter referred to as “Suichang Campany”, “Youe Win Campany” and “Youe Chung Company”). Suichang Campany and Youe Win Campany were closed and transferred the relevant assets and liabilities to Youe Chung Company. Before the reorganization, Suichang Company held the shares, and after reorganization, Youe Chung Company held the shares of the company. As of December 31, 2017, Suichang Company held 37,081 shares, with an average book value of $14.23 per share and a fair value of $18 per share. As of December 31, 2018, Youe Chung Company held 37,081 shares, the average book value per share was $14.23, and the fair value per share was $18.35. The transfer of treasury stock costs is based on the book value of the shares held by Suichang Company in each period, based on the indirect shareholding ratio of the Company.

(G) In July 13, 2017, the board of directors passed to purchase treasury stocks. From July 17, 2017 to September 13, 2017 were bought back 20,000 shares, and purchase amount was $357,063.

(12) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Treasury shares	Recognition of changes in ownership interest in subsidiaries	Employee stock options	Total
January 1, 2018	$ 145,471	$ 62,959	$ 4,518	$ 212,948
Adjustment of the shareholding ratio of the invested company	-	(7,484)	2,538	(4,946)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(38,571)	-	(38,571)
December 31, 2018	$ 145,471	$ 16,904	$ 7,056	$ 169,431

	Treasury shares	Recognition of changes in ownership interest in subsidiaries	Employee stock options	Total
January 1, 2017	$ 139,843	$ 40,443	$ -	$ 180,286
Subordinate company is allocated cash to the company	5,628	-	-	5,628
Adjustment of the shareholding ratio of the invested company	-	22,516	4,518	27,034
December 31, 2017	$ 145,471	$ 62,959	$ 4,518	$ 212,948

(13)Retained earnings (deficit to be compensated)

A. Under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years’ undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders’ meeting.

B. To well design a long term financial plan and stabilize the operation, the company chose a residual dividend policy to plan the future capital fund needs based on capital investment budget. First to appropriate the retained earnings to get capital funds fulfilled and residual earnings will be paid off as dividends. The steps are:

(A) Define an optimized capital budget.

(B) Define the fund needs to fulfill one capital budget.

(C) Define how much fund shall be fulfilled by retained earnings. (Unfulfilled part shall be fulfilled by fund raising or bond issuing.)

(D) To reserve a certain amount of residual earnings, then dividends shall be paid off to shareholders. According to the dividend policy of the company, cash dividend ratio shall not be lower than 20% of total dividends.

C. Except for covering accumulated deficit, increasing capital or payment of cash in proportion to ownership percentage, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall be limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the end of the financial reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. As resolved by the shareholders on June 13, 2018 and June 23, 2017, the deficit in 2017 and 2016 shall be compensated by legal reserve for $74,217 and $162,088.

F. On March 20, 2019, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2018 were $194,083 at $0.834 (in dollars) per share.

G. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(20).

(14) Other equity items

	2018		
	investment	translation	Total
January 1	$ 3,756	$ 7,451	$ 11,207
Effect on retrospective application	(3,756)	-	(3,756)
Foreign currency conversion difference:	-	402	402
December 31	$ -	$ 7,853	$ 7,853

	2017		
	Available-for-sale investment	Foreign currency translation	Total
January 1	($ 41,301)	$ 5,719	($ 35,582)
Valuation adjustment	45,057	-	45,057
Foreign currency conversion difference:	-	1,732	1,732
December 31	$ 3,756	$ 7,451	$ 11,207

(15) Operating revenue

	2018
Revenue from contracts with customers	$ 1,448,393

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Taiwan	Asia	Others	Total
For the year ended December 31, 2018				
Revenue from contracts with customers	$ 990,055	$ 439,912	$ 18,426	$ 1,448,393
Timing of revenue recognition				
At a point in time	990,055	439,912	18,426	1,448,393
	$ 990,055	$ 439,912	$ 18,426	$ 1,448,393

B. Contract liabilities

The Company has recognized the following revenue-related contract liabilities:

	December 31, 2018
Contract liability	$ 21,857

C. Related disclosures for the year ended December 31, 2017 operating revenue are provided in Note 12(5).

(16) Other income

	2018	2017
Interest income：		
Bank deposits	300	2,634
Interest income from financial assets at amortised cost	797	-
Other interest income	6,389	2,995
Total	7,486	5,629
Rent income	9,968	12,408
Dividend income	4,170	-
Other income-Other	8,474	2,599
Total	$ 30,098	$ 20,636

(17) Other gains and losses

	2018	2017
Gains(Loss) on disposal of investments	$ 47	$ 2,445
Currency exchange gains(loss)	6,154	(10,474)
Gains(Loss) on financial assets at fair value through profit or loss	(29,253)	1,139
Reversal of impairment loss(Impairment loss) recognised in profit or loss, financial	3,735	(18,415)
Other expenses	(391)	-
Total	$ (19,708)	$ (25,305)

(18) Finance costs

	2018	2017
Interest expense	$ 3,187	$ 0
Other finance expense	353	-
	$ 3,540	$ 25

(19) Expenses by nature

	2018	2017
Employee benefit expenses	$ 204,944	$ 138,257
Depreciation charges on property, plant and equipment	117,535	122,381
Amortisation charges on intangible assets	897	1,197
Total	$ 323,376	$ 261,835

(20) Employee benefit expense

	2018	2017
Wages and salaries	$ 178,068	$ 114,008
Labour and health insurance fees	12,741	11,928
Pension costs	6,921	6,246
Other personnel expenses	7,214	6,075
	$ 204,944	$ 138,257

A. According to the Articles of Incorporation of the Company, the current year's profit shall be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed as follows: no less than 10% as employees' compensation, and no more than 2% as directors' remuneration.

B. For the year ended December 31, 2018, employees' compensation was accrued at $25,884, respectively; directors' and supervisors' remuneration was accrued at 5,108, respectively. The aforementioned amounts were recognized in salary expenses. In 2017, due to accumulated losses, there were no employee bonus and the compensation of the directors were estimated.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Income tax

A. Income tax expense

Components of income tax expense:

	2018	2017
Current tax:		
Current tax on profits for the year	$ 17,981	$ 13,311
Previous income tax low (high) estimate	(1,858)	-
Total current tax	16,123	13,311
Deferred tax:		
Origination and reversal of temporary differences	11,939	3,474
Impact of change in tax rate	(1,657)	-
Total deferred tax	10,282	3,474
Income tax expense	$ 26,405	$ 16,785

B. Reconciliation between income tax expense and accounting profit

	2018	2017
Income tax calculated based on profit before tax and statutory tax rate	$ 45,122	($ 8,819)
Fees that should be excluded according to the tax law	(6,322)	22,030
Deferred income tax asset achievability assessment changes	(8,880)	3,574
Prior year income tax (over) underestimation	(1,858)	-
Effect from changes in tax regulation	(1,657)	-
Income tax expenses	$ 26,405	$ 16,785

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2018				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
- Deferred income tax assets:					
institutions investment gains and losses	$ 4,900	($ 4,900)	$ -	$ -	$ -
Benefit liabilities	4,490	(4,490)	-	-	-
Unrealised exchange loss	144	(138)	-	-	6
Total	$ 9,534	($ 9,528)	$ -	$ -	$ 6
-Deferred income tax liabilities:					
Unrealised exchange gain	($ 145)	($ 754)	$ -	$ -	($ 899)
Total	$ 9,389	($ 10,282)	$ -	$ -	($ 893)

	2017				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
- Deferred income tax assets:					
Foreign operating institutions investment gains and losses	$ 6,919	($ 2,019)	$ -	$ -	$ 4,900
Benefit liabilities	6,765	(2,275)	-	-	4,490
Others	645	(501)	-	-	144
Total	$ 14,329	($ 4,795)	$ -	$ -	$ 9,534
-Deferred income tax liabilities:					
Others	($ 1,466)	$ 1,321	$ -	$ -	($ 145)
Total	$ 12,863	($ 3,474)	$ -	$ -	$ 9,389

D. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Can deduct temporary differences	$ 148,468	$ 137,842

E. The Company’s income tax returns through 2016 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company’s applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has accessed the impact of the change in income tax rate.

(22) Earnings per share

	2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	$ 199,203	195,632	$ 1.02
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 199,203	195,632	
Assumed conversion of all dilutive potential ordinary shares -employees' compensation			
Employee benefit expenses	-	1,411	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 199,203	$ 197,043	$ 1.01

	2017		
	Amount after tax	number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 74,177)	225,910	($ 0.33)

The weighted average number of shares outstanding in 2018, which has been deducted from the number of shares held by the subsidiary company, Yu Chuag Investment (shares) company, which are regarded as treasury shares of the company (the number of shares is calculated according to the shareholding ratio of the company).

The weighted average number of outstanding foreign shares in 2017 has been deducted from the number of shares held by the subsidiary company, Suichang Investment Co., Ltd., which holds shares of the company as treasury shares (the number of shares is calculated based on the shareholding ratio of the company). In addition, due to the loss of the above-mentioned various periods, the employee's compensation has an anti-dilution effect, so the diluted loss per share is equal to the basic loss per share.

(23) Operating leases

The Company leases in land and building assets under non-cancellable operating lease agreements. The lease terms from 2017 to 2034. The Company recognized rental expenses of $14,661 and $14,695 in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
No more than 1 year	$ 13, 521	$ 13, 985
More than 1 year but not more than 5 years	54, 084	55, 939
More than 5 years	60, 083	67, 244
	$ 127, 688	$ 137, 168

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	2018	2017
Acquisition of property, plant and equipment	$ 131,962	$ 156,632
Plus: Equipment payable at the beginning of the period	4,629	4,865
Prepayment equipment at end of the period	131,048	45,828
Less: Equipment payable at the end of the period	(75,620)	(4,629)
Prepaid equipment at the beginning of the period	(45,828)	(79,381)
Cash payment in the current period	$ 146,191	$ 123,315

(25) Changes in liabilities from financing activities

	Short-term borrowings	Deposits received	Total liabilities from financing activities
January 1, 2018	$ -	$ 27	$ 27
Changes in cash flow from financing	591,000	9	591,009
December 31, 2018	$ 591,000	$ 36	$ 591,036

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Miracle Technology CO., LTD.	Subsidiary
Weida Hi-Tech	Subsidiary
Youe Win Capital Corporation	Subsidiary
Youe Chung Capital Corporation	Subsidiary
Innova Vision INC.	Subsidiary
Taiwan Mask Corp. — USA	Subsidiary
MIKO Technology company LTD	Subsidiary
Innova Vision Kabushiki Kaisha	Subsidiary
Maxchip Electronics Corporation	The director of the company is the chairman of the company
MACROBLOCK, INC.	The company's subsidiaries are directors of the company
WishRich Technology Co., Ltd.	The director of the subsidiary of the company is the chairman of the company
Other Related Parties	President

(2) Significant related party transactions

A. Operating revenue:

	2018	2017
Sales of goods:		
Subsidiaries	$ 59,142	$ 21,385
Other related parties	7,730	-
	$ 66,872	$ 21,385

B. Purchases:

	2018	2017
Purchases of goods:		
Subsidiaries	$ 635	$ 3,962

C. Receivables from related parties:

	December 31, 2018	December 31, 2017
Trade receivables:		
Subsidiaries	$ 6,436	$ 15,496
Other related parties	326	-
Total	6,762	15,496
Other receivables:		
Subsidiaries	16,236	16,389
Total	$ 22,998	$ 31,885

D. Loans to /from related parties:

i. Outstanding balance:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 370,490	$ 100,000

ii. Interest income:

	2018	2017
Subsidiaries	$ 6,368	$ 2,995

The conditions for related companies are loans and repayment within one year. Interests are charged at an annual interest rate of 2.616% in 2018 and 2017.

E. Property transactions:

(A) Acquisition of office equipment:

	2018	2017
Other related parties	$ 1,790	$ -

(B) Acquisition of financial assets:

	Accounts	No. of shares	Objects	Year ended December 31, 2018 Consideration
Other Related Parties	Investment which is adopting equity method	141,103	Shares of Weida Hi-Tech	$ 1,646

The year ended December 31, 2017:None.

F. Rental income

	2018	2017
Subsidiaries	$ 9,968	$ 12,408

(3)Key management compensation

	2018	2017
Salaries and short-term employee benefits	$ 10,749	$ 6,729
Post-employment benefits	20,886	-
Total	$ 31,635	$ 6,729

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Asset item	Book value December 31, 2018	Book value December 31, 2017	Purpose
Time deposits(Financial assets at amortised cost-Non current)	$ 29,413	$ -	Outbound cargo guarantee and lease deposit
Time deposits(Other non-current assets)	-	45,409	Outbound cargo guarantee and lease deposit
Land and buildings	-	264,613	Long-term borrowings
Machinery and equipment	-	30,240	Long-term borrowings
	$ 29,413	$ 340,262	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

Subidiary - Innova Vision International Inc. (IVKK) imported contact lenses in March 2015 contained anti-UV material, which did not match up with the materials disclosed in the certification issued by Japanese government. Japanese government issued an oral order to ask IVKK make announcements on the newspapers about the material unmatched and stopped the selling activities in Japan. IVKK then discussed with its major agents to return the goods and negotiated a "return and change of the goods plan". Some of the agents have already returned the goods one after plan.

(2) Commitments

A. Signed but not yet paid equipment maintenance contracts

	December 31, 2018	December 31, 2017
Machine maintenance	$ 33,765	$ 43,303

B. Operating leases contracts

Please see Note 6(23).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL REPORTING PERIOD

The company's subsidiary, Yu Chuan Investment Co., Ltd. (hereinafter referred to as " Yu Chuan Investment") is a long-term investment. On March 18, 2019, the board of directors of the Yu Chuan Investment decided to participate in the subscription of the private equity of Aptos Technology Co., Ltd. The shares of NT$4 obtained Aptos Technology Co., Ltd. obtained 16,250 shares with a total amount of $65,000.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the separate balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the separate balance sheet plus net debt.

During the year ended December 31, 2018, the Company's strategy, which was unchanged from 2017, was to maintain the gearing ratio within reasonable security range. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total Loans	$ 591,000	$ -
Less:Cash and cash equivalents	(204,750)	(173,577)
Net debt	386,250	(173,577)
Total equity	2,558,494	2,405,630
Total capital	$ 2,944,744	$ 2,232,053
Debts ratio	13.12%	0.00%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 194,099	$ -
Fair value through profit or loss financial assets		
Financial assets at fair value through other comprehensive income		
Available-for-sale financial assets	-	83,331
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	204,750	173,577
Financial assets at amortised cost	54,413	-
Debts investment without active market		
Notes receivable	1,151	1,751
Trade receivables	344,055	257,070
Other receivables	394,442	125,531
Refundable deposits	3,170	2,698
Other financial assets	-	-
	$ 1,196,080	$ 643,958
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 591,000	$ -
Short-term notes and bills payable	-	-
Notes payables	-	-
Trade payables	66,879	49,550
Other payables	231,520	136,175
Lease account payable	7,339	-
Guarantee deposits	36	27
	$ 896,774	$ 185,752

B. Financial risk management policies

(A) The daily operations of the Company are subject to a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk and liquidity risk. The Company's overall risk management policy focuses on unpredictable events in the financial markets and seeks to mitigate potential adverse effects on the Company's financial position and financial performance.

(B) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(A) Market risks

i. Foreign exchange risk

The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018				
					Book value
(Foreign currency: functional currency) Financial assets	Foreign currency amount (In dollars)		Exchange rate		(NTD)
Financial assets					
Monetary items					
USD:NTD	USD	6,037	30.715	$	185,412
JPY:NTD	JPY	66,040	0.2782		18,372
Financial liabilities					
Monetary items					
USD:NTD	USD	2,378	30.715		73,027
JPY:NTD	JPY	113,352	0.2782		31,534

(Foreign currency: functional currency) Financial assets	December 31, 2017 Foreign currency amount		Exchange rate	Book value (NTD)	
Financial assets					
Monetary items					
USD:NTD	USD	5,864	29.76	$	174,502
JPY:NTD	JPY	10,821	0.2642		2,859
Financial liabilities					
Monetary items					
USD:NTD	USD	641	29.76		19,073
JPY:NTD	JPY	110,578	0.2642		29,215

ii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017, amounted to $6,154 and ($10,474).

iii. Analysis of foreign currency risk arising from significant foreign exchange variation:

	2018 Sensitivity Analysis Extent of Variation	Effect on Profit or (Loss)		Effect on Other Comprehensive Income (Loss)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	1,854	$	-
JPY:NTD	1%		184		-
Financial liabilities					
Monetary items					
USD:NTD	1%		(730)		-
JPY:NTD	1%		(315)		-

	2017				
	Sensitivity Analysis				
	Extent of Variation	Effect on Profit or (Loss)		Effect on Other Comprehensive Income (Loss)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	1,745	$	-
JPY:NTD	1%		29		-
Financial liabilities					
Monetary items					
USD:NTD	1%	(	191)		-
JPY:NTD	1%	(	292)		-

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and available-for-sale financial assets.

ii. The Company mainly invests in equity instruments comprised of shares and open-end funds. The value of equity instruments are susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase of 1% in the price of the aforementioned financial assets at fair value through profit or loss while the other conditions remain unchanged could increase the Company's non-operating revenue for the year ended December 31, 2018 and 2017 by $1,941 and $0, respectively. A change of 1% in the price of the aforementioned available-for-sale financial instruments could increase the Company's other comprehensive income for the year ended December 31, 2018 and 2017 by $0 and $833, respectively.

Cash flow and fair value Interest rate risk

i. The Company's main interest rate risk arises from short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2018, the Company's borrowing at variable rate was mainly denominated in New Taiwan dollars.

ii. The Company's borrowings are measured at amortized cost. The borrowings are periodically contractually reprised and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing short term interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $5,910 and $0, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(B) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and fair value through profit or loss.

ii. According to the Company’s credit policy, each operating entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors, and the utilization of credit limits is regularly monitored.

iii. The Company refers to the forecast ability of global economic indicators to adjust the loss rate which is based on historical and current information when assessing the future default possibility of contract assets, accounts receivable and other receivables. The provision matrix as of December 31, 2018 is as follows:

	Expected loss rate	Total book value	Loss allowance
December 31, 2018			
Not past due	0%	$ 262,325	$ -
More than 30 days	0%	70,170	-
Between 31 and 90 days	5%	11,816	591
Between 91 and 180 days	35%	498	174
Between 181 and 360 days	50%	22	11
More than 360 days	100%	-	-
Total		$ 344,831	$ 776

iv. Movement in relation to the Company applying the simplified approach to provide loss allowance for notes and trade receivable is as follows:

	2018	
	Trade receivables	Contract asset
January 1_IAS 39	$ 2,710	$ -
Adjustments under new standards	-	-
January 1_IFRS 9	2,710	-
Provision for impairment (reversal)	(361)	-
Amount that was written off due to uncollectible	(1,573)	-
December 31	$ 776	$ -

(C) Liquidity risks

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the Company treasury. The Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The surplus cash generated by each operating entities of the Company will be gathered back to the Company treasury. The Company treasury then invests surplus cash in demand deposits, time deposits, financial assets at fair value through profit or loss and debt investments in no active market (time deposits with 3-12 months period), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. At the year ended December 31, 2018 and 2017, the Company held financial assets at monetary market of $229,750 and $173,577, respectively. Those are expected to readily generate cash inflows for managing liquidity risk.

iii. Non-derivative financial liabilities:

	December 31, 2018	December 31, 2017
Fixed rate:		
Expiring within one year	$ 249,000	$ -

iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non- derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Over 1 year	Total
December 31, 2018			
Short-term borrowings	$ 591,000	$ -	$ 591,000
Accounts payable	66,879	-	66,879
Other payables	231,520	-	231,520
Lease account payable	2,245	5,094	7,339

	Less than 1 year	Over 1 year	Total
December 31, 2017			
Accounts payable	49,550	-	157,789
Other payables	136,175	-	173,071

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1： Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability, including financial assets available for sale in the Company.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes and trade receivables, other receivables, short-term borrowings, notes and trade payables, and other payables are reasonably approximate to the fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss Equity securities	176,669	-	17,430	194,099
Total	$ 176,669	$ -	$ 17,430	$ 194,099

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 53,331	$ -	$ 30,000	$ 83,331
Total	$ 53,331	$ -	$ 30,000	$ 83,331

D. The methods and assumptions the Company used to measure fair value are as follows:

(A) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed and OTC stocks	Open-end fund
Market quoted price	Closing price	Net asset value

(B) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the financial reporting date.

(C) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheets. The pricing and inputs information used during valuation are carefully assessed and adjusted based on current market conditions.

(D) The Company adjusted credit risks assessment into fair value calculation of financial and non-financial instruments to reflect the credit risk of counterparty and quality of the Company.

E. There was no transfer into or out between Level 1 and Level 2 for the year ended December 31, 2018 and 2017.

F. The following chart is the movement of Level 3 for the year ended December 31, 2018 and 2017:

	Equity securities
January 1, 2018	$ 30,000
The invested company reduces the capital	(16,026)
Disposal of investment	(12)
Recognized in profit (loss)	(267)
Reversal of impairment	3,735
December 31, 2018	$ 17,430

	Equity securities
January 1, 2017	$ 55,185
The investment capital is refunded in this period	(14,080)
Recognized in profit (loss)	2,446
Provision for impairment	(13,551)
December 31, 2017	$ 30,000

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

December 31, 2018

	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-Derivative equity instruments：					
Unlisted and non-OTC	$ 17,430	Net asset value	Net asset value	-	The higher the net asset value,

December 31, 2017

	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-Derivative equity instruments：					
Unlisted and non-OTC	$ 30,000	Net asset value	Net asset value	-	The higher the net asset value,

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in a different outcome. For financial assets and liabilities classified as Level 3, if the factors of assessment changed, then the impact to income or other comprehensive income is:

			December 31, 2018			
			Recognized in profit or loss		recognized in other comprehensive profit or loss	
	Inputs	Movement	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial asset						
Equity instruments	Net asset value	± 1%	$ 174	$ (174)	$ -	$ -

			December 31, 2017			
			Recognized in profit or loss		recognized in other comprehensive profit or loss	
	Inputs	Movement	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial asset						
Equity instruments	Net asset value	± 1%	$ -	$ -	$ 300	$ (300)

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017

(A) Financial assets at fair value through profit or loss

i. Financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

iii. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently premeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(B) Available for sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

iii. They are initially recognized at fair value plus transaction costs. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(C) Loans and receivables

i. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

ii. Investment in debt instrument without active market

Investments in debt instrument without active market held by the Company are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(D) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more even that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Company uses to determine whether there is objective evidence of impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Company, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset directly.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017,IAS 39, to January 1, IFRS 9, were as follows:

		Available-for-sale—equity	Held-to-maturity				Effects	
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income - equity	Amortized cost	Investments in Debt Securities with No Active Market	Other Non-Current Assets	Total	Unappropriated retained earnings	Other equity
IAS39	$ -	$ 83,331	$ -	$ -	$ 93,935	$ 177,266	$ 539,080	$ 11,207
Transferred into and measured at fair value through profit or loss	83,331	(83,331)	-	-	-	-	3,756	(3,756)
Transferred into and amortized cost	-	-	45,409	-	(45,409)	-	-	-
IFRS9	$ 83,331	$ -	$ 45,409	$ -	$ 48,526	$ 177,266	$ 542,836	$ 7,451

Under IAS 39, because the cash flows of debt instruments, which were classified as: available for-sale financial assets and other non-current assets, amounting to $83,331and $45,409, respectively, do not meet the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at fair value through profit or loss" amounting to $83,331 and "financial assets at amortized cost" amounting to $45,409. Increased retained earnings and reduced other equity interest in the amounts of $3,756 and $3,756 on initial application of IFRS 9.

C. The significant accounts as for the year ended December 31, 2017, are as follows:

(A) Financial assets at fair value through profit or loss

Item	December 31, 2017
Current items：	
Financial assets held for trading	
Beneficiary certificate	$ -
Financial assets held for trading	
Valuation adjustment	-
Total	$ -

i. The Company recognised net profit amounting to $1,139 on financial assets held for trading for the year ended December 31, 2017.

ii. No financial assets at fair value through profit or loss held by the Company were pledged to others.

(B) Available-for-sale financial assets

Item	December 31, 2017
Non-current items：	
Listed and OTC stocks	$ 46,942
Unlisted and non-OTC stocks	52,067
Valuation Adjustment On Available-for-Sale Financial Assets	6,389
Accumulated Impairment - Available-for-Sale Financial Assets	(22,067)
Total	$ 83,331

i. The Company recognized $45,057 in other comprehensive income for fair value change for the year ended December 31, 2017.

ii. The Company recognized accumulated impairment loss of $22,067 on bond investments—as of December 31, 2107.

iii. As of December 31, 2017, no available-for-sale financial assets held by the Company were pledged to others.

D. Credit risk information for the year ended December 31, 2017:

(A) Credit risk refers to the risk of financial loss to the Company arising from default by the client or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

(B) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(C) The credit quality information of financial assets that are neither past due nor impaired is as follows：

		December 31, 2017
Group 1	$	147,719
Group 2		38,135
	$	185,854

Group 1：Domestic customers.

Group 2：Foreign customers.

(D) The ageing analysis of financial assets that were past due but not impaired is as follows:

		December 31, 2017
Up to 30 days	$	51,838
31 to 90 days		19,159
91 to 180 days		195
Over 180 days		24
	$	71,216

(E) Movements in the provision for impairment of accounts receivable for the year ended December 31, 2017:

	2017		
	Individual provision	Group provision	Total
At January 1	$ 1,573	$ -	$ 1,573
Provision for impairment	-	1,137	1,137
At December 31	$ 1,573	$ 1,137	$ 2,710

(5)Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017:

Sales of goods

The Company manufactures and sells mask products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company’s activities. Revenue arising from the sales of goods is recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

	2017
Operating Revenue	$ 1,427,073

A. C. The effects and description of current balance sheet and comprehensive income statement if the Company continues adopting the above accounting policies for the year ended December 31, 2018 are as follows:

		December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from chages in accounting policy
Contract liabilities	(1)	21,857	-	21,857
Advance sales receipts	(1)	-	21,857	(21,857)

Note (1): Recognize contract liabilities related to sales contracts in accordance with IFRS 15, expressed as advance receipts under the original accounting policy.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company’s paid-in capital: Please refer to table3.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

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

G. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: None.

H. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Intercompany relationships and significant intercompany transactions: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 5.

(3) Information on investments in Mainland China

Please refer to table 6.

14. SEGMENT INFORMATION

Not applicable.

TAIWAN MASK CORPORATION

FINANCINGS PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 1

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing	Transaction Amounts	Reason for Financing	Loss Ending Balance	Collateral Item	Collateral Value	Financing Limits for Each Borrowing	Financing Company's Total Financing	Note
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	Other receivable	Y	$ 200,000	$ 200,000	$ 65,780	-	The need for short-term financing	$ -	-	$ -	-	$ -	$ 1,023,398	$ 1,023,398	1
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	Other receivable	Y	300,000	300,000	138,000	-	The need for short-term financing	-	-	-	-	-	1,023,398	1,023,398	1
0	TAIWAN MASK CORPORATION	Innova Vision INC.	Other receivable	Y	200,000	200,000	160,000	-	The need for short-term financing	-	-	-	-	-	1,023,398	1,023,398	1
1	Innova Vision INC.	Innova Vision Shenzen	Other receivable	Y	-	-	8,281	-	The need for short-term financing	465	-	-	-	-	20,327	20,327	2
1	Innova Vision INC.	Innova Technology Company	Other receivable	Y	-	-	16,990	-	The need for short-term financing	35,256	-	-	-	-	16,261	16,261	2
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	Other receivable	Y	-	-	56,171	-	The need for short-term financing	18,726	-	-	-	-	20,327	20,327	2

TAIWAN MASK CORPORATION

MARKETABLE SECURITIES HELD
(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

FOR THE YEAR ENDED DECEMBER 31, 2018

Table2

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	DECEMBER 31, 2018				Note
				Shares	Carrying Value	%	Fair Value	
TAIWAN MASK CORPORATION	Wk Technology Fund-Common Stock	None	Financial assets at fair value through profit or loss - non-current	$ 806,400	$ -	1.89%	$ -	
TAIWAN MASK CORPORATION	Tech Alliance Corp.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	652,129	-	2.07%	-	
TAIWAN MASK CORPORATION	Furun Investment Co., Ltd.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	1,743,000	17,430	10.53%	17,430	
TAIWAN MASK CORPORATION	Unicon Optical Co., Ltd.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	10,000,000	117,600	2.06%	117,600	
TAIWAN MASK CORPORATION	Spirox Corporation-Common Stock	None	Financial assets at fair value through profit or loss - non-current	2,229,000	59,069	2.06%	59,069	
SunnyLake Park International Holdings,Inc.	MechanicNet Group,Inc.-Preferred Stock	None	Financial assets at fair value through profit or loss - non-current	759,999	-	特别股	-	
SunnyLake Park International Holdings,Inc.	MechanicNet Group,Inc.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	166,666	-	3.74%	-	
SunnyLake Park International Holdings,Inc.	Telegraph Hill Partners II,L.P.-Fund	None	Financial assets at fair value through profit or loss - non-current	-	-	1.74%	-	
SunnyLake Park International Holdings,Inc.	Telegraph Hill Partners III,L.P.-Fund	None	Financial assets at fair value through profit or loss - non-current	-	USD 2,759,169	0.85%	USD 2,759,169	
Youe Chung Capital Corporation	Orgchem Technologies, INC.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	1,453,288	19,074	2.66%	19,074	
Youe Chung Capital Corporation	Spirox Corporation-Common Stock	None	Financial assets at fair value through profit or loss - non-current	3,421,000	90,656	3.31%	90,656	
Youe Chung Capital Corporation	Macroblock, INC.-Common Stock	The company is a director of the company	Financial assets at fair value through profit or loss - non-current	3,647,609	330,838	9.12%	330,838	
Youe Chung Capital Corporation	Aptos Technology-Common Stock	None	Financial assets at fair value through profit or loss - non-current	4,964,216	12,411	8.74%	12,411	
Youe Chung Capital Corporation	TAIWAN MASK CORPORATION-Common Stock	Subsidiary	Financial assets at fair value through profit or loss - non-current	37,081,440	680,444	14.67%	680,444	

TAIWAN MASK CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2018

Table3

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name (Note 1)	Financial Statement Account	Counter -party (Note 2)	Nature of Relationship (Note 2)	Beginning Balance		Acquisition (Note 3 and 4)		Disposal (Note 3)				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount (Note 5)
Youe Chung Capital Corporation	Macroblock, INC- Stock	Financial assets at fair value through profit or loss - non-current	-	-	-	$ -	3,647,609	$ 305,669	-	$ -	$ -	$ -	3,647,609	$ 330,838

Note1: The securities referred to in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above projects.

Note2: Investors using the equity method in the securities account must fill in the two columns.

Note3: The cumulative purchase and sale amount should be calculated separately according to the market price to reach NT$300 million or 20% of the paid-up capital.

Note4: The acquisition in this period include the purchase of 3,500,000 shares and 147,609 shares of stock dividends.

TAIWAN MASK CORPORATION

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

Table4

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions: Financial Statements Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	TAIWAN MASK CORPORATION	Innova Vision INC.	1	Other receivables	$ 182,946	Pay by agreed time	4.73%
0	TAIWAN MASK CORPORATION	Innova Vision INC.	1	Interest income	3,181	Pay by agreed time	0.11%
0	TAIWAN MASK CORPORATION	Innova Vision INC.	1	Rental income	8,618	Pay by agreed time	0.30%
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Other receivables	138,000	Pay by agreed time	3.57%
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Interest income	2,282	Pay by agreed time	0.08%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Other receivables	65,780	Pay by agreed time	1.70%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Sales	7,863	Month-end 60 days	0.27%
0	TAIWAN MASK CORPORATION	Miko Technology co., Ltd.	1	Sales	49,321	Month-end 60 days	1.71%
1	Innova Vision INC.	Miko Technology co., Ltd.	3	Trade receivables	5,810	Month-end 60 days	0.15%
1	Innova Vision INC.	Innova Technology Company	3	Sales	33,388	Month-end 90 days	1.16%
1	Innova Vision INC.	Innova Technology Company	3	Trade receivables	22,570	Month-end 90 days	0.58%
1	Innova Vision INC.	Innova Technology Company	3	Other receivables	16,990	Pay by agreed time	0.44%
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Sales	18,978	Month-end 30 days	0.66%
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Trade receivables	3,160	Month-end 30 days	0.08%
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Other receivables	56,171	Pay by agreed time	1.45%
1	Innova Vision INC.	Innova Vision Shenzen	3	Other receivables	8,281	Pay by agreed time	0.21%
2	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Sales	3,120	Month-end 30 days	0.11%
2	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Other payables	43,218	Pay by agreed time	1.12%
3	Miko Technology co., Ltd.	Miracle International Enterprise(ShanHai) Co., Ltd.	3	Sales	62,158	Month-end 30 days	2.15%
3	Miko Technology co., Ltd.	Miracle International Enterprise(ShanHai) Co., Ltd.	3	Trade receivables	18,671	Month-end 30 days	0.48%

Note 1: TAIWAN MASK CORPORATION and its subsidiaries are coded as follows:

a. TAIWAN MASK CORPORATION is coded 0.

b.The subsidiaries are coded consecutively beginning from 1 in the order presented in the table above.

Note 2: Transactions are categorized as follows:

a. The parent company to subsidiary.

b. Subsidiary to parent company.

c. Subsidiary to subsidiary.

Note 3: The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of assets and liabilities, the ending balance is calculated as the total assets. If it is a profit or loss item, the accumulated amount in the period accounts for the total combined revenue.

Note 4: The price of the sales (purchase) is 85%~95% of the general sales price of the parent company, and the actual collection days are 30 to 90 days.

Note 5: Only transactions with a total amount of NT$1 million or more will be disclosed, and the transaction will not be disclosed separately.

TAIWAN MASK CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2018

Table5

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount December 31, 2018	Original Investment Amount December 31, 2017	Balance as of December 31, 2018 Shares	Balance as of December 31, 2018 Percentage of Ownership	Balance as of December 31, 2018 Carrying Value	Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
Taiwan Mask Corporation	SunnyLake Park International Holdings, Inc.	British Virgin Islands	Investing in communication business	203,026	191,183	6,344,000	100	84,774	(65)	(65)	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Taiwan	Investing in communication business	1,697,627	300,000	142,329,470	100	413,877	(325,699)	(43,736)	
Taiwan Mask Corporation	Innova Vision INC.	Taiwan	Medical device manufacturing, wholesale and trading	52,040	190,706	5,203,956	30.26	12,301	(130,110)	(39,368)	
Taiwan Mask Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, research and development, manufacturing	165,691	98,700	12,549,652	28.48	98,808	(111,323)	(32,924)	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Taiwan	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	252,651	252,651	10,527,143	100	313,715	56,132	61,787	
Taiwan Mask Corporation	Weida Hi-Tech	Taiwan	Research, design, development, manufacturing and sales of display panel control chips and modules	293,371	-	25,510,500	100	233,623	(40,964)	(21,495)	
Youe Chung Capital Corporation	Innova Vision INC.	Taiwan	Medical device manufacturing, wholesale and trading	55,146	50,785	5,514,596	32.06	13,035	(130,110)	(36,520)	
Youe Chung Capital Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, research and development, manufacturing	65,719	30,000	3,550,223	9.85	27,952	(111,323)	(7,432)	
Innova Vision INC.	Innova Technology Company	Taiwan	Contact lens sales	5,000	5,000	500,000	100	(35,322)	(9,020)	(9,020)	
Innova Vision INC.	Calaview International Holding Company Limited	Seychelles	Investing in communication business	-	-	1,000,000	100	(7,834)	(2,319)	(2,319)	
Innova Vision INC.	Innova Vision (B.V.I.) Inc.	British Virgin Islands	Investing in communication business	60,157	60,157	1,000,000	100	(45,678)	(6,953)	(6,953)	
Innova Vision INC.	Innova Vision Kabushiki Kaisha	Japan	Contact lens sales	8,349	-	600	8.06	(4,662)	(7,161)	(206)	
Innova Vision (B.V.I.) Inc.	Innova Vision Kabushiki Kaisha	Japan	Contact lens sales	56,420	56,420	5,900	90.77	(45,847)	(7,161)	(6,955)	
Miracle Technology CO., LTD.	Jingjing Investment Co., Ltd.	Taiwan	Investing in communication business	10,012	10,012	1,400,000	100	160,700	55,889	55,889	
Miracle Technology CO., LTD.	Miracle(Samoa)Co.,Ltd.	British Virgin Islands	Investing in communication business	10,215	10,215	-	100	20,275	3,094	3,094	
MIRACLE(SAMOA)CO.,LTD	Misun Technology Co., Ltd.	British Virgin Islands	Investing in communication business	10,215	10,215	-	100	20,275	3,094	3,094	
Jingjing Investment Co., Ltd.	Miko Technology Co., Ltd.	Hong Kong	Investing in communication business	37	37	10,000	100	64,863	28,115	28,115	
Weida Hi-Tech	Smart Touch Co.,Ltd.	British Virgin Islands	Investing in communication business	14,602	15,847	4,573	100	3	(1,842)	(1,842)	
Weida Hi-Tech	Central Star Ltd.	Seychelles	Investing in communication business	4,076	7,657	129,200	22.3	-	(1,023)	(228)	
Smart Touch Co.,Ltd.	Central Star Ltd.	British Virgin Islands	Investing in communication business	13,714	13,714	450,000	77.7	1	(1,023)	(795)	

TAIWAN MASK CORPORATION
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

Table6

(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Balance of Accumulated Outflow of Investment	Investment Flows Outflow	Investment Flows Inflow	Balance Accumulated Outflow of Investment	Net Income (Loss) of the Investee Company	Percentage of Ownership (%)	Income (Loss) Recognized in Current Period (Note 2)	Carrying Amount as of December 31, 2018	Balance of Accumulated Inward Remittance of	Note
Miko-China Enterprise (Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power	$ 3,283	2	$ 3,283	$ -	$ -	$ 3,283	$ 27,480	100%	$ 27,480	$ 109,719	$ -	註2(2)B
Miracle International Enterprise(ShanHai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power	10,215	2	10,215	-	-	10,215	3,094	100%	3,094	20,275	-	註2(2)B
Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	11,618	2	-	-	-	-	(5,054)	100%	(2,967)	25,380	-	註2(2)B
Innova Vision Shenzen	Medical device manufacturing, wholesale and tradin	4,337	2	-	-	-	-	(2,319)	100%	(2,319)	(7,860)	-	註2(2)B
Touch Hi-Tech	Research, design, development, manufacturing and sales of display	5,743	2	4,109	1,634	-	5,743	(8,079)	100%	(5,215)	2,045	-	註2(2)B

Company Name	Ending Balance of Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
Miko-China Enterprise (Shanghai) Co., Ltd.	$ 3,283	$ 3,283	$ 166,564
Miracle International Enterprise(ShanHai) Co., Ltd.	10,215	10,215	166,564
Sichuan Miracle Power Technology Co., Ltd.	-	-	166,564
Innova Vision Shenzen	-	4,337	24,392
Touch Hi-Tech	5,743	5,743	100,027

Note 1：The methods for engaging in investment in Mainland China include the following:

a. Direct investment in Mainland China.

b. Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).

c. Other methods.

Note 2：The investment income (loss) recognized in current period:Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

The investment income (loss) were determined based on the following basis:

a. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.

b. The financial statements was audited and certificated by independent auditors of the parent company in Taiwan.

c. Others.

Note 3: The relevant figures in this table should be listed in NTD.

TAIWAN MASK CORPORATION
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018

STATEMENT 1

In Thousands of New Taiwan Dollars

Item	Description	Amount	
Cash in Bank			
Cash in banks -NTD		$	106,206
-Foreign Currency	USD 1,791,309.32 @30.715		55,020
	JPY 66,040,341 @0.2782		18,372
	SGD 15,640.03 @22.48		352
Time deposits - NTD			24,800
		$	204,750

TAIWAN MASK CORPORATION
STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2018

STATEMENT 2

In Thousands of New Taiwan Dollars

Client Name	Description	Amount	Remark
Client			
Vanguard International Semiconductor Corporation		$ 29,680	
Michael Page International Co., Ltd.		28,191	
DB HiTeK Co., Ltd		23,725	
SYNIC SOLUTION CO. LTD		17,299	
Other		239,174	The amount of individual client included in others does not exceed 5% of the account balance.
		338,069	The accounts receivable past due over one year amounted to NT$0
Less: Allowance for doubtful accounts		(776)	
		$ 337,293	
Related Parties			
Miko Technology Co., Ltd.		$ 5,810	
Miracle Technology Corp.		625	
Others		327	The amount of individual client included in others does not exceed 5% of the account balance.
		6,762	The accounts receivable past due over one year amounted to NT$0
Less: Allowance for doubtful accounts		-	
		$ 6,762	

TAIWAN MASK CORPORATION
STATEMENT OF INVENTORIES
DECEMBER 31, 2018

STATEMENT 3

In Thousands of New Taiwan Dollars

Item	Description	Amount Cost	Amount Value	Remark
Raw materials		$ 99,364	$ 99,137	Net Realizable Value
Work in process		10,608	10,301	Net Realizable Value
Finished goods		23,318	44,942	Net Realizable Value
		133,290	$ 154,380	
Less:Allowance for valuation loss		(4,966)		
		$ 128,324		

TAIWAN MASK CORPORATION
STATEMENT OF FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT 4 In Thousands of New Taiwan Dollars

	Beginning Balance		Acquisition		Disposal		Ending Balance		
Name	Shares/Units	Carrying Value	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Carrying Value	Collateral
Wk Technology Fund-Common Stock	1,152,000	$ -	-	$ -	(345,600)	$ -	806,400	$ -	None
Tech Alliance Corp.-Common Stock	652,129	-	-	-	-	-	652,129	-	None
ZOWIE Technology Corporation-Common Stock	7,660	-	-	-	(7,660)	-	-	-	None
Silicongear Corporation-Common Stock	711	-	-	-	(711)	-	-	-	None
Furun Investment Co., Ltd.-Common Stock	3,000,000	30,000	-	-	(1,257,000)	(12,570)	1,743,000	17,430	None
Spirox Corporation-Common Stock	2,129,000	53,331	100,000	5,738	-	-	2,229,000	59,069	None
Unicon Optical Co., Ltd.-Common Stock	-	-	10,000,000	150,000	-	(32,400)	10,000,000	117,600	None
Total		$ 83,331		$ 155,738		($ 44,970)		$ 194,099	

TAIWAN MASK CORPORATION
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT 5

In Thousands of New Taiwan Dollars

	Beginning Balance		Acquisition		Disposal		Ending Balance			Carrying Value			
Name	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Percentage of Ownership	Amount	Unit Price	Amount	Collateral	Note
Taiwan Mask Corp.-USA	5,000,000	($ 502)	3,283,666	$ 9,712,924	8,283,666	($ 9,712,422)	-	0%	$ -	$ -	$ -	None	
SunnyLake Park International Holdings, Inc.	5,960,000	70,774	384,000	14,065	-	(65)	6,344,000	100%	84,774	-	-	None	
Youe Win Capital Corporation	4,000,000	212,600	-	-	4,000,000	(212,600)	-	0%	-	-	-	None	
Youe Chung Capital Corporation	30,000,000	255,246	112,329,470	203,406	-	(44,775)	142,329,470	100%	413,877	-	-	None	
Innova Vision INC.	14,525,401	53,968	-	196	9,321,445	(41,863)	5,203,956	30.26%	12,301	-	-	None	
Advagene Biopharma Co., Ltd.	9,870,000	66,397	2,679,652	68,965	-	(36,554)	12,549,652	28.48%	98,808	-	-	None	
Miracle Technology CO., LTD.	10,527,143	255,996	-	61,814	-	(4,095)	10,527,143	100%	313,715	-	-	None	
Weida Hi-Tech	-	-	25,510,500	294,438	-	(60,815)	25,510,500	100%	233,623	-	-	None	
Total		$ 914,479		$ 10,355,808		($ 10,113,189)			$ 1,157,098				

TAIWAN MASK CORPORATION
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT 6

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Acquisition	Disposal	Transferred	Ending Balance	Collateral	Note
Buildings (Land)	$ 1,439,964	$ 42,394	$ -	$ 586	$ 1,482,944	None	
Machinery and equipment	1,882,717	73,002	-	-	1,955,719	None	
Transportation	8,092	3,634	-	-	11,726	None	
Office Equipment	11,707	7,665	-	-	19,372	None	
Construction in progress and equipment under installation	10,666	5,266	-	(586)	15,346	None	
	$ 3,353,146	$ 131,961	$ -	$ -	$ 3,485,107		

TAIWAN MASK CORPORATION

STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT 7

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Acquisition	Disposal	Transferred	Ending Balance	Note
Buildings	$ 960,474	$ 37,479	$ -	$ -	$ 997,953	
Machinery and equipment	1,546,637	72,986	-	-	1,619,623	
Transportation	608	3,569	-	-	4,177	
Office Equipment	4,720	3,501	-	-	8,221	
	$ 2,512,439	$ 117,535	$ -	$ -	$ 2,629,974	

TAIWAN MASK CORPORATION
STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT 8

In Thousands of New Taiwan Dollars

Item	Quantity	Amount	Note
Mask	43,381	$ 1,448,393	

TAIWAN MASK CORPORATION
STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT 9 In Thousands of New Taiwan Dollars

Item	Amount	Note
Raw materials used		
Balance, beginning of year	$ 90,712	
Raw material purchased	418,216	
Raw materials, end of year	(99,364)	
Less: transferred to expense	(16,369)	
Subtotal	393,195	
Direct labor	78,693	
Manufacturing expenses	511,669	
Manufacturing cost	983,557	
Work in process, beginning of year	7,565	
Work in process, end of yea	(10,608)	
Cost of finished goods	980,514	
Finished goods, beginning of year	30,560	
Finished goods, end of year	(23,318)	
Subtotal	987,756	
Other cost of revenue Reversal for inventory valuation and obsolescence loss	(10,591)	
Total	$ 977,165	

TAIWAN MASK CORPORATION
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT 10

In Thousands of New Taiwan Dollars

Item	Summary	Amount	Note
Contract Maintenance fee		$ 219,834	
Depreciation		110,116	
Water and Electricity costs		55,576	
Repair and Maintenance fee		20,885	
Other		105,258	The amount of each item in others does not exceed 5% of the account balance.
		$ 511,669	

TAIWAN MASK CORPORATION
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT 11 In Thousands of New Taiwan Dollars

Item	Summary	Amount	Note
Export customs declaration fee		$ 12,610	
Payroll and related expense		11,102	
Freight		8,816	
Water and electricity costs		3,970	
Other		5,739	The amount of each item in others does not exceed 5% of the account balance.
		$ 42,237	

TAIWAN MASK CORPORATION
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT 12 | In Thousands of New Taiwan Dollars

Item	Summary	Amount	Note
Payroll and related expense		$ 29,723	
Water and electricity costs		7,659	
Professional service fees		5,807	
Depreciation		5,474	
Other		16,152	The amount of each item in others does not exceed 5% of the account balance.
		$ 64,815	

TAIWAN MASK CORPORATION
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT 13 In Thousands of New Taiwan Dollars

Item	Summary	Amount	Note
Payroll and related expense		$ 25,096	
Repair and Maintenance fee		22,325	
Research experiment fee		14,951	
Water and electricity costs		5,074	
Other		9,528	The amount of each item in others does not exceed 5% of the account balance.
		$ 76,974	

TAIWAN MASK CORPORATION
STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENT 14

In Thousands of New Taiwan Dollars

Function	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employee Welfare Costs						
Salary and Bonus	$ 108,723	$ 64,237	$ 172,960	$ 68,833	$ 45,175	$ 114,008
Labor and Health Insurance	9,246	3,495	12,741	8,332	3,596	11,928
Pension	4,726	2,194	6,920	3,564	2,682	6,246
Board Compensation	-	5,108	5,108	-	-	-
Others	5,588	1,627	7,215	4,283	1,792	6,075
Depreciation	110,116	7,419	117,535	104,843	17,538	122,381
Amortization	150	747	897	210	987	1,197

Note: As of December 31, 2018 and 2017, the Company had 236 and 199 employees, respectively. There were 7 non-employee directors for both years.

6. Financial difficulties encountered by the Company and/or its affiliates in the recent yearand as of the publication date of the annual report： None.

VII. Review of financial position, financial performance and risk management

1. Financial Position

(1) Comparison of financial position analysis

Unit：NTD$ thousand

Year / Item	2017	2018	Increase (decrease)	
			Amount	%
Current Assets	1,623,242	1,734,383	111,141	6.85
Fixed Assets	989,220	966,563	(22,657)	(2.29)
Other Assets	497,687	1,163,372	665,685	133.76
Total Assets	3,110,149	3,864,318	754,169	24.25
Current Liabilities	556,083	1,238,297	682,214	122.68
Non-Current Liabilities	74,926	52,210	(22,716)	(30.32)
Total Liabilities	631,009	1,290,507	659,498	104.51
Capital	2,527,136	2,527,136	0	0
Paid-in Capital	212,948	169,431	(43,517)	(20.44)
Retained Earnings	539,080	738,815	199,735	37.05
Other Equity	11,207	7,853	(3,354)	(29.93)
Treasury Stock	(884,741)	(884,741)	0	0
Non-Controlling Equity	73,510	15,317	(58,193)	(79.16)
Total Equity	2,479,140	2,573,811	94,671	3.82

(2) Aanlysis of financial ratio changes

A. Other assets increased 133.76%：Subsidiary of Youe Chung Capital Corporation's investment listed stocks more then previous period; it is due to the higher value of financial assets through profit or loss measure of fair value.

B. Total assets increased by 24.25%：This was due to the increase in assets after the merger of subsidiaries.

C. The increase in current liabilities by 122.68% was due to the adjustment of the operational physique and the increase in short-term borrowings to enrich working capital.

D. Non-current liabilities decreased by 30.32% due to financial planning considerations and early settlement of long-term borrowings.

E. Total liabilities increased 104.51 %, Taiwan Mask Corporation increase short-term borrowings and liabilities due to the increase Weida Hi-Tech in the consolidated financial statements.

F. Paid-in Capital to reduce 20.44%, this year is recognized to reduce the number of changes in ownership interest in subsidiaries due.

G. Retained earnings increased by 37.05%, due to the Company's active increase in production capacity, the net profit for the period was a surplus, so the retained earnings increased.

H. Other equity reduction 29.93%, was due to reduce other equity 3,756 (thousand) with IFRS9 caused.

I. The Group's non -controlling interests decreased by 79.16%, although the Group's shareholdings in the non-controlling interests of the Group were held unchanged, the Group's non-controlling interests decreased due to subsidiaries continued to lose losses.

2. Financial Performance

(1) Comparison of financial performance analysis

Unit：NTD$ thousand

Item \ Year	2017	2018	Increase (decrease)	Changes（%）
Sales Revenue	1,427,073	2,885,982	1,458,909	102.23
Cost of Goods Sold	1,183,400	2,256,974	1,073,574	90.72
Gross Margin	243,673	629,008	385,335	158.14
Operation Expense	251,577	369,472	117,895	46.86
Operation Income	(7,904)	259,536	267,440	3,383.60
Non-Operation Income and Loss	(57,365)	(55,890)	(1,475)	2.57
Net Income from continued operation	(88,553)	145,820	234,373	264.67
Net other comprehensive income or loss	293,804	1,299	(292,505)	(99.56)
Total comprehensive income	205,251	147,119	(58,132)	(28.32)

(2) Analysis of the increase (decrease) of ratio changes

A. Sales Revenue increased by 102.23% and Cost of Goods Sold increased by 90.72% , which was due to the increase in production capacity of Taiwan Mask Corporation and the increase in efficiency after the merger of Miracle Technology CO., LTD. and Weida Hi-Tech.

B. Gross Margin increased by 158.14% , mainly due to the continuous improvement of production efficiency and the increase of gross profit margin.

C. Operating expenses increased by 46.86%, mainly due to the increase in expenses after the merger of Miracle Technology CO., LTD. and Weida Hi-Tech.

D. Operation Income increased by 3,383.60%, mainly due to the continuous improvement of production efficiency and gross profit of the Company, resulting in a decrease in operating losses.

E. Net Income from continued operation increased by 264.67% in this year. The main reason was that the Company continued to improve production efficiency, and the gross profit margin and gross profit increased, resulting in an increase in net profit.

F. Net other comprehensive income or loss decreased by 99.56% in the current period. The main reason was that unrealized valuation profit or loss of available for sale financial assets was recognized in other comprehensive interests in 2017. After the adoption of the new new standards, interpretations and amendments in 2018, the evaluation of profit and loss was recognized into non-operating income and expenses.

G. The total comprehensive income of the current period decreased by 28.32%, reason please refers to

(3) The expected sales volume and its basis, the possible impact on the company's future financial business and the response plan

In order to the trend of high-end IC process technology in the future, the mature technology equipment owned by the company is not enough to meet the needs of IC design companies. Therefore, it is planned to purchase high-end technology mask equipment to meet customers' demand, and improve the overall competitiveness of the company, it is estimated that the number of mask sales in the year of 2019 is expected to increase by 12% compared with the 2018. The company will also reduce costs and expenses, and continue to develop and upgrade technology to improve operations and increase profitability.

3. Analysis of cash flows

(1) Analysis of cash flow changes in recent 2 years

Item \ Year	2017	2018	Changes %
Cash flow ratio	107.31	(12.88)	(112.00%)
Cash flow adequacy ratio	190.86	115.66	(39.440%)
Cash reinvestment ratio	11.11	(3.34)	(130.06%)

(2) Ananlysis of the ration changes

A. Cash flow ratio：The main reason is the cash inflow from business activities in 2018 is lower than in 2017.

B. Cash flow adequacy ratio：The main reason is the decrease in net cash inflow from business activities in 2018.

C. Cash reinvestment ratio：The main reason is that the cash inflow from business activities in 2018 is lower than in 2017.

(3) Improvement plan for insufficient liquidity

The Group does not have insufficient liquidity and does not apply.

(4) Liquidity analysis for the coming year

Unit：NTD$ thousand

Beginning Cash Balance(1)	Expeceted net cash flow from operating activities(2)	Expeceted net cash flow from investment and financing activities (3)	Expected residual (deficit) cash balance (1)+(2)+(3)	Corrective Actions	
				Investment Plan	Financing Plan
563,408	500,000	(200,000)	863,408	-	-

A. Operating activities：The estimated cash generated sales of plus depreciation and non-cash outflow of and so on.

B. Investment activities：Due to the expected purchase of equipment, investment activities will have a net cash outflow situation.

4. Impact of major capital expenditures on finance and business

(1) Fund source and implementation plan of major capital expenditures

Unit：NTD$ thousand

Item	Actual or estimated fund source	Actual implementation	
		2017	2018
1、Exposure equipment 2、Inspection equipment 3、Measuring equipment 4、Process equipment 5、Repair equipment 6、Environmental equipment	Operating income	150,511	205,618

(2) Expected benefit

A. Estimated increased production/selling quantity, amount and gross margin

Unit：pcs；NTD$ thousand

Year	Item	Unit	Production	Selling	Sales Amount	Gross Margin
2020	Mask	PCS	10,500	10,500	348,050	104,400
2021	Mask	PCS	12,000	12,000	406,550	121,900

B. Other benefit

(A) Continuous investment and development of large-size and special mask, increase market share and improve the yield rate, and the other with the industrial development, the development of more subtle process technology needed to support the development of the IC industry.

(B) In the sub-micron required mask, the need for more sophisticated equipment, the purchased equipment can be tested for even smaller defects, to provide better quality mask for downstream fabs, thereby improving the good wafer manufacturing rate.

(C) Since the establishment of the company, the environmental protection has been ranked as the first priority. The environmental equipment use the most advanced wastewater treatment equipment in the world, and the wastewater and exhaust emissions are within the standard.

5. Policies, reasons for gain or loss and action plan in regard to investment plans in current year and the next year

Taiwan Mask Corporation transferred the investment is a strategic investment. The investment loss recognized by the equity method in 2018 consolidated financial statements was NTD$ 43,946. In the future, Taiwan Mask Corporation will continue to carefully evaluate the transfer investment plan.

6. Risk management

(1) The impact to net income of interest rate, exchange rate and inflation rate in recent years and future correspondence.

Item	Impact on company profit and loss	Future active
Interest rate change	Interest expense NTD$4,508thousand in 2018. NTD$3,091thousand in 2019 Q1.	The cash generated by the operation, the Company may also use the capital increase or long-term borrowing as a source of funds for the company's operations and purchase of machinery and equipment. The cash held are sufficient to meet the needs of the company's future operations. In the future, interest rate changes will be adjusted the use of cash and hedging policies to reduce the impact on profit and loss.
Exchange rate changes	Profit in exchange rate NTD$12,654 thousand in 2018. NTD$1,909thousand in 2019Q1.	Continuous monitoring of foreign exchange market information, risk-averse strategy, can effectively control the company's profit and loss situation.
Inflation	No effect	The recent inflationary situation in the current year has limited impact on the Company's profit and loss, and continues to pay attention to changes in the domestic and international economic situation.

(2) Investment in high risks, high leverage target; loan to others; endorsement to others; policy for derivatives transactions, the reason of profit or loss and correspondence.

A. High-risk, high-leverage investment, endorsement guarantee and derivative commodity trading in the most recent year and the annual report deadline: None.

B. Money loans and others.

Unit：NTD$ thousand

Loan and object	Relationship	Nature	2018/12/31	2017/03/31
Innova Vision INC.	The company is not 100%owned by the company	Cash flow	200,000	200,000
Youe Chung Capital Corporation	The company is not 100%owned by the company	Cash flow	300,000	300,000
Miracle Technology CO., LTD.	The company is not 100%owned by the company	Cash flow	200,000	200,000

(3) Future research and development plans and expenditures

To maintain the market share and competition power, the Company would move forward to develop advanced technology like 90nm masks. The annual research and development cost for 2018 is NTD$ 113,965 thousand. We will invest in manpower and technology development to penetrate in advanced technology market and keep the leading position in this market.

(4) The impact and correspondence of rules and regulations changes in different countries to finance and business

The company follows national policies and decrees, and relevant units are able to pay attention to important policies and legal changes at any time, and coordinate with the company's internal systems and business activities to ensure smooth operation of the company.

(5) The imact and correspondence of technology and industry changes to finance and business

A. Technology progress in semiconductor industry is unlimited, mask technology moves forward to advanced technology accordingly. The Company will invest in equipment to enlarge our capacity to meet the demand from market. Therefore, the imact of technology and industry changes to finance and business of the Company is quite limited.

B. Security Risk Assessment

(A) Information Security Risk Management Framework

To enhance information security management, the company dedicated to the information security unit ”Information Management Department” management Department and full-time charge of information security governance of the Company, planning, supervision and promotes the implementation, in order to construct a full range of information security defense capabilities and Colleagues have a good sense of information security.

(B) Information security policy and specific management plan

- Establish operational procedures for handling information system management to protect computer and network security, and implement information security management through processes such as strengthening concepts, preventing problems, behavior records, proactive early warning and regular auditing.
- Establishing a management approach to the notification of incidents of security risks, giving relevant personnel the necessary responsibilities to handle information security incidents quickly and effectively.
- Establish a change management notification mechanism for information facilities and systems to avoid loopholes in system security.
- Handle and protect personal information in a prudent manner in accordance with the relevant provisions of the Personal Data Protection Act.
- Establish system backup facilities, regularly perform necessary data, software backup and backup operations, in case of disaster or storage media failure, can quickly return to normal operations. However, there is no guarantee that the computer system will completely avoid third-party attacks by illegal network virus attacks. Serious network attacks may cause system problems to interfere with the company's operations or snoop on confidential information. These attacks may result in the company being compensated for the loss of the customer due to delays or interruptions, or the need to pay for the reconstruction of system security.

(C) Security risk incident

The company did not find a security risk incident in 2018.

(6) The impact and correspondence of coporate image change to risk management：None.

(7) The expected effect, risk and correspondence of merger

The Company merged Weida Hi-Tech in Aug., 2018 to integrate the supply chain in semiconductor industry. With resource restructuring, the scale of sales revenue is expected to be enlarged.

(8) The expected effect, risk and correspondence of operation plants enlargement：None.

(9) The risk and correspondence of the concentration of sales or procurement：

A. To satisfy the market demand, the supply chain shall maintain a certain degree of flexibility. Several qualified suppliers are kept in our list with stable delivery conditions. The Company will evaluate new supplier periodically and cooperate with all the suppliers to maintain a stable supply chain.

B. The major customers of the Company are all well-known companies with diverse sales revenue in different industries and no concentration risk is involved.

(10) The impact, risk and correspondence of mass change of the ownership from director (incl.independent director) or shareholder holding more than 10%：None.

(11) The impact, risk and correspondence of management team change：None.

(12) The company and the company's directors, general manager, substantive person in charge, shareholder with a shareholding ratio of more than 10% and subordinate company litigation or non-litigation：None.

(13) Other major risk and correspondence：None.

Our philosophy

There is only one earth. Since the establishment of Taiwan Mask Corporation (TMC) in 1988, the company has been adhering to the business philosophy ofprotecting the global environment and pursuing sustainable development, and has always adhered to the principle of environmental protection and economy, continuously strengthening pollution prevention and continuous improvement of energy. We will establish environmental protection policies in four major directions:“energy saving and waste reduction, pollution prevention, compliance with regulations, and continuous improvement”, and implement environmental protection related operations and implementation rules. We have three factories passed the ISO14001 environmental management system and ISO9001 quality management system certification, "Planning - Do - Check - Action" model, combined with the company's internal audit; continue to promote environmental protection business. Taiwan's reticle actively participates in the task of environmental protection, implements the ban on the use of special hazardous chemicals and hazardous substances in electrical and electronic equipment, effectively implements the RoHS Act and REACH_SVHC in enterprises, and regularly commissions SGS for testing and obtains compliance reports.

Environmental policy

A. Nergy saving and waste reduction

Through various systems to keep track of energy consumption situation, adjust parameters or add the drive, eliminating the switching equipment to achieve the effect of energy saving. Each system record established water flow, waste water quality analysis process of each system is supplied back to the process or treated wastewater can be reused recycling of cooling towers, scrubbers use, reducing the amount of replenishment water. Wastes are recycled and reused. If they are incinerated and cannot be recycled and are not suitable for incineration, they will be disposed of by landfill .Promote the classification of garbage collection, improve the recycling rate of resources, and improve the environmental protection concept of employees through education training and company system. The office promotes paperless operations and replaces them with electronic sign-off systems. It requires double-sided printing on paper materials to reduce paper usage.

Water saving (2018)

TOMCO equipment DI water recycling project can recover about 72.58T water resources per day, saving about NTD$476 thousand per year.

Power saving (2018)

The clean room air conditioning pressure difference deployment and the closing of some air conditioners can save about 810,300 KW per year.

B. Pollution prevention

In order to avoid polluting the environment, effective precautions are taken to prevent wastes and harmful substances generated by raw materials orprocesses from leaking into the surrounding environment without treatment, resulting in environmental pollution.

Leak detection equipment set up reconnaissance, early detection to avoid the spread of contamination, affecting personnel, equipment, and the environment of safety.

Maintenance and improvement of control equipment, it is the operation of the wastewater generated by the process, waste gas, waste to be able to properly handle, each control equipment operating parameters are important and central monitoring system to connect real-time monitoring.

(A) Water pollution prevention, recycling and reuse

The operating parameters of the wastewater system are linked to the Siemens monitoring system of the plant, and the operating status of the system can be monitored at any time. Secondary prevention settings mining site with overflow tank and a detection device, to avoid system anomalies ordamaged tank, waste water overflow caused by environmental pollution, releasing water pools abnormal back flow system to avoid unqualified wastewater discharge Regular maintenance and maintenance, improve processing efficiency, reduce the dosage and proper handling capacity, and find that abnormal handling is early to maintain the normal operation of the system. The results of periodic inspections every six months show that they are lower than the discharge water standard.

(B) Air pollution prevention

The washing towers are regularly maintained, the Laxi ring and nozzles are replaced to ensure the control efficiency, the stability of the equipment is improved, the exhaust gas is in compliance with the regulatory requirements, and the important parameters are connected with theSiemens monitoring system of the factory, which can monitor the operating status in real time. The results of periodic tests show that theconcentration of each pollutant is far below the regulatory limit.

(C) Waste management

The waste storage area is set up in compliance with the regulations, avoiding open storage, and indeed packaging to avoid scattering. The wastes are all commissioned to clean up the qualified manufacturers, regulate the flow according to law, and require the processing plant to provide proper handling of the documents.

C. Compliance with regulations

TMC really understand the government's environmental protection regulations and related requirements, compile the legal registration form analysis and the company's legality, and actively participate in various legal briefings held by public organizations. Regular inspections in accordance with relevant regulations ensure compliance with environmental laws and regulations, and promote environmental protection policies and environmental protection policies with colleagues to ensure that the company's environmental policies can be effectively implemented.

D. Continuous improvement

Establish annual environmental goals and major implementation projects, review implementation results annually, ensure effective implementation of continuous improvement policies, and improve environmental quality.

- Safety and health management

Through the management spirit of planning, execution, inspection and action, the company has achieved the goal of preventing accidents, promoting employee safety and health, and protecting company assets through the safety and health management structure. The policy focuses on building a safe working environment, actively preventing occupational injuries and diseases, maintaining the physical and mental health of employees, and strengthening the awareness and responsibility of all employees for environmental safety and health, and at the same time shaping the environmental safety and hygiene culture of the mask company.

A. Education and Training

Safety and health education and training, such as contractor management, chemical safety management, personal protective equipment requirements and safety audit management, are regularly held, and field exercises are conducted to reduce the loss of employees and company assets and the society caused by disasters. Minimize environmental impact.

B. Environmental monitoring

In terms of working environment, an average of each half will be monitoring the operating environment, including the physical and chemical factor defined by regulations, such as hazardous chemical substances and the like of a predetermined concentration of carbon dioxide, illumination, noise, domestic legislation. After monitoring the operating environment, if there is any abnormality in the working environment, or the evaluation results show that it has an impact on the health of the employees, the plant unit will immediately observe and improve the operation behavior to ensure that the exposure risk of the hazard factors is reduced to an acceptable range.

C. Physical and mental health

For the protection and promotion of employees ' physical and mental health, regular free employee health checkups are held every year. This year's employee health check is better than the law enforcement project, and is in the company's industrial safety and environmental protection units, medical specialists and nurses. Under the cooperation, we will establish four major plans for labor health protection (human factors hazard prevention plan, illegal infringement prevention plan, maternal health protection plan, and routine work load management plan) , and the results of the company's employee personal health report will be carried out. for a medical consultation services, and is committed to the prevention ofcardiovascular prevention of brain diseases caused by the long period of time, night work, shift work and other employees and maternal health protection and management of project planning and implementation, and provide a number of body and mind from time to time in the future Health promotion resources and related activities, in addition to protecting employees from work hazards, are more proactive in promoting employee health.

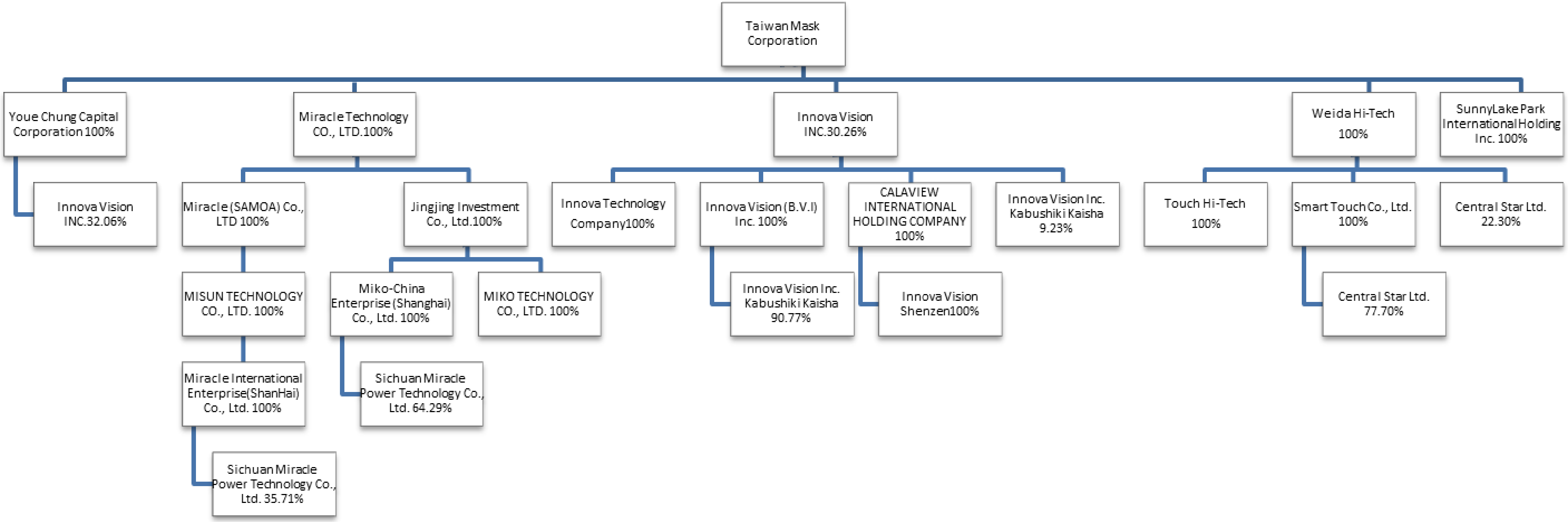
7. Other important matters: None.

VIII. Special Disclosures

1. Information of Related Parties

(1) Organization Chart of Related Parties

2018/12/31



(2) Overview of the operation of each related enterprise

2018/12/31

Unit：NTD$ thousand

Company Name	Capital amount	Total assets	Total liabilities	Total equity	Operating income	Operating profit and loss	Net profit
Youe Chung Capital Corporation	1,423,295	1,220,719	140,325	1,080,394	0	(900)	(325,699)
Innova Vision INC.	171,987	383,319	342,665	40,654	123,096	(78,012	(130,110)
Innova Technology Company	5,000	17,781	53,103	(35,322)	41,042	(9,471)	(9,020)
SunnyLake Park International Holdings,Inc	203,026	84,774	0	84,774	0	(69)	(65)
Innova Vision Kabushiki Kaisha	388,875	11,741	62,081	(50,340)	48,937	(8,404)	(7,161)
Innova Vision (B.V.I.) Inc	30,526	169	45,847	(45,678)	0	0	(7,161)
Miracle Technology CO., LTD.	182,872	523,449	245,842	277,607	764,067	43,902	56,132
Jingjing Investment Co., Ltd.	96,946	174,988	14,288	160,700	0	(46)	55,889
Miracle (SAMOA) Co.,Ltd	10,215	20,275	0	20,275	0	0	3,094
Misun Technology Co.,Ltd	10,215	20,275	0	20,275	0	0	3,094
Miko Technology Co.,Ltd	39	84,269	19,406	64,863	123,869	(5,131)	28,115
Miko-China Enterprise (Shanghai) Co., Ltd.	3,283	124,686	14,965	109,719	90,121	(37,535)	27,480
Miracle International Enterprise(ShanHai) Co., Ltd.	10,215	81,297	61,022	20,275	351,022	(9,689)	3,094
Calaview International Hoding Company Limited	4,337	26	7,860	(7,834)	0	0	(2,319)
Weida Hi-Tech	255,105	187,310	20,599	166,711	205,357	(47,875)	(40,964)
Smart Touch Co.,Ltd	14,044	3	0	3	0	(1)	(1,842)
Central Star Ltd	17,790	1	0	1	0	(1)	(1,023)
Touch Hi-Tech	25,684	2,045	0	2,045	0	(8,155)	(8,079)
Innova Vision Shenzen	4,337	399	8,259	(7,860)	1,517	(2,272)	(2,319)
Sichuan Miracle Power Technology Co., Ltd.	32,529	37,026	11,646	25,380	27,627	(6,605)	(5,054)

(3) Information on directors, supervisors and general managers of various related companies

2018/12/31

Company Name	Job title	Name or representative	Holding shares	
			Number of shares	%
Youe Chung Capital Corporation	Chairman	Taiwan Mask Corporation representative:Parkson Chen	142,329,470	100%
	Director	Taiwan Mask Corporation representative:Shen, Mao-Tian		
	Director	Taiwan Mask Corporation representative: Chen, Yao-Lun		
	Supervisor	Taiwan Mask Corporation representative: Liao, Sheng-Fu		
Innova Vision INC.	Chairman	Taiwan Mask Corporation representative: Parkson Chen	5,203,956	30.26%
	Director	Taiwan Mask Corporation representative: Guo, Sheng-Zhong		
	Director	Jian-Fu investment CO., Ltd. representative :Chen, Yao-Lun	75,982	0.44%
	Director	Tang-PuTechnology CO., LTD.representative: Huang, Shi-Zhe	895,664	5.21%
	Director	Tsai Yu-Shian	358,265	2.08%
	Supervisor	Youe Chung Capital Corporation representative: Xu, Shi-Jia	5,514,596	32.06%
Innova Technology Company	Chairman	Innova Vision INC. representative: Parkson Chen	500,000	100%
	Director	Innova Vision INC. representative: Liao, Sheng-Fu		
	Director	Innova Vision INC. representative: Guo, Sheng-Zhong		
	Supervisor	Innova Vision INC. representative: Chen, Yao-Lun		
SunnyLake Park International Holdings,Inc	Director	Taiwan Mask Corporation representative: Parkson Chen	6,344,000	100%
	Director	Taiwan Mask Corporation representative: Liao, Sheng-Fu		
Innova Vision Kabushiki Kaisha	Director	Innova Vision (B.V.I.)Inc representative Parkson Chen	5,900	90.77%
	Director	Qing Feng, Xian-Yi		
	Director	Guo, Sheng-Zhong		
	Supervisor	Liao, Sheng-Fu		
Innova Vision(B.V.I.) Inc	Director	Innova Vision INC. Innova Vision INC.: Parkson Chen	1,000,000	100%
	Director	Innova Vision INC. Innova Vision INC.: Guo, Sheng-Zhong		
Miracle Technology CO., LTD	Chairman	Taiwan Mask Corporation representative:Xu, Chang-Ji	18,287,168	100%
	Director	Taiwan Mask Corporation representative:Yam Chen		
	Director	Taiwan Mask Corporation representative:Vincent Tsai		
	Supervisor	Taiwan Mask Corporation representative: Xu, Shi-Jia		

<table>
<tr><th rowspan="2">Company Name</th><th rowspan="2">Job title</th><th rowspan="2">Name or representative</th><th colspan="2">Holding shares</th></tr>
<tr><th>Number of shares</th><th>%</th></tr>
<tr><td>Jingjing Investment Co., Ltd.</td><td>Chairman</td><td>Miracle Technology CO., LTD. representative: Vincent Tsai</td><td>9,694,613</td><td>100%</td></tr>
<tr><td>Miracle(SAMOA)Co.,Ltd</td><td>Chairman</td><td>Miracle Technology CO., LTD. representative: Ding, Xian-Ren</td><td>750,000</td><td>100%</td></tr>
<tr><td>Misun Technology Co.,Ltd</td><td>Chairman</td><td>Miracle(SAMOA)Co.,Ltd representative: Ding, Xian-Ren</td><td>750,000</td><td>100%</td></tr>
<tr><td>Miko Technology Co.,Ltd</td><td>Chairman</td><td>Jingjing Investment Co., Ltd. representative:Vincent Tsai</td><td>10,000</td><td>100%</td></tr>
<tr><td>Miracle International Enterprise(ShanHai) Co., Ltd.</td><td>Chairman</td><td>Jingjing Investment Co., Ltd. representative: Vincent Tsai</td><td>CNY696,466.20</td><td>100%</td></tr>
<tr><td>Miracle International Enterprise(ShanHai) Co., Ltd.</td><td>Chairman</td><td>Misun Technology Co., Ltd representative: Vincent Tsai</td><td>CNY2,483,070</td><td>100%</td></tr>
<tr><td rowspan="2">Sichuan Miracle Power Technology Co., Ltd.</td><td>Executive director</td><td>Vincent Tsai</td><td rowspan="2">CNY7,000,000</td><td rowspan="2">100%</td></tr>
<tr><td>Supervisor</td><td>Marie Wu</td></tr>
<tr><td rowspan="4">Weida Hi-Tech</td><td>Chairman</td><td>Taiwan Mask Corporation representative:Yam Chen</td><td rowspan="4">25,510,500</td><td rowspan="4">100%</td></tr>
<tr><td>Director</td><td>Taiwan Mask Corporation representative:Hu Sen, Ba-Lan</td></tr>
<tr><td>Director</td><td>Taiwan Mask Corporation representative: Chen, Shou-Shan</td></tr>
<tr><td>Supervisor</td><td>Taiwan Mask Corporation representative: Xu, Shi-Jia</td></tr>
<tr><td>Smart Touch Co.,Ltd</td><td>Director</td><td>Weida Hi-Tech representative:</td><td>4,573</td><td>100%</td></tr>
<tr><td>Central Star Ltd</td><td>Director</td><td>Smart Touch Co.,Ltd representative:</td><td>579,200</td><td>100%</td></tr>
<tr><td rowspan="2">Touch Hi-Tech</td><td>Chairman</td><td>Weida Hi-Tech representative: Chen, Shou-Shan</td><td rowspan="2">CNY5,743,206.4</td><td rowspan="2">100%</td></tr>
<tr><td>Supervisor</td><td>Weida Hi-Tech representative: Xu, Shi-Jia</td></tr>
<tr><td rowspan="2">Innova Vision Shenzen</td><td>Legal representative</td><td>Calaview International Hoding Company Limited representative: Guo, Sheng-Zhong</td><td rowspan="2">CNY1,011,084.2</td><td rowspan="2">100%</td></tr>
<tr><td>CEO</td><td>Calaview International Hoding Company Limited representative: Chen, Yao-Lun</td></tr>
<tr><td>Calaview International Hoding Company Limited</td><td>Director</td><td>Innova Vision INC.representative: Parkson Chen</td><td>1,000,000</td><td>100%</td></tr>
</table>

(4) Basic information of affiliates

As of 12.31.2017

Company Name	Established Date	Address	Paid-in capital	Main Business Items
Youe Chung Capital Corporation	2004/03/10	No. 231-1, Wende Rd., Qionglin Township, Hsinchu County 307, Taiwan R.O.C.	NTD1,423,294,700	Investing in communication business
Innova Vision INC.	2000/01/21	No. 11, Innovation Rd. 1, Science-Based Industrial Park, Hsinchu, Taiwan R.O.C.	NTD171,986,840	Medical device manufacturing, wholesale and trading
Innova Technology Company	2003/05/29	No. 231-1, Wende Rd., Qionglin Township, Hsinchu County 307, Taiwan R.O.C.	NTD5,000,000	Medical device wholesale and trading
SunnyLake Park International Holdings,Inc	2000/10/17	Citco Building,Wickhams Cay, P.O.Box662, Road Town,Tortola, British Virgin Islands	USD6,344,000	Investing in communication business
Innova Vision Kabushiki Kaisha	2001/05/16	2-9-2 HigashiNihonbashi Chuo-ku,Tokyo,Japan	JPY325,000,000	Medical device wholesale and trading
Innova Vision(B.V.I.)Inc	2009/08/10	OMC Chambers, Wickhams Cay1, Road Town, Tortola, British Virgin Islands.	USD1,000,000	Investing in communication business
Miracle Technology CO., LTD.	1993/11/22	No. 231-1, Wende Rd., Qionglin Township, Hsinchu County 307, Taiwan R.O.C.	NTD182,871,680	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.
Jingjing Investment Co., Ltd.	2006/10/13	6F.-7, No. 472, Sec. 1, Guangfu Rd., East Dist., Hsinchu City 300, Taiwan R.O.C.	NTD96,946,130	Investing in communication business
Miracle(SAMOA) Co.,Ltd	2002/11/21	Vistra Corporate Services Centre,Ground Floor NPF Building,Beach Road,Apia,Somoa	USD300,000	Investing in communication business
Misun Technology Co.,Ltd	2002/12/03	Suite 802, St James Court St Denis Street,Port Louis,Mauritius.	USD300,000	Investing in communication business
Miko Technology Co.,Ltd	1997/12/08	Room 1203, 12/F., Tung Wah Mansion, 199-203 Hennessy Road, Wanchai, Hong Kong.	HK10,000	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.

Company Name	Established Date	Address	Paid-in capital	Main Business Items
Miko-China Enterprise (Shanghai) Co., Ltd.	2010/05/17	Room 301, Building #3, No. 1077, ZuChongZhi Road, ZhangJiang Hi-Tech Science Park, PuDong, Shanghai Zip: 201203	CNY696,466.20	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.
Miracle International Enterprise(ShanHai) Co., Ltd.	2004/02/09	Room 204, Building #3, No. 1077, ZuChongZhi Road, ZhangJiang Hi-Tech Science Park, PuDong, Shanghai Zip: 201203	CNY2,483,070	IC product design, production and sales
Weida Hi-Tech	2010/07/16	No. 11, Innovation Rd. 1, Science-Based Industrial Park, Hsinchu, Taiwan R.O.C.	NTD255,105,000	Research, design, development, manufacturing and sales of display panel control chips and modules
Smart Touch Co.,Ltd	2014/09/17	Jipfa Building, 3rd Floor, Main Street, Road Town, Tortola, British Virgin, Islands	USD457,250	Investing in communication business
Central Star Ltd	2014/07/22	1st Floor, #5 DEKK House, De Zippora Street, Providence Industrial Estate, Mahe, Republic of Seychelles	USD579,200	Investing in communication business
Touch Hi-Tech	2014/11/18	Room 1324 , No. 498 , Guo Shoujing Road , Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China	CNY5,743,206.4	Touch screen system hardware design and software development and production
Innova Vision Shenzen	2010/03/05	Room 1905, Guidu Building, 52-56 Chunfeng Road, Luohu District, Shenzhen, China	Medical device wholesale and trading	Medical device wholesale and trading
Calaview International Hoding Company Limited	2009/03/02	No.24, Lesperance, Providence Industrial Estate,Mahe Seychelles	USD149,000	Investing in communication business
Sichuan Miracle Power Technology Co., Ltd.	2017/06/06	No. 598 , Yulong Road, Economic and Technological Development Zone, Suining City Innovation Incubation Center, fifth floor office5001-5002	CNY7,000,000	IC product design, production and sales

(5) Affiliates Consolidated Financial Statements：

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 10 "Consolidated and Separate Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates. The company only issues a statement on the front page of the parent company's consolidated financial report. It does not separately prepare and issues the related parties's consolidated financial reports and statements (please refer to the "Financial Information" of this annual report.).

(6) Related parties report：None.

(7) Assumed with controlling or controlled relationship parties, the same shareholders' information：None.

2. Privately subscription of marketable securities in the most recent years：None.

3. The stock shares of the Company held or disposed by the subsidiaries in the most recent years：

Unit：NTD$ thousand；Share thousand；%

Name of Subsidiaries	Paid-in capital	Source of fund	Shareholding ratio of the Company	Date of Acquisition or disposal	Shares and amount acquired	Shares and amount disposed	Investment profit & loss	Shareholding &amount as of the financial report date	Equity pledged	Making of endorsement / guarantee for subsidiary by the Company	Loaning of fund to subsidiary by the Company
Youe Chung Capital Corporation	1,423,295	Own funds	100%	2018 and as of April 30, 2019	-	-	-	Number of shares:37,081 Amount: 1,019,740	-	-	300,000

Note 1: The stated amount refers to the amount actually acquired or disposed.
Note 2: Impact on the company's financial performance and financial status: Not applicable.

4. Supplementary disclosures：None.

5. Occurrence of events defined in Securities Transaction Law Article 36.2.2 that has great impact on shareholder's equity or security price in the most recent years and up to the date of the report printed：None.

Taiwan Mask Corporation

Chairman K.J.Wu