

TPK Holding Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Valuation of Inventory

The description of key audit matter:

As of December 31, 2019, the carrying amount of inventory was NT\$8,202,304 thousand (less the allowance for inventory valuation and obsolescence losses of NT\$336,142 thousand), which accounted for 10% of the Group's total assets. The Group is mainly engaged in the business of developing, manufacturing and selling touch modules and related products. As the touch modules industry is characterized by rapid change in technology, as well as short life cycles for the related products, in this regard, the risk surrounding the write-down of slow moving and obsolete inventory is higher. Based on the aging of inventories, the net realizable value of the Group's products, the related sales status and the changes in the market, the Group evaluated and recognized losses related to the write-down of slow moving and obsolete inventory monthly. Since such valuation of inventory requires significant judgment from management, the valuation of inventory has been identified as a key audit matter.

Refer to Notes 4 (g), 5 (e) and 11 to the Group's consolidated financial statements for details of the related accounting policy and the relevant information about inventory.

Corresponding audit procedures:

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

Notice to Readers

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

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

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

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

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

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

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company					Total	Non-controlling Interests (Notes 4, 12, 24 and 31)	Total Equity
	Share Capital (Notes 4 and 24)	Capital Surplus (Notes 4, 20, 24, 29 and 31)	Retained Earnings Legal Reserve (Note 24)	Accumulated Deficits (Notes 4, 23, 24 and 31)	Other Equity Exchange Differences on Translating Foreign Operations (Notes 4 and 24)			
BALANCE AT JANUARY 1, 2018	\$ 4,066,638	\$ 28,073,650	\$ 3,007,586	\$ 573,819	\$ 1,226,002	\$ 36,947,695	\$ 222,924	\$ 37,170,619
Appropriation of 2017 earnings								
Legal reserve	-	-	238,875	(238,875)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,219,991)	-	(1,219,991)	-	(1,219,991)
Net profit for the year ended December 31, 2018	-	-	-	223,832	-	223,832	140,902	364,734
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	1,536	1,039,356	1,040,892	(1,632)	1,039,260
Total comprehensive income for the year ended December 31, 2018	-	-	-	225,368	1,039,356	1,264,724	139,270	1,403,994
Change in equity components of convertible bonds redeemed by the Company	-	(180)	-	-	-	(180)	-	(180)
Recognition of employee share options by the Company	-	78,713	-	-	-	78,713	-	78,713
Increase in non-controlling interests	-	(5,477)	-	(173,882)	-	(179,359)	91,730	(87,629)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	(93,141)	(93,141)
Liquidation and dissolution of subsidiaries	-	-	-	-	-	-	(10,676)	(10,676)
BALANCE AT DECEMBER 31, 2018	4,066,638	28,146,706	3,246,461	(833,561)	2,265,358	36,891,602	350,107	37,241,709
Appropriation of 2018 earnings								
Legal reserve	-	-	21,668	(21,668)	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	208,882	-	208,882	93,857	302,739
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	5,201	(884,914)	(879,713)	10,402	(869,311)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	214,083	(884,914)	(670,831)	104,259	(566,572)
Recognition of employee share options by the Company	-	15,864	-	-	-	15,864	-	15,864
Decrease in non-controlling interests	-	-	-	(67,925)	-	(67,925)	(454,366)	(522,291)
BALANCE AT DECEMBER 31, 2019	<u>\$ 4,066,638</u>	<u>\$ 28,162,570</u>	<u>\$ 3,268,129</u>	<u>\$ (709,071)</u>	<u>\$ 1,380,444</u>	<u>\$ 36,168,710</u>	<u>\$ -</u>	<u>\$ 36,168,710</u>

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

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

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

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 21, 2020.

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

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

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

IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

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

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

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

The Group also applies the following practical expedients:

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

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

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

The Group as lessor

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

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

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - non-current (recorded as long-term prepayments for leases)	\$ 1,039,450	\$ (1,039,450)	\$ -
Right-of-use assets	-	2,522,716	2,522,716
Investment properties	<u>121,281</u>	<u>38,374</u>	<u>159,665</u>
Total effect on assets	<u>\$ 1,160,731</u>	<u>\$ 1,521,640</u>	<u>\$ 2,682,371</u>
Lease liabilities - current	\$ -	\$ 253,322	\$ 253,322
Lease liabilities - non-current	<u>-</u>	<u>1,268,318</u>	<u>1,268,318</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 1,521,640</u>	<u>\$ 1,521,640</u>

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

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

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

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at fair value through other comprehensive income.

See Note 12, Table 7 and Table 8 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

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

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

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

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

f. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the reporting period.

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

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

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

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

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

g. Inventories

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

h. Investments in associates

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

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

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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

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

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

j. Investment properties

Investment properties are properties held to earn rentals and or for capital appreciation. Beginning January 1, 2019, investment properties include right-of-use assets if the definition of investment properties is met.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

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

Depreciation is recognized using the straight-line method.

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

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

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

k. Goodwill (recognized as intangible assets)

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

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

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

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

l. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets other than goodwill

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

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

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 33.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in debt instruments at FVTOCI

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

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

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

iv. Investments in equity instruments at FVTOCI

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

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

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

b) Impairment of financial assets and contract assets

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

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

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 33.

b) Derecognition of financial liabilities

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

4) Convertible bonds

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

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

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

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

5) Derivative financial instruments

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

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

o. Provisions

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

1) Onerous contracts

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

2) Warranties

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

p. Revenue recognition

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

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

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

q. Leasing

2019

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

1) The Group as lessor

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

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

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

2) The Group as lessee

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

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

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

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

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

2018

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

1) The Group as lessor

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

2) The Group as lessee

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

r. Borrowing costs

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

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

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

s. Government grants

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

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

t. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

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

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

u. Employee share options

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

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

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

v. Taxation

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

1) Current tax

For the subsidiaries incorporated in the territory of the Republic of China, according to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology and expenditures on research, development and personnel training to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

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

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

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

b. Income taxes

As of December 31, 2019 and 2018, no deferred tax asset has been recognized on the tax loss of \$20,659,862 thousand and \$24,323,588 thousand, respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

The details of unused tax losses as of December 31, 2019 and 2018 are described in Note 27.

c. Write-downs of inventories

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

The carrying amounts of inventories as of December 31, 2019 and 2018 are disclosed in Note 11.

d. Estimated provisions

Provisions are present obligations arising as a result of past events. Based on the past experience, the Group recognized the estimated expenditures for settling such obligations as provisions. The Group has a variety of provisions, including onerous contracts and warranties. The carrying amounts of provisions as of December 31, 2019 and 2018 are disclosed in Note 22.

6. CASH AND CASH EQUIVALENTS

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

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

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

December 31, 2018

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

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

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

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

Gains and losses on foreign exchange forward contracts, foreign exchange option contracts, redemption options and put options of convertible bonds and exchange swap contracts for the years ended December 31, 2019 and 2018 were as follows:

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

In June 2014, the Group acquired 16.57% equity shares of KYO for \$150,000 thousand. According to the investment contract, if KYO cannot complete the initial public offering process in 5 years after the Group acquired the equity shares of KYO, the Group will request the original shareholder to buy back equity shares at the originally acquired price in June 2019, December 2019 and June 2020, separately. The original shareholders bought back 2,000 thousand shares of KYO for \$50,000 thousand in June 2019 and December 2019, respectively. The remaining shares were classified as financial assets at FVTOCI - current.

Because the industry of JSX is not the core business of the Company, on January 26, 2017, the Company’s board of directors resolved to sell its interest in JSX to Ruei-Shin Investment (Pingtan) Co., Ltd. (“Ruei-Shin”) in order to concentrate and utilize the Company’s limited resources. In March 2017, TPKP sold 91% of its interest in JSX at the price of RMB246,192 thousand, and TPKP’s percentage of ownership decreased from 100% to 9%. Since the Group lost control over JSX, any investment retained in JSX was reclassified to financial assets at FVTOCI - non-current. According to the agreement, TPKP expected to sell remaining 9% of JSX shares to Ruei-Shin in 2020, and the investment was reclassified to financial assets at FVTOCI - current.

9. FINANCIAL ASSETS AT AMORTIZED COST

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

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

	December 31	
	2019	2018
Annual return rates	3.80%	3.70%-5.53%
Maturity dates	January 10, 2020- February 25, 2020	January 10, 2019 - September 18, 2019

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

The interest rates for time deposits with original maturity of more than 3 months as at the end of the year were as follow:

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

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

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

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

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

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

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

(Continued)

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

a. Trade receivables

1) At amortized cost

The average credit period on sales of goods is 45 to 105 days after the end of the month in which sales occur. No interest was charged on trade receivables.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2019

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

December 31, 2018

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

The movements of the loss allowance of trade receivables were as follows:

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

2) At FVTOCI

For some trade receivables, the Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

b. Other receivables

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

1) At amortized cost

The Group assessed an allowance for impairment loss on other receivables by reference to the recoverability of receivables. After evaluating the operations and recoverability of the receivables from debtors, the Group recognized an allowance for impairment loss of 100% against the other receivables.

The movements of the loss allowance of other receivables were as follows:

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

2) At FVTOCI

For some other receivables, the Group will decide whether to sell these other receivables to banks without recourse based on its level of working capital. These other receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

11. INVENTORIES

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

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

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

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

The cost of goods sold for the year ended December 31, 2019 included reversals of inventory write-downs of \$297,742 thousand. For the year ended December 31, 2018, the cost of goods sold included inventory write-downs of \$165,218 thousand.

Because of the characteristics of the industry, the product life cycle is short. Therefore, there is an accrued allowance for losses on inventory with aging of over 360 days.

Due to the characteristics of the industry and market fluctuations, certain raw materials are no longer usable. For the years ended December 31, 2019 and 2018, the Group evaluated and recognized a loss on purchase commitments in the amount of \$264 thousand and \$6,439 thousand, respectively. As of December 31, 2019 and 2018, the Group estimated and recognized short-term provisions for purchase commitments (Note 22) in the amounts of \$9,117 thousand and \$14,247 thousand, respectively.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
TPK Holding Co., Ltd. (“TPKH”)	TPK Technology International Inc. (“TTI”)	International trade	100.00	100.00	
	Improve Idea Investments Ltd. (“Improve”)	Holding company	100.00	100.00	
	Optera TPK Holding Pte. Ltd. (“OTH”)	Holding company	100.00	100.00	
	Upper Year Holdings Limited (“UYH”)	Holding company and international trade	100.00	100.00	12)
	Ray-Star Universal Solutions Limited (“RUSL”)	Holding company	100.00	100.00	
Improve TPKA	TPK Asia Pacific Sdn. Bhd. (“TPKA”)	Holding company	100.00	100.00	11)
	TPK Touch Solutions Inc. (“TPKT”)	Touch related material sales and machinery manufacture, wholesale and retail	100.00	100.00	
	TPK Cando Solutions Inc. (“TCS”)	Chemically strengthened glass processing and sales	-	-	5)
UYH	TPK Touch Solutions (Xiamen) Inc. (“TPKC”)	Touch related material sales and machinery manufacture, wholesale and retail	73.84	73.84	3)
	TPK Lens Solutions Inc. (“TPKL”)	Optical glass processing and sales	100.00	100.00	7) and 15)
	TPK Touch Systems (Xiamen) Inc. (“TPKS”)	Touch modules research, development, manufacture and sales	100.00	100.00	
	Ray-Star Optical Solutions (Xiamen) Inc. (“RSO”)	Optical glass processing and sales	63.85	63.85	7) and 15)
OTH	TPK America, LLC (“TPKU”)	International trade	100.00	100.00	
	TPK Touch Solutions (Xiamen) Inc. (“TPKC”)	Touch related material sales and machinery manufacture, wholesale and retail	10.27	10.27	3)
RUSL	TPK Universal Solutions Limited (“TPK HK”)	Touch module related product research; holding company and international trade	100.00	100.00	17)
TPK HK	TPK Glass Solutions (Xiamen) Inc. (“TPKG”)	Optical glass processing and sales	100.00	100.00	6) and 10)
	TPK Film Solutions Limited (“TPKF HK”)	Holding company	100.00	100.00	1)
	TPK MasTouch Solutions (Xiamen) Inc. (“MTOH”)	Touch modules research, development, manufacture and sales	100.00	100.00	10)
	TPK Touch Solutions (Pingtan) Inc. (“TPKP”)	Touch modules research, development, manufacture and sales	100.00	100.00	10)
	TPK Material Solutions Inc. (“TPKM”)	Touch related electronic materials manufacture	100.00	100.00	
	TPK Advanced Solutions Inc. (“TPKD”)	Touch modules research, development, manufacture and sales	49.90	49.90	13)
	TPK Touch Solutions (Xiamen) Inc. (“TPKC”)	Touch related material sales and machinery manufacture, wholesale and retail	15.89	15.89	3)
	TPK Materials Solution (Xiamen) Inc. (“TPKMT”)	Touch related electronic materials manufacture	100.00	-	9)
	Xiamen Jan Jia Optoelectronics Co., Ltd. (“TPKJ”)	Protective film and optical adhesive manufacture and sales	51.00	51.00	14)
	Ray-Star System Solutions Limited (“RSSL”)	Holding company	100.00	100.00	8)
TPKC	Ray-Star Optical Solutions (Xiamen) Inc. (“RSO”)	Optical glass processing and sales	36.15	36.15	7) and 15)
	TPK Advanced Solutions Inc. (“TPKD”)	Touch modules research, development, manufacture and sales	50.10	50.10	13)
	Xiamen Jan Jia Optoelectronics Co., Ltd. (“TPKJ”)	Protective film and optical adhesive manufacture and sales	49.00	-	14)

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2019	2018	
TPKF HK	TPK Film Solutions (Xiamen) Inc. (“TPKF”)	Touch modules research, development, manufacture and sales	100.00	100.00	
TPKG	TPK Chenqi (Mainland) Solutions Inc. (“TPKMS”)	Trade	100.00	100.00	
TPKJ	Jin Tong Suzhou Optoelectronics Co., Ltd. (“JT”)	Protective film and optical adhesive manufacture and sales	-	-	4)
	Jan Jia Trading Company Limited (“TPKJ HK”)	International trading	100.00	100.00	2)

(Concluded)

Remark:

- 1) TPK HK acquired the remaining 19.98% ownership in TPKF HK from external shareholders in the amount of US\$3,000 thousand in March 2018. After the acquisition, TPK HK’s percentage of ownership in TPKF HK increased from 80.02% to 100%. Refer to Note 31 for more information.
- 2) To meet TPKJ’s need of overseas material procurement and agency trading, the Company’s board of directors resolved to set up TPKJ HK with a capital of less than US\$500 thousand, which was invested by TPKJ on December 21, 2016. TPKJ HK was set up on January 3, 2018 with a capital investment of US\$500 thousand in December 2018.
- 3) On March 12, November 8, 2018 and November 12, 2019, the Company’s board of directors resolved to increase the capital of TPKC with amounts of US\$31,673 thousand, US\$29,000 thousand and US\$50,000 thousand from retained earnings, respectively, and after issuance, the capital of TPKC increased from US\$243,394 thousand to US\$354,067 thousand. The amendment on registration for capital increase was completed on April 26, November 15, 2018 and December 6, 2019, respectively.
- 4) Due to the fact that JT did not reach the expected performance, on April 12, 2018, the Company’s board of directors resolved to sell all of its interests in JT to Xiamen Jia Zhong Chuang Meng Equity Investment Partnership in order to concentrate and utilize its limited resources. In May 2018, TPKJ sold all of its interests in JT with an amount of RMB49,950 thousand, and the gain on disposal which amounted to US\$1,917 thousand was recognized. After disposal, JT was excluded in the consolidated financial statements. Refer to Note 30 for more information.
- 5) The Company resolved to dissolve and liquidate TCS in order to simplify its organizational structure, and the process of liquidation was completed in November 2018.
- 6) On June 22, 2018, the Company’s board of directors resolved to sell 5.69% interest in TPKG from RSSL to TPK HK in order to adjust organizational structure, and the transaction was completed on July 13, 2018. After acquisition, TPK HK’s percentage of ownership in TPKG increased from 94.31% to 100%.
- 7) On August 7, 2018, the Company’s board of directors resolved to increase the capital of RSO and TPKL from UYH to improve the financial structure of RSO and TPKL. These issuances were completed in October 2018.
- 8) The Company resolved to dissolve and liquidate RSSL in order to simplify its organizational structure, and the process of liquidation was completed in January 2020.

- 9) In response to the demand for electronic materials, on October 9, 2018, the Company's board of directors resolved to set up TPK Materials Solution (Xiamen) Inc. ("TPKMT") with a capital of US\$10,000 thousand from TPK HK. TPKMT was set up on October 22, 2018, and a capital of US\$10,000 thousand was invested in TPKMT in 2019.
- 10) On November 8, 2018, the Company's board of directors resolved to increase the capital of TPKG, TPKP and MTOH from TPK HK in order to improve the financial structure of TPKG, TPKP and MTOH. In November 2018, TPK HK invested in TPKG with an amount of US\$85,520 thousand; and in December 2018, TPK HK invested in MTOH with an amount of US\$25,997 thousand. In addition, in January 2019, TPK HK invested in TPKP and MTOH with an amount of US\$68,852 thousand and US\$3 thousand, respectively.
- 11) The Company resolved to dissolve and liquidate TPKA in order to simplify its organizational structure. As of March 23, 2020, the process of dissolution and liquidation was not completed.
- 12) The Company resolved to annul the registration of UYH Hong Kong Branch in order to simplify its organizational structure, and the process of cancellation was completed in December 2019.
- 13) On August 13, 2019, the Company's board of directors resolved to increase the capital of TPKD with amounts of US\$50,000 thousand from retained earnings, and after issuance, the capital of TPKD increased from US\$127,931 thousand to US\$177,931 thousand. The amendment on registration for capital increase was completed on August 28, 2019.
- 14) TPKC acquired the remaining 49% of ownership in TPKJ from external shareholders in the amount of RMB114,000 thousand in June 2019. After the acquisition, the total percentage of ownership in TPKJ held by the Group was increased from 51% to 100%. Refer to Note 31 for more information.
- 15) On November 12, 2019, the Company's board of directors resolved to dissolve and liquidate TPKL and RSO in order to simplify its organizational structure, and the process of liquidation was completed in March 2020.
- 16) To meet the operation needs, the Company's board of directors resolved to set up Amplifi Technologies Inc. in Cayman as a holding company on November 12, 2019. Amplifi Technologies Inc. was set up on December 19, 2019 and received a capital investment of US\$400 thousand in February 2020. Amplifi Technologies Inc. intended to set up Amplifi Tech Hong Kong Co., Limited as its subsidiary in Hong Kong with a capital of USD\$1,000 thousand. However, as of March 23, 2020, the subsidiary has not been established. In addition, a branch of Amplifi Technologies Inc. was established in Taiwan and received a capital investment of \$10,000 thousand in February 2020.
- 17) In January 2020, TPK HK has applied for establishing a Japanese branch to expand its vehicle business.

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

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

Refer to Table 8 following the Notes to Consolidated Financial Statements for information on the relevant places of incorporation and principal places of business of TPKJ.

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2019	2018	2019	2018
TPKJ	\$ 93,857	\$ 148,632	\$ -	\$ 350,107

Summarized financial information in respect of each of the Group's subsidiaries with material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

TPKJ and its subsidiaries

	December 31, 2018
Current assets	\$ 1,880,719
Non-current assets	199,540
Current liabilities	<u>(1,365,658)</u>
Equity	<u>\$ 714,601</u>
Equity attributable to:	
Owners of the Company	\$ 364,494
Non-controlling interests of TPKJ	<u>350,107</u>
	<u>\$ 714,601</u>

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

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights	
			December 31	
			2019	2018
Unlisted shares				
TPK Cando Solutions, Inc. ("Cando")	Touch modules research, development and manufacture	Taiwan	19.78%	19.78%

The Group is able to exercise significant influence over Cando. As such, the investment and the related profit and loss from the investment are accounted for using the equity method.

Cando, a company with unlisted shares which the Group accounts for using the equity method. Due to the fact that Cando's assets were not sufficient enough to offset its liabilities, Cando declared bankruptcy on July 21, 2016, and the court announced its bankruptcy on January 17, 2018. After an assessment, the Group determined that the future recoverable amount for its investment in Cando was zero. As a result, the impairment loss of \$283,252 thousand was recognized at the end of the calendar year 2015. As of December 31, 2019 and 2018, the carrying amounts of the investment in Cando were zero.

14. PROPERTY, PLANT AND EQUIPMENT

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

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

	For the Year Ended December 31, 2018				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
<u>Cost</u>					
Balance, beginning of year	\$ 25,124,222	\$ 57,854,807	\$ 7,741,295	\$ 165,921	\$ 90,886,245
Additions	-	-	-	114,332	114,332
Disposals	(5,278)	(1,584,485)	(167,577)	-	(1,757,340)
Disposals of subsidiaries (Note 30)	-	(120,681)	(16,978)	-	(137,659)
Reclassification	555,288	5,698,536	557,418	(73,404)	6,737,838
Effects of foreign currency exchange differences	814,611	1,928,876	245,891	6,202	2,995,580
Balance, end of year	<u>26,488,843</u>	<u>63,777,053</u>	<u>8,360,049</u>	<u>213,051</u>	<u>98,838,996</u>
<u>Accumulated depreciation</u>					
Balance, beginning of year	5,874,830	30,691,907	6,397,812	-	42,964,549
Depreciation expenses	1,038,083	5,719,803	514,562	-	7,272,448
Disposals	(2,311)	(825,489)	(162,511)	-	(990,311)
Disposals of subsidiaries (Note 30)	-	(68,937)	(13,827)	-	(82,764)
Reclassification	107,426	15,360	1,916	-	124,702
Effects of foreign currency exchange differences	211,174	1,079,983	205,189	-	1,496,346
Balance, end of year	<u>7,229,202</u>	<u>36,612,627</u>	<u>6,943,141</u>	<u>-</u>	<u>50,784,970</u>
<u>Accumulated impairment losses</u>					
Balance, beginning of year	2,888,665	11,641,605	396,777	-	14,927,047
Impairment losses	-	2,444	-	-	2,444
Disposals	(214)	(580,473)	(1,499)	-	(582,186)
Reclassification	20,371	(15,354)	(1,921)	-	3,096
Effects of foreign currency exchange differences	93,130	431,433	(58,543)	-	466,020
Balance, end of year	<u>3,001,952</u>	<u>11,479,655</u>	<u>334,814</u>	<u>-</u>	<u>14,816,421</u>
Carrying amount, end of year	<u>\$ 16,257,689</u>	<u>\$ 15,684,771</u>	<u>\$ 1,082,094</u>	<u>\$ 213,051</u>	<u>\$ 33,237,605</u>

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

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

	December 31, 2019
Year 1	<u>\$ 8,928</u>

Part of the equipment for manufacturing purposes could no longer be used due to an alteration in the manufacturing process; such equipment was provided with an allowance for impairment loss. The impairment loss shall be reserved subsequently if the idled equipment is used again after the alteration in the manufacturing process.

The impairment losses recognized by the Group were as follows:

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

The Group's buildings mainly consist of factories and the construction of clean rooms, which are depreciated over an estimated useful life ranging from 1 to 20 years.

Otherwise, the property, plant and equipment listed above are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Building	1-20 years
Machinery and equipment	1-10 years
Transportation and others	1-10 years

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

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

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

b. Lease liabilities - 2019

**December 31,
2019**

Carrying amounts

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

Range of discount rate for lease liabilities was as follows:

**December 31,
2019**

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

c. Material lease-in activities and terms

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

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

d. Other lease information

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

2019

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

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

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

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

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

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

2018

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

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

16. INVESTMENT PROPERTIES

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

(Continued)

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

Cost

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

Accumulated depreciation

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

Accumulated impairment

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

Carrying amounts at December 31, 2018	<u>\$ 121,281</u>	<u>\$ -</u>	<u>\$ 121,281</u>
---------------------------------------	-------------------	-------------	-------------------

(Concluded)

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

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

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

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

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

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

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

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

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

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

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

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

17. INTANGIBLE ASSETS

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

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

	For the Year Ended December 31, 2018					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
<u>Cost</u>						
Balance at January 1, 2018	\$ 662,121	\$ 329,397	\$ 363,359	\$ 153,805	\$ 41,590	\$ 1,550,272
Additions	-	-	12,639	42,551	-	55,190
Disposals	-	-	(9,619)	-	-	(9,619)
Disposals of subsidiaries (Note 30)	-	(6,592)	(814)	(60,742)	-	(68,148)
Effects of foreign currency exchange differences	<u>20,651</u>	<u>8,935</u>	<u>6,446</u>	<u>5,400</u>	<u>1,335</u>	<u>42,767</u>
Balance at December 31, 2018	<u>682,772</u>	<u>331,740</u>	<u>372,011</u>	<u>141,014</u>	<u>42,925</u>	<u>1,570,462</u>

(Continued)

For the Year Ended December 31, 2018						
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
<u>Accumulated amortization</u>						
Balance at January 1, 2018	\$ -	\$ 276,945	\$ 299,460	\$ 147,455	\$ 41,589	\$ 765,449
Amortization expenses	-	2,064	28,075	122	478	30,739
Disposals	-	-	(9,136)	-	-	(9,136)
Disposals of subsidiaries (Note 30)	-	(3,767)	(726)	(56,404)	-	(60,897)
Effects of foreign currency exchange differences	-	2,363	9,401	5,905	857	18,526
Balance at December 31, 2018	-	277,605	327,074	97,078	42,924	744,681
<u>Accumulated impairment losses</u>						
Balance at January 1, 2018	629,930	52,452	10,060	8	1	692,451
Disposals	-	-	(68)	-	-	(68)
Effects of foreign currency exchange differences	20,214	1,683	276	-	-	22,173
Balance at December 31, 2018	650,144	54,135	10,268	8	1	714,556
Carrying amounts at December 31, 2018	\$ 32,628	\$ -	\$ 34,669	\$ 43,928	\$ -	\$ 111,225
(Concluded)						

The intangible assets listed above are amortized on a straight-line basis over the estimated useful life of the related asset as follows:

Technical know-how	4-7 years
Computer software	1-6 years
Patents	4-19 years
Other intangible assets	3-10 years

18. PREPAYMENTS FOR LEASES

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

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

19. BORROWINGS

a. Short-term borrowings

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

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

b. Long-term borrowings

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

As of December 31, 2019 and 2018, the long-term borrowings were collateralized by machinery and equipment (see Note 35) and were guaranteed by related parties (see Note 34). As of December 31, 2019 and 2018, the range of weighted average effective interest rates of bank borrowings were 2.92%-4.75% and 3.30%-4.75% per annum. The Group will repay all loans in the next 3 years.

For repayment of borrowings and replenishment of mid-term working capital, the Company's board of directors resolved to apply for joint credit line. The Company signed a 3-year syndicated loan which amounted to US\$163,000 thousand (approximately NT\$4,881,850 thousand) with 10 financial institutions including Mega Bank in May 2018, and the loan was fully utilized in June 2018. Additionally, the Company promised the lender on the condition of maintaining these financial ratios for the existence of the loan agreement.

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

Third and Fourth Issuance of ECB

In order to meet the need of overseas procurement funding for subsidiaries with due consideration of the diversity of fund raising, the Company's board of directors resolved to issue the third and fourth unsecured ECB with a face value of up to US\$250,000 thousand individually and with an aggregate face value of up to US\$400,000 thousand on November 4, 2014. This proposal was approved and became effective under Letter No. 10300519131 issued by the FSC on December 31, 2014. The bonds which had 5 years duration were listed on the Luxembourg Stock Exchange on April 8, 2015, and the total amount of US\$250,000 thousand convertible bonds were issued. In accordance with the IFRSs, the Company bifurcated the bonds into liability and equity components. On April 8, 2015, the Company received the net proceeds of ECB of US\$248,602 thousand, which was recognized as bonds payable of US\$234,333 thousand, financial liabilities at fair value through profit or loss of US\$1,168 thousand and capital surplus of US\$13,101 thousand. On September 30, 2015, the fourth issuance of ECB became automatically invalid due to not being issued.

Bondholders may request that the Company convert the bonds into the Company's ordinary shares at \$238.30 per share and at the fixed exchange rate of US\$1.00 to NT\$31.29 between May 19, 2015 and March 29, 2020 (barring the period in which the registration of share transfer is suspended).

On January 2018, the Company redeemed an amount of US\$3,116 thousand convertible bonds with a face value of US\$3,000 thousand and recognized US\$30 thousand as gain on redemption.

According to the regulation on the issuance of convertible bonds, 3 years from the issuance date, April 8, 2015, bondholders have the right to request from the Company to redeem the bonds at 104.59% of face value. Due to the fact that bondholders fully exercised the put option, the Company repaid all convertible bonds on April 8, 2018, and recognized US\$4,489 thousand as gain on redemption.

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

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

21. OTHER LIABILITIES

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

22. PROVISIONS

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

	Warranties	Onerous Contracts	Total
Balance, January 1, 2019	\$ 1,735,680	\$ 14,247	\$ 1,749,927
Additions	1,129,544	264	1,129,808
Usage	(716,321)	(5,304)	(721,625)
Effect of foreign currency exchange differences	<u>(54,731)</u>	<u>(90)</u>	<u>(54,821)</u>
Balance, December 31, 2019	<u>\$ 2,094,172</u>	<u>\$ 9,117</u>	<u>\$ 2,103,289</u>
Balance, January 1, 2018	\$ 1,213,092	\$ 10,207	\$ 1,223,299
Additions	853,824	6,439	860,263
Usage	(375,168)	(2,680)	(377,848)
Effect of foreign currency exchange differences	<u>43,932</u>	<u>281</u>	<u>44,213</u>
Balance, December 31, 2018	<u>\$ 1,735,680</u>	<u>\$ 14,247</u>	<u>\$ 1,749,927</u>

- The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.
- The provision for onerous contracts represents the loss that the Group was presently obligated to make under non-cancellable onerous purchase contracts where the purchased materials and supplies cannot be used for other products. The estimate may vary as a result of changes in future products.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

TPKT and TPK HK Taiwan branch adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Company's subsidiaries in China are members of retirement benefit plans operated by their respective governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Company with respect to the retirement benefit plans is to make the specified contributions.

The Company's subsidiaries in the USA are required to contribute to the retirement benefit schemes according to the respective policies.

b. Defined benefit plans

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

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

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 17,942	\$ 22,516
Fair value of plan assets	<u>(11,638)</u>	<u>(10,646)</u>
Net defined benefit liability	<u>\$ 6,304</u>	<u>\$ 11,870</u>

Movements in the net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2018	\$ 23,459	\$ (9,597)	\$ 13,862
Service cost			
Net interest expense (income)	375	(159)	216
Recognized in profit or loss	375	(159)	216
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(218)	(218)
Actuarial gain - experience adjustments	(1,318)	-	(1,318)
Recognized in other comprehensive income	(1,318)	(218)	(1,536)
Contributions from the employer	-	(672)	(672)
Balance at December 31, 2018	22,516	(10,646)	11,870
Service cost			
Net interest expense (income)	304	(148)	156
Recognized in profit or loss	304	(148)	156
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(323)	(323)
Actuarial gain - experience adjustments	(4,878)	-	(4,878)
Recognized in other comprehensive income	(4,878)	(323)	(5,201)
Contributions from the employer	-	(521)	(521)
Balance at December 31, 2019	\$ 17,942	\$ (11,638)	\$ 6,304

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

- 1) Investment risk: The plan assets are invested in both domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2019	2018
Discount rate	1.10%	1.35%
Expected rate of salary increase	3.00%	3.00%

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

	December 31	
	2019	2018
Discount rate		
0.25% increase	\$ (631)	\$ (794)
0.25% decrease	\$ 659	\$ 829
Expected rate of salary increase		
1% increase	\$ 2,742	\$ 3,467
1% decrease	\$ (2,359)	\$ (2,977)

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

	December 31	
	2019	2018
Expected contributions to the plan for the next year	\$ 521	\$ 672
Average duration of the defined benefit obligation	15 years	15 years

24. EQUITY

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

a. Share capital

1) Ordinary shares

	December 31	
	2019	2018
Numbers of shares authorized (in thousands)	600,000	600,000
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>406,664</u>	<u>406,664</u>
Shares issued	\$ 4,066,638	\$ 4,066,638
Additional paid-in capital	<u>24,836,079</u>	<u>24,836,079</u>
	<u>\$ 28,902,717</u>	<u>\$ 28,902,717</u>

Each fully paid ordinary share with a face value of \$10 contains the rights to dividends and to vote.

2) Global depositary receipts

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

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

b. Capital surplus

	December 31	
	2019	2018
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Recognized on issuance of ordinary shares	\$ 24,836,079	\$ 24,836,079
Recognized on redemption of convertible bonds	2,089,848	2,089,848
Treasury share transactions	<u>54,820</u>	<u>54,820</u>
	26,980,747	26,980,747
<u>May only be used to offset a deficit</u>		
Expired on employee share options	912,599	-
<u>May not be used for any purpose</u>		
Recognized on employee share options	<u>269,224</u>	<u>1,165,959</u>
	<u>\$ 28,162,570</u>	<u>\$ 28,146,706</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation (the "Articles"), the Company may distribute its profits in accordance with the proposals made by the Company's board of directors for a distribution plan and approved in the annual shareholders' meeting. While distributing any profit, the profit shall be first utilized for offsetting losses of previous years, and 10% of the remaining profit shall be set aside as a legal reserve until the accumulated legal reserve equals the Company's paid-in capital. Secondly, the Company shall appropriate the remaining profit to a special reserve in accordance with the Applicable Public Company Rules or as requested by the competent authorities. Any remaining profit together with any undistributed retained earnings may be distributed as dividends (including cash dividends and share dividends) or bonuses under the Company Law of the Cayman Islands and Applicable Public Company Rules after taking into consideration the financial, business and operational factors. The total amount to be distributed as dividends shall be no less than 10 % of the remaining profit, where the total amount of

the distributed cash dividends shall be greater than 10 % of the total dividends. However, if dividends per share is less than NT\$1 in any given year, the aforementioned 10% threshold shall not apply. The Company may decide to distribute cash dividends or share dividends in whole or in part at its sole discretion. If the Company's distribute earnings for the current year are less than 10% of the paid-in capital of the Company at the end of the fiscal year, the Company may decide not to pay any dividend (including cash dividends or stock dividends) for the current year. Refer to Note 26(f) for more information related to the Articles of association for distribution policy of employees' compensation and remuneration of directors.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. Distribution can be made out of any subsequent reversal of the debit to other equity items.

The appropriation of earnings for 2017 were resolved by the annual shareholders' meeting on May 29, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	
	(In Thousands of US Dollars)	(In Thousands of N.T. Dollars)
Legal reserve	\$ 7,981	\$ 238,875
Cash dividend	\$ 40,761	\$ 1,219,991
Cash dividends per share (NT\$)		\$ 3

The cash dividends in US dollars of the appropriations of earnings for 2017 were calculated based on the average closing exchange rate of US\$1 to NT\$29.93 which was the closing price at Bank of Taiwan on the bank trading day immediately preceding the shareholders' meeting.

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

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

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

d. Other equity items

Exchange differences on translating of foreign operations

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

e. Non-controlling interests

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

25. REVENUE

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

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

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

26. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operation:

a. Interest income

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

b. Other income

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

c. Finance costs

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

d. Depreciation and amortization

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

e. Employee benefits expense

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

f. Employees' compensation and remuneration of directors

In accordance with the amendments to the Company Act announced in May 2015, and the annual shareholders' meeting resolved to the amendment in the Articles on May 29, 2018, the Company accrued employees' compensation and remuneration of directors at rates of no less than 0.1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. If the Company has losses of previous years, net profit before income tax should be retained for offsetting the amount of those losses.

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

Accrual rate

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

Amount

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

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

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

On March 12, 2018, the Company's board of directors resolved not to distribute employees' compensation, and distribute remuneration of directors in the amount of US\$594 thousand for the year ended December 31, 2017. There was difference between the approved amount of remuneration of directors and the actual amount of US\$714 thousand recognized in the consolidated financial statements for the year ended December 31, 2018, and the difference was recognized in profit or loss in 2018.

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

27. INCOME TAX RELATED TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 437,919	\$ 458,170
Adjustments for prior years	<u>200,514</u>	<u>5,340</u>
	<u>638,433</u>	<u>463,510</u>
Deferred tax		
In respect of the current year	(159,569)	377,737
Effect of tax rate changes	(4,474)	(516,013)
Translation adjustments	<u>2,973</u>	<u>6,039</u>
	<u>(161,070)</u>	<u>(132,237)</u>
Income tax expense recognized in profit or loss	<u>\$ 477,363</u>	<u>\$ 331,273</u>

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

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

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

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

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

b. Current tax assets and liabilities

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

c. Deferred tax assets and liabilities

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

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

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

- e. Information about unused loss carryforwards

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

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

- f. Income tax assessment

The income tax returns through 2017 of TPKT and TPK HK Taiwan Branch have been assessed by the tax authorities. The income tax returns through 2018 of TCS have been assessed by the tax authorities.

28. EARNINGS PER SHARE

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

Net Profit for the Year

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

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

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	406,664	406,664
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	<u>53</u>	<u>56</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>406,717</u>	<u>406,720</u>

If the Group offers to settle the compensation or bonuses paid to employees in cash or shares, the Group will assume that the entire amount of the compensation or bonuses to be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

Since the exercise price of the options issued by the Company exceeded the average market price of the shares during the years ended December 31, 2019 and 2018, they are anti-dilutive and excluded from the computation of diluted earnings per share.

29. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plans

In May 2010, June 2012, April 2014, December 2014 and November 2015, 9,000 units, 2,808 units, 6,000 units, 6,300 units and 10,000 units of options were respectively granted to qualified employees of the Company and its subsidiaries. Each unit of options entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted in 2010, 2012, 2014 and 2015 are valid for 10 years, 7 years, 5 years and 5 years, respectively, and are exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in the Company's capital surplus (via share dividend distributions and capital reductions other than by the cancellation of treasury shares), the exercise price shall be adjusted accordingly.

Information on employee share options was as follows:

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

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

December 31					
2019			2018		
Issue Date	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Issue Date	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
May 1, 2010	\$ 94.2	0.33	May 1, 2010	\$ 94.2	1.33
November 5, 2015	100.0	0.85	June 4, 2012	242.0	0.42
			April 23, 2014	206.4	0.31
			December 2, 2014	184.2	0.92
			December 16, 2014	203.9	0.96
			November 5, 2015	100.0	1.85

Options granted were priced using the Black-Scholes pricing model and the inputs for the model were as follows:

Issue date	November 2015	December 2014	April 2014	June 2012	May 2010
Grant date share price (NT\$)	\$101	\$197/\$221	\$228.5	\$386	\$155
Exercise price (NT\$)	\$101	\$197/\$221	\$228.5	\$386	\$164
Expected volatility	50.90%-51.78%	48.53%-49.40%	48.66%	47.95%-48.20%	51.65%-52.01%
Expected life	3.5-4.5 years	3.5-4.5 years	3.5-4.5 years	4.5-5.5 years	6-7 years
Expected dividend yield	-	-	-	-	-
Risk-free interest rate	0.68%-0.79%	0.96%-1.13%	0.89%-1.09%	0.98%-1.06%	1.44%-1.51%

Expected volatility was based on the historical share price volatility of similar industries.

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

30. DISPOSAL OF SUBSIDIARIES

On April 12, 2018, the Company's board of directors resolved to sell all its interests in JT to Xiamen Jia Zhong Chuang Meng Equity Investment Partnership. In May 2018, TPKJ sold all its interests in JT which amounted to RMB49,950 thousand, and US\$1,917 thousand was recognized as gain on disposal. After disposal, JT was excluded in the consolidated financial statements.

a. Consideration received from the disposal

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

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

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

c. Gain on disposal of subsidiaries

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

d. Net cash inflow on disposal of subsidiaries

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

31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

TPK HK acquired the remaining percentage of ownership of 19.98% from external shareholders in the amount of US\$3,000 thousand in March 2018. After the acquisition, TPK HK's percentage of ownership in TPKF HK increased from 80.02% to 100%. The additional paid-in capital amounting to \$5,477 thousand and unappropriated earnings amounting to \$173,882 thousand were reduced since a difference from the equity transaction occurred.

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

The above transaction was accounted for as an equity transaction since the Group did not cease to have control over the subsidiary.

32. CAPITAL MANAGEMENT

The capital structure of the Group consists of its net debt and equity. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of its debt and equity balance. Key management personnel of the Group review the capital structure periodically. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

33. FINANCIAL INSTRUMENTS

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

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values, or that their fair values cannot be measured reliably.

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

1) Fair value hierarchy

December 31, 2019

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

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial asset at FVTPL				
Derivatives financial assets	\$ <u> -</u>	\$ <u> 44,275 </u>	\$ <u> -</u>	\$ <u> 44,275 </u>
Financial asset at FVTOCI				
Investments in equity instruments				
Domestic unlisted Ordinary shares	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 150,000 </u>	\$ <u> 150,000 </u>
Overseas unlisted Ordinary shares	<u> -</u>	<u> -</u>	<u> 108,932 </u>	<u> 108,932 </u>
			<u> 258,932 </u>	<u> 258,932 </u>
Trade receivables, net	<u> -</u>	<u> 1,975,914 </u>	<u> -</u>	<u> 1,975,914 </u>
Other receivables, net	<u> -</u>	<u> 2,243,911 </u>	<u> -</u>	<u> 2,243,911 </u>
	\$ <u> -</u>	\$ <u> 4,219,825 </u>	\$ <u> 258,932 </u>	\$ <u> 4,478,757 </u>
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ <u> -</u>	\$ <u> 40,327 </u>	\$ <u> -</u>	\$ <u> 40,327 </u>

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

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

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

3) Valuation techniques and inputs applied for Level 2 fair value measurement

The fair values of the Group's financial assets and liabilities were determined using methods and assumptions as follows:

- a) The fair values of foreign exchange forward contracts and exchange swap contracts were determined using quoted prices of forward exchange rates and yield rates. Yield rates are estimated at quoted interest rates with the same contract period.
- b) The fair values of foreign exchange option contracts were determined using spot exchange rate on valuation date, exercise price of options, exchange rate volatility, contract period and quoted prices of risk-free interest rate with the same contract period.
- c) The fair values of trade receivables and other receivables at FVTOCI were discounted at a rate that reflected the credit risk of various counterparties and estimated future cash flows.

4) Valuation techniques and inputs applied for Level 3 fair value measurement.

The fair values of domestic and overseas unlisted equity investments held by the Group were determined using exercise the price of the put option of the investment contract and the transfer price of the equity interest transfer agreement.

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

c. Categories of financial instruments

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

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, financing products, notes receivable, trade receivables and other receivables (exclude trade receivables and other receivables at FVTOCI).
- 2) The balances included financial liabilities at amortized cost, which comprise short-term borrowing, notes and accounts payable, payables for purchase of equipment, payables - others, current portion of long-term borrowings, and long-term borrowings.

d. Financial risk management objectives and policies

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

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives are governed by the Group's policies approved by the Company's board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use financial derivatives and non-derivative financial instrument, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Significant financial activities of the Group should be reviewed by the Company's board of directors to ensure compliance with the related regulations and internal control rules. During the execution of financial plans, the Group shall comply with the financial operating procedures and overall financial risk management policies.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price.

a) Foreign currency risk

Several subsidiaries of the Company have foreign currency denominated sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contract.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and monetary liabilities at the end of the year were as follows:

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

Except for the data described above, the Group also disclosed its derivatives exposed to foreign currency risk at the end of the year in Note 7.

b) Analysis of sensitivity for foreign currency risk

The Group was mainly exposed to RMB, NTD, and JPY.

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rate is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusted their translation at the end of the year for a 5% change in foreign currency rates.

	Impact on Profit or Loss If USD Strengthened 5% Against the Relevant Currency	
	For the Year Ended December 31	
	2019	2018
RMB	\$ (104,580)	\$ 445,242
NTD	(16,676)	(12,214)
JPY	5,320	1,416
	Impact on Profit or Loss If USD Weakened 5% Against the Relevant Currency	
	For the Year Ended December 31	
	2019	2018
RMB	\$ 47,904	\$ (493,293)
NTD	18,432	13,500
JPY	(5,880)	(1,565)

c) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 16,441,637	\$ 12,899,542
Financial liabilities	10,459,948	9,586,167
Cash flow interest rate risk		
Financial assets	9,280,577	8,218,286
Financial liabilities	11,154,525	7,684,627

d) Analysis of sensitivity to interest rate risk

The sensitivity analysis was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's the pre-tax profit for the years ended December 31, 2019 and 2018 would decrease by \$9,370 thousand and increase by \$2,668 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and its variable-rate bank deposits.

e) Other price risk

Investments in equity instruments held by the Group are domestic and overseas unlisted ordinary shares, which are held for strategic rather than trading purposes. The fair values of these equity investments are determined using exercise price of put option of the investment contract and transfer price of the equity interest transfer agreement, and the level of price risk exposure is not high.

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

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the year, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of using internal and external credit ratings, only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty-limits that are reviewed and approved by the risk management committee semi-annually.

The Group authorized and approved hierarchical credit lines and monitored trade receivables periodically based on the related trade receivables aging, thus reducing bad debts or overdue trade. Then, at the end of the year, the Group would assess line by line its collectable amounts, allowance for impairment loss, and amounts of impairment recognized on trade receivables. Therefore, the management believed that the credit management of the Group fully covered the credit risk.

The Group's concentration of credit risk of 83.90% and 81.13% in total trade receivables as of December 31, 2019 and 2018, respectively, was related to the Group's the five largest customers.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized short-term bank loan facilities of \$41,598,834 thousand and \$41,760,815 thousand, respectively.

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

The following table details of the Group's remaining contractual maturity for its short-term and long-term borrowings. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2019

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

December 31, 2018

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Variable interest rate borrowings	4.1975	\$ 149,833	\$ -	\$ 675,969	\$ 6,858,825	\$ -
Fixed interest rate borrowings	3.6722	1,093,565	1,567,498	4,544,692	2,380,412	-
		<u>\$ 1,243,398</u>	<u>\$ 1,567,498</u>	<u>\$ 5,220,661</u>	<u>\$ 9,239,237</u>	<u>\$ -</u>

The following table details the Group's expected maturity for some of its non-derivative financial assets. The table below was drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2019

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial assets</u>					
Variable interest rate assets	0.8440	\$ 9,280,577	\$ -	\$ -	\$ -
Fixed interest rate assets	3.2140	<u>6,724,550</u>	<u>8,578,385</u>	<u>751,648</u>	<u>387,054</u>
		<u>\$ 16,005,127</u>	<u>\$ 8,578,385</u>	<u>\$ 751,648</u>	<u>\$ 387,054</u>

December 31, 2018

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial assets</u>					
Variable interest rate assets	0.6258	\$ 8,218,286	\$ -	\$ -	\$ -
Fixed interest rate assets	3.2941	<u>8,674,697</u>	<u>3,858,049</u>	<u>366,796</u>	<u>-</u>
		<u>\$ 16,892,983</u>	<u>\$ 3,858,049</u>	<u>\$ 366,796</u>	<u>\$ -</u>

For non-interest-bearing liabilities recorded as notes and trade payable, payables for purchase of equipment and other payables, the Company has set up the financial risk management policy to secure payment for all the payables prior to the expiry of the credit terms.

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

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Foreign exchange forward contracts	\$ -	\$(15,794)	\$ 4,330	\$ -	\$ -
Foreign exchange option contracts	-	-	(36,937)	-	-
Exchange swap contracts	<u>-</u>	<u>16,963</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$(32,607)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Foreign exchange forward contracts	\$ -	\$ -	\$ 64,355	\$ -	\$ -
Foreign exchange option contracts	-	-	(52,943)	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,412</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

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

e. Transfers of financial assets

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

December 31, 2019

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

December 31, 2018

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

Pursuant to the factoring agreements, losses from sales returns and allowances were borne by the Group, while losses from credit risk shall be borne by the Bank.

f. Offsetting financial assets and financial liabilities

The Group is eligible to present certain financial assets and financial liabilities with financial institutions on a net basis on the balance sheet since the offsetting criteria are met.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2019

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet
Financial assets at amortized cost	<u>\$ 9,693,525</u>	<u>\$ (1,139,240)</u>	<u>\$ 8,554,285</u>
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet
Short-term borrowings	<u>\$ 7,631,977</u>	<u>\$ (1,139,240)</u>	<u>\$ 6,492,737</u>

December 31, 2018

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet
Financial assets at amortized cost	<u>\$ 7,625,743</u>	<u>\$ (3,496,785)</u>	<u>\$ 4,128,958</u>
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet
Short-term borrowings	<u>\$ 8,705,480</u>	<u>\$ (3,496,785)</u>	<u>\$ 5,208,695</u>

34. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party names and categories

Related Party Name	Related Party Category
Cando Corporation	Associate
Cando (Xiamen) Corporation	Associate
TES Touch Embedded Solutions Inc. (Taiwan Branch)	Related party in substance
TES Touch Embedded Solutions (Xiamen) Co., Ltd.	Related party in substance
BTO Technologies (Xiamen) Ltd. ("BTO")	Related party in substance
Vision Optical Technologies (Xiamen) Inc. ("VOT")	Related party in substance
Pan Shi (Xiamen) Real Estate Development Inc.	Related party in substance
Taiwan Video & Monitor Corp. ("Taiwan VM")	Related party in substance
Nissha Co., Ltd.	Non-related party (related party in substance prior to March 2018 purchase of remaining interest in TPKF HK)
Cambrios Film Solutions Corporation Taiwan Branch	Related party in substance
Cambrios Film Solutions Corporation (originally "CAM Holding Corporation", changed name in December 2018, "Cambrios Film")	Related party in substance
Cambrios Advanced Materials Corp.	Related party in substance
Cambrios Film Solutions Japan Corporation	Related party in substance
Cambrios Advanced Materials (Quan Zhou) Corporation	Related party in substance
Liangyi industry and trade (Xiamen) Co., Ltd.	Related party in substance
AMPOS Solution Inc. Taiwan Branch	Related party in substance
Cambrios Film Solutions (Xiamen) Corporation ("Cambrios Film Xiamen")	Related party in substance

b. Sales and other income

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

Subsidiaries leased factories, offices and equipment to related parties under mutual lease agreements with monthly rental payments.

c. Purchases of goods, costs and expenses

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
1) Purchases of goods		
Other related parties	<u>\$ 312,516</u>	<u>\$ 273,026</u>
2) Rental expenses (recorded as operating costs - manufacturing expenses)		
Other related parties		
BTO	\$ -	\$ 51,462
VOT	-	47,788
Others	<u>-</u>	<u>66</u>
	<u>\$ -</u>	<u>\$ 99,316</u>
3) Rental expenses (recorded as operating expenses)		
Other related parties		
BTO	\$ -	\$ 37,855
Taiwan VM	-	30,389
Others	<u>-</u>	<u>10,611</u>
	<u>\$ -</u>	<u>\$ 78,855</u>

Subsidiaries leased factories, offices and dormitories from related parties under mutual lease agreements with monthly rental payments.

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
4) Research expenses		
Other related parties	<u>\$ 11,994</u>	<u>\$ 9,666</u>
5) Material consumption		
Other related parties	<u>\$ 2,937</u>	<u>\$ 3,131</u>
6) Professional service fees		
Other related parties		
Cambrios Film	\$ 133,557	\$ 77,456
Others	<u>8,703</u>	<u>6,824</u>
	<u>\$ 142,260</u>	<u>\$ 84,280</u>
7) Repairs and other expenses		
Other related parties	<u>\$ 1,060</u>	<u>\$ 130</u>

d. Receivables from (payables to) related parties

Related Party Category/Name	December 31	
	2019	2018
1) Trade receivables - related parties (recorded as trade receivables)		
Associates	\$ 4,884	\$ 5,062
Other related parties	<u>104,416</u>	<u>95,809</u>
	<u>\$ 109,300</u>	<u>\$ 100,871</u>
2) Trade payables - related parties (recorded as trade payables)		
Associates	\$ 7,863	\$ 8,093
Other related parties	<u>53,523</u>	<u>50,832</u>
	<u>\$ 61,386</u>	<u>\$ 58,925</u>

The outstanding payables to related parties are unsecured and will be settled in cash. No guarantees were received for receivables from related parties.

Related Party Category/Name	December 31	
	2019	2018
3) Other receivables - related parties (recorded as other receivables)		
Associates	\$ 836	\$ 857
Other related parties	<u>227,563</u>	<u>1,028</u>
	<u>\$ 228,399</u>	<u>\$ 1,885</u>
4) Payables for purchase of equipment - related parties (recorded as payable for purchase of equipment)		
Associates	<u>\$ 5,651</u>	<u>\$ 5,887</u>
5) Other payables - related parties (recorded as other payables - others)		
Associates	\$ 822	\$ 857
Other related parties	<u>57,637</u>	<u>86,961</u>
	<u>\$ 58,459</u>	<u>\$ 87,818</u>

e. Others

Related Party Category/Name	December 31	
	2019	2018
Refundable deposits		
Other related parties		
VOT	\$ 15,036	\$ 15,663
Others	<u>7,500</u>	<u>7,353</u>
	<u>\$ 22,536</u>	<u>\$ 23,016</u>

Refundable deposits are the security deposits for leasing parts of plants and offices from related parties during the lease period from 2013 to 2019. For the years ended December 31, 2019 and 2018, the interest income on the deposits were both \$4 thousand.

f. Acquisitions of property, plant and equipment

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

g. Disposals of property, plant and equipment

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

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

h. Lease arrangements - Group is lessee

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

Modification of lease agreement

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

i. Endorsements and guarantees

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

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

Other related parties that have substantive related party relationship with the Company and the transaction price and payment terms of related parties are provided in Table 5 following the Notes to Consolidated Financial Statements.

j. Compensation of key management personnel

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

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

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

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2019 and 2018 were as follows:

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

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

37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

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

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities significant financial assets and liability denominated in foreign currencies aggregated by the foreign currencies other than the functional currency (the US dollar) and the related the exchange rates between the foreign currencies and the respective functional currency were as follows:

(All Currencies in Thousands)			
December 31, 2019			
	Foreign Currencies	Exchange Rate	US dollars
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,051,766	6.9762	\$ 150,718
NTD	598,541	29.9800	19,965
JPY	37,054	108.6232	341
Non-monetary items			
Derivative instruments			
RMB buy	2,112,415	6.9762	1,411
RMB sell	107,672	6.9762	535
Foreign exchange options	1,720,875	6.9762	3,053
<u>Financial liabilities</u>			
Monetary items			
RMB	2,078,463	6.9762	297,844
NTD	248,341	29.9800	8,284
JPY	441,813	108.6232	4,067
Non-monetary items			
Derivative instruments			
RMB buy	1,833,447	6.9762	4,123
Foreign exchange options	712,200	6.9762	1,913

	December 31, 2018		
	Foreign Currencies	Exchange Rate	US dollars
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,015,577	6.8632	\$ 147,970
NTD	548,201	30.7150	17,848
JPY	35,190	110.4062	319
Non-monetary items			
Derivative instruments			
RMB buy	700,700	6.8632	1,441
<u>Financial liabilities</u>			
Monetary items			
RMB	1,746,549	6.8632	254,472
NTD	291,698	30.7150	9,497
JPY	142,082	110.4062	1,287
Non-monetary items			
Derivative instruments			
Foreign exchange options	698,150	6.8632	1,313

For the years ended December 31, 2019 and 2018, the realized and unrealized net foreign exchange gains were \$216,684 thousand and \$85,992 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries). (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)

- 9) Trading in derivative instruments. (Notes 7 and 33)
 - 10) Intercompany relationships and significant intercompany transactions. (Table 9)
 - 11) Information on investees. (Table 7)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investee, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1, 2, 5 and 6)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segment under IFRS 8 "Operating Segment" is the touch modules segment. The related information was as follows:

- a. Information of reportable segment's gains or losses and assets

	For the Year Ended December 31					
	2019			2018		
	Touch Modules	Others	Total	Touch Modules	Others	Total
Revenue from external customers	\$ 136,579,738	\$ 26,957	\$ 136,606,695	\$ 113,338,052	\$ 143,456	\$ 113,481,508
Inter-segment revenue	267,555	8,252,999	8,520,554	2,804,237	6,134,512	8,938,749
Interest income	854,544	60,924	915,468	1,058,954	99,988	1,158,942
Finance costs	696,610	502,598	1,199,208	493,778	841,225	1,335,003
Depreciation and amortization	5,929,687	1,909,807	7,839,494	5,336,596	1,981,177	7,317,773
Impairment loss on assets	259,275	544,199	803,474	2,444	-	2,444
Reportable segment profit (loss) before tax	3,592,857	(2,754,787)	838,070	4,573,790	(3,242,594)	1,331,196

(Continued)

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

(Concluded)

b. Reportable segment's gains or losses and other significant items reconciliation

1) Segment revenues and results

Profit and Loss	For the Year Ended December 31	
	2019	2018
Reportable segment profit before tax	\$ 3,592,857	\$ 4,573,790
Reportable segment income tax expense	(323,076)	(297,273)
Reportable segment net profit	3,269,781	4,276,517
Non-reportable segment's loss	(2,909,074)	(3,276,594)
Less: Inter-segment profit	(57,968)	(635,189)
Less: Net profit on non-controlling interests	(93,857)	(140,902)
Net profit attributable to owners of the Company	<u>\$ 208,882</u>	<u>\$ 223,832</u>

2) Other significant items reconciliation

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

For the Year Ended December 31, 2018

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non- reportable Segment	Reconciliation	Total
Interest income	\$ 1,058,954	\$ 99,988	\$ (623,413)	\$ 535,529
Finance costs	493,778	841,225	(623,413)	711,590
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	5,215,619	1,332,147	(443,626)	6,104,140
Depreciation and amortization	5,336,596	1,981,177	-	7,317,773
Impairment loss	2,444	-	-	2,444

3) Revenue from major products and services

The Company and its subsidiaries categorized reportable segment based on the type of products. There were no specific additional disclosure for products and revenue.

4) Geographical information

The Group operate in three principal geographical areas - Taiwan, the United States (“USA”) and China.

The Group’s revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

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

Non-current assets above excludes deferred tax assets, financial assets at FVTPL and financial assets at FVTOCI.

5) Information about major customers

Customers who contributed 10% or more to the Group's revenue for the years ended December 31, 2019 and 2018 are as follows:

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

TABLE 1

TPK HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands)

No. (Note 1)	Lender	Borrower	Financial Statements Account	Related Parties	Highest Balance for the Period (Notes 5 and 6)	Ending Balance (Notes 5 and 6)	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 5)	Aggregate Financing Limit (Notes 3 and 5)	Note
													Item	Value			
0	TPKH	TPK HK	Loan to related parties	Y	NT\$ 2,248,500 (approximately US\$ 75,000)	NT\$ 2,248,500 (approximately US\$ 75,000)	NT\$ -	-	b	\$ -	Operating capital	\$ -	-	\$ -	NT\$ 14,467,484 (approximately US\$ 482,571)	NT\$ 18,084,355 (approximately US\$ 603,214)	
		UYH	Loan to related parties	Y	NT\$ 2,023,650 (approximately US\$ 67,500)	-	-	3.1772%	b	-	Operating capital	-	-	-	NT\$ 14,467,484 (approximately US\$ 482,571)	NT\$ 18,084,355 (approximately US\$ 603,214)	
1	TPKC	TPKD	Loan to related parties	Y	NT\$ 2,998,000 (approximately US\$ 100,000)	NT\$ 1,499,000 (approximately US\$ 50,000)	NT\$ 387 (approximately US\$ 13)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKH	Loan to related parties	Y	NT\$ 5,996,000 (approximately US\$ 200,000)	NT\$ 5,996,000 (approximately US\$ 200,000)	-	-	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKMT	Loan to related parties	Y	NT\$ 59,960 (approximately US\$ 2,000)	-	-	-	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKF	Loan to related parties	Y	NT\$ 1,558,960 (approximately US\$ 52,000)	NT\$ 779,480 (approximately US\$ 26,000)	NT\$ 678,496 (approximately US\$ 22,632)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		MTOH	Loan to related parties	Y	NT\$ 4,796,800 (approximately US\$ 160,000)	NT\$ 2,398,400 (approximately US\$ 80,000)	NT\$ 1,331,494 (approximately US\$ 44,413)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPK HK	Loan to related parties	Y	NT\$ 4,497,000 (approximately US\$ 150,000)	NT\$ 4,497,000 (approximately US\$ 150,000)	NT\$ 366,883 (approximately US\$ 12,238)	0.0000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKS	Loan to related parties	Y	NT\$ 599,600 (approximately US\$ 20,000)	NT\$ 599,600 (approximately US\$ 20,000)	NT\$ 74,971 (approximately US\$ 2,501)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKG	Loan to related parties	Y	NT\$ 6,595,600 (approximately US\$ 220,000)	NT\$ 6,595,600 (approximately US\$ 220,000)	NT\$ 3,194,591 (approximately US\$ 106,557)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKP	Loan to related parties	Y	NT\$ 6,595,600 (approximately US\$ 220,000)	NT\$ 6,595,600 (approximately US\$ 220,000)	NT\$ 6,185,442 (approximately US\$ 206,319)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKJ	Loan to related parties	Y	NT\$ 299,800 (approximately US\$ 10,000)	NT\$ 299,800 (approximately US\$ 10,000)	-	-	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statements Account	Related Parties	Highest Balance for the Period (Notes 5 and 6)	Ending Balance (Notes 5 and 6)	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 5)	Aggregate Financing Limit (Notes 3 and 5)	Note
													Item	Value			
2	TPK HK	TPKP	Loan to related parties	Y	NT\$ 2,062,144 (approximately US\$ 68,784)	NT\$ -	NT\$ -	3.2225%	b	\$ -	Operating capital	\$ -	-	\$ -	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKG	Loan to related parties	Y	NT\$ 7,495,000 (approximately US\$ 250,000)	NT\$ 2,998,000 (approximately US\$ 100,000)	NT\$ 2,098,600 (approximately US\$ 70,000)	0.0000%-3.2225%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKC	Loan to related parties	Y	NT\$ 4,497,000 (approximately US\$ 150,000)	NT\$ 2,998,000 (approximately US\$ 100,000)	NT\$ 1,259,203 (approximately US\$ 42,001)	0.0000%-3.5134%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPKH	Loan to related parties	Y	NT\$ 7,495,000 (approximately US\$ 250,000)	NT\$ 4,497,000 (approximately US\$ 150,000)	NT\$ 1,528,980 (approximately US\$ 51,000)	2.6278%-3.5007%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		UYH	Loan to related parties - long-term	Y	NT\$ 899,400 (approximately US\$ 30,000)	NT\$ 899,400 (approximately US\$ 30,000)	NT\$ 899,400 (approximately US\$ 30,000)	0.0000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
3	TPKA	TPK HK	Loan to related parties	Y	NT\$ 1,169,220 (approximately US\$ 39,000)	NT\$ 1,169,220 (approximately US\$ 39,000)	NT\$ 1,169,220 (approximately US\$ 39,000)	0.0000%-2.1129%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
		TPK HK	Loan to related parties - long-term	Y	NT\$ 839,440 (approximately US\$ 28,000)	NT\$ 839,440 (approximately US\$ 28,000)	NT\$ 839,440 (approximately US\$ 28,000)	0.0000%-3.2811%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
4	TPKS	TPKC	Loan to related parties	Y	NT\$ 2,698,200 (approximately US\$ 90,000)	NT\$ 1,798,800 (approximately US\$ 60,000)	NT\$ 178,697 (approximately US\$ 5,961)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
5	TPKM	TPKC	Loan to related parties	Y	NT\$ 599,600 (approximately US\$ 20,000)	NT\$ 299,800 (approximately US\$ 10,000)	NT\$ 271,934 (approximately US\$ 9,071)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
6	RSSL	TPK HK	Loan to related parties	Y	NT\$ 563,624 (approximately US\$ 18,800)	-	-	3.3181%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
7	TPKD	TPKC	Loan to related parties	Y	NT\$ 5,996,000 (approximately US\$ 200,000)	NT\$ 5,996,000 (approximately US\$ 200,000)	NT\$ 1,993,670 (approximately US\$ 66,500)	0.0000%-3.5000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	
8	TPKT	TPK HK	Loan to related parties	Y	NT\$ 1,499,000 (approximately US\$ 50,000)	NT\$ 599,600 (approximately US\$ 20,000)	NT\$ 599,600 (approximately US\$ 20,000)	2.6006%-3.2893%	b	-	Operating capital	-	-	-	NT\$ 832,122 (approximately US\$ 27,756)	NT\$ 1,040,153 (approximately US\$ 34,695)	
9	TPKMT	TPKC	Loan to related parties	Y	NT\$ 299,800 (approximately US\$ 10,000)	NT\$ 299,800 (approximately US\$ 10,000)	NT\$ 140,888 (approximately US\$ 4,699)	0.0000%	b	-	Operating capital	-	-	-	NT\$ 36,168,710 (approximately US\$ 1,206,428)	NT\$ 54,253,065 (approximately US\$ 1,809,642)	

Note 1: The parent company is indicated by “0”, while all other numbers indicate subsidiaries.

Note 2: Types of financing were as follows:

- a. Business and trade.
- b. Short-term financing.

(Continued)

- Note 3: The limits of financing amounts were as follows:
- a. Financing received from TPKH cannot exceed 50% of TPKH’s net asset value, and the total short-term financing cannot exceed 40% of TPKH’s net asset value.
 - b. Financing received from a financing company cannot exceed 50% of the financing company’s net asset value, and the total short-term financing cannot exceed 40% of the financing company’s net asset value.
 - c. The limits of individual financing provided are as follows:
 - 1) Intercompany business and trade financing cannot exceed the business and trade amount. The business and trade amount is the higher of the sales amount or purchases amount within one year.
 - 2) Short-term financing cannot exceed 40% of the financing company’s net asset value.
 - d. The financing limits where TPKH directly and indirectly holds voting right shares of subsidiaries at 100% are as follows:
 - 1) Business and trade: The total financing amount cannot exceed 50% of the financing company’s net asset value; the amount of individual financing provided is limited to the business and trade amount where the business and trade amount is the higher of the sales amount or purchases amount within one year.
 - 2) Short-term financing: The total financing amount cannot exceed 150% of TPKH’s net asset value. The amount of individual financing provided cannot exceed 100% of TPKH’s net asset value.
- Note 4: The Company’s board of directors approved the credit line of loans to another party for NT\$53,904,040 thousand (approximately US\$1,798,000 thousand). The loans to other parties disclosed on Table 1 did not exceed the credit lines approved by the Company’s board of directors.
- Note 5: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2019 was US\$1=NT\$29.98.
- Note 6: Highest balance and ending balance for the year only indicate credit line of loans to others, not the actual amount of loans.

(Concluded)

TABLE 2

TPK HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Notes 3 and 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Notes 3 and 4)	Actual Borrowing Amount (Note 3)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	TPKH	TPKD	Subsidiaries of which the Company held a 100% equity interest	NT\$ 9,042,178 (approximately US\$ 301,607)	NT\$ 945,149 (approximately US\$ 31,526)	NT\$ 945,149 (approximately US\$ 31,526)	NT\$ 859,227 (approximately US\$ 28,660)	NT\$ -	2.61%	NT\$ 18,084,355 (approximately US\$ 603,214)	Y	N	Y	
1	TPKC	TPKD	Subsidiaries of which the Company directly held a more than 50% equity interest	NT\$ 9,042,178 (approximately US\$ 301,607)	NT\$ 945,149 (approximately US\$ 31,526)	NT\$ 945,149 (approximately US\$ 31,526)	NT\$ 859,227 (approximately US\$ 28,660)	-	2.61%	NT\$ 18,084,355 (approximately US\$ 603,214)	N	N	Y	
		TPK HK	Between subsidiaries of which the Company held a 100% equity interest	NT\$ 9,042,178 (approximately US\$ 301,607)	NT\$ 429,613 (approximately US\$ 14,330)	NT\$ 429,613 (approximately US\$ 14,330)	NT\$ 346,984 (approximately US\$ 11,574)	-	1.19%	NT\$ 18,084,355 (approximately US\$ 603,214)	N	N	Y	

Note 1: The parent company is indicated by “0”, while all other numbers indicate subsidiaries.

Note 2: For TPKH, the total amount of endorsement/guarantee provided and the limit on endorsement/guarantee amounts provided to each guaranteed party cannot exceed 50% and 25% of TPKH’s net asset value, respectively. The maximum collateral/guarantee amount allowable was calculated based on the net assets value as of December 31, 2019.

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

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

TABLE 3

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

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

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

TABLE 4

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

(In Thousands, Unless Stated Otherwise)

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

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

TABLE 5

TPK HOLDING CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands)**

Company Name	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Trade Receivable (Payables)		Note
			Purchase/ Sale	Amount (Notes 2 and 3)	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Notes 2 and 4)	% to Total	
TPKC	TPKS	The same ultimate parent company	Purchase	NT\$ 838,327 (approximately US\$ 27,112)	0.76	45 days after monthly closing	No significant difference	No significant difference	NT\$ 158,229 (approximately US\$ 5,278)	0.86	
	TPKG	The same ultimate parent company	Purchase	NT\$ 1,366,423 (approximately US\$ 44,190)	1.23	45 days after monthly closing	No significant difference	No significant difference	NT\$ 248,952 (approximately US\$ 8,304)	1.36	
	TPK HK	The same ultimate parent company	Purchase	NT\$ 6,449,508 (approximately US\$ 208,578)	5.83	45 days after monthly closing	No significant difference	No significant difference	NT\$ 893,815 (approximately US\$ 29,814)	4.88	
	TPKP	The same ultimate parent company	Purchase	NT\$ 152,357 (approximately US\$ 4,927)	0.14	45 days after monthly closing	No significant difference	No significant difference	NT\$ 33,224 (approximately US\$ 1,108)	0.18	
	TPKJ	Investments accounted for using equity method	Purchase	NT\$ 1,905,306 (approximately US\$ 61,618)	1.72	45 days after monthly closing	No significant difference	No significant difference	NT\$ 349,108 (approximately US\$ 11,645)	1.90	
	TPKU	The same ultimate parent company	Sales	NT\$ 513,533 (approximately US\$ 16,608)	0.38	45 days after monthly closing	No significant difference	No significant difference	NT\$ 16,784 (approximately US\$ 560)	0.13	
	TPKG	The same ultimate parent company	Sales	NT\$ 139,147 (approximately US\$ 4,500)	0.10	45 days after monthly closing	No significant difference	No significant difference	NT\$ 25,541 (approximately US\$ 852)	0.20	
	TPK HK	The same ultimate parent company	Sales	NT\$ 42,616,526 (approximately US\$ 1,378,226)	31.20	45 days after monthly closing	No significant difference	No significant difference	NT\$ 12,133,988 (approximately US\$ 404,736)	94.11	
	TPKD	Investments accounted for using equity method	Sales	NT\$ 583,861 (approximately US\$ 18,882)	0.43	45 days after monthly closing	No significant difference	No significant difference	NT\$ 95,186 (approximately US\$ 3,175)	0.74	

(Continued)

Company Name	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Trade Receivable (Payables)		Note
			Purchase/ Sale	Amount (Notes 2 and 3)	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Notes 2 and 4)	% to Total	
TPKS	TPKG	The same ultimate parent company	Purchase	NT\$ 165,331 (approximately US\$ 5,347)	0.15	45 days after monthly closing	No significant difference	No significant difference	NT\$ 8,056 (approximately US\$ 269)	0.04	
	TPK HK	The same ultimate parent company	Purchase	NT\$ 1,791,517 (approximately US\$ 57,938)	1.62	45 days after monthly closing	No significant difference	No significant difference	NT\$ 489,592 (approximately US\$ 16,331)	2.67	
	TPKJ	The same ultimate parent company	Purchase	NT\$ 539,820 (approximately US\$ 17,458)	0.49	45 days after monthly closing	No significant difference	No significant difference	NT\$ 115,980 (approximately US\$ 3,869)	0.63	
	TPKC	The same ultimate parent company	Sales	NT\$ 838,327 (approximately US\$ 27,112)	0.61	45 days after monthly closing	No significant difference	No significant difference	NT\$ 158,229 (approximately US\$ 5,278)	1.23	
	TPK HK	The same ultimate parent company	Sales	NT\$ 5,815,631 (approximately US\$ 188,078)	4.26	45 days after monthly closing	No significant difference	No significant difference	NT\$ 634,627 (approximately US\$ 21,168)	4.92	
TPKU	TPKC	The same ultimate parent company	Purchase	NT\$ 513,483 (approximately US\$ 16,606)	0.46	45 days after monthly closing	No significant difference	No significant difference	NT\$ 16,784 (approximately US\$ 560)	0.09	
TPKG	TPKC	The same ultimate parent company	Purchase	NT\$ 139,147 (approximately US\$ 4,500)	0.13	45 days after monthly closing	No significant difference	No significant difference	NT\$ 25,541 (approximately US\$ 852)	0.14	
	TPKC	The same ultimate parent company	Sales	NT\$ 1,368,387 (approximately US\$ 44,254)	1.00	45 days after monthly closing	No significant difference	No significant difference	NT\$ 248,952 (approximately US\$ 8,304)	1.93	
	TPKS	The same ultimate parent company	Sales	NT\$ 165,331 (approximately US\$ 5,347)	0.12	45 days after monthly closing	No significant difference	No significant difference	NT\$ 8,056 (approximately US\$ 269)	0.06	
	TPKD	The same ultimate parent company	Sales	NT\$ 1,042,037 (approximately US\$ 33,700)	0.76	45 days after monthly closing	No significant difference	No significant difference	NT\$ 166,656 (approximately US\$ 5,559)	1.29	

(Continued)

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

(Continued)

Company Name	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Trade Receivable (Payables)		Note
			Purchase/ Sale	Amount (Notes 2 and 3)	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Notes 2 and 4)	% to Total	
TPKD	TPKC	The same ultimate parent company	Purchase	NT\$ 583,861 (approximately US\$ 18,882)	0.53	45 days after monthly closing	No significant difference	No significant difference	NT\$ 95,186 (approximately US\$ 3,175)	0.52	
	TPKG	The same ultimate parent company	Purchase	NT\$ 1,042,037 (approximately US\$ 33,700)	0.94	45 days after monthly closing	No significant difference	No significant difference	NT\$ 166,656 (approximately US\$ 5,559)	0.91	
	TPK HK	The same ultimate parent company	Purchase	NT\$ 45,391,362 (approximately US\$ 1,467,964)	41.00	45 days after monthly closing	No significant difference	No significant difference	NT\$ 6,409,533 (approximately US\$ 213,794)	34.97	
	TPKJ	The same ultimate parent company	Purchase	NT\$ 2,573,053 (approximately US\$ 83,213)	2.32	45 days after monthly closing	No significant difference	No significant difference	NT\$ 479,204 (approximately US\$ 15,984)	2.61	
	TPK HK	The same ultimate parent company	Sales	NT\$ 72,010,982 (approximately US\$ 2,328,847)	52.71	45 days after monthly closing	No significant difference	No significant difference	NT\$ 11,415,922 (approximately US\$ 380,785)	88.54	
	BTO	Related party in substance	Purchase	NT\$ 156,429 (approximately US\$ 5,059)	0.14	45 days after monthly closing	No significant difference	No significant difference	NT\$ 22,733 (approximately US\$ 758)	0.12	
TPKJ	TPKJ HK	Investments accounted for using equity method	Purchase	NT\$ 116,353 (approximately US\$ 3,763)	0.11	45 days after monthly closing	No significant difference	No significant difference	-	-	
	TPKC	The same ultimate parent company	Sales	NT\$ 1,905,870 (approximately US\$ 61,636)	1.40	45 days after monthly closing	No significant difference	No significant difference	NT\$ 349,108 (approximately US\$ 11,645)	2.71	
	TPKS	The same ultimate parent company	Sales	NT\$ 539,872 (approximately US\$ 17,460)	0.40	45 days after monthly closing	No significant difference	No significant difference	NT\$ 115,980 (approximately US\$ 3,869)	0.90	
	MTOH	The same ultimate parent company	Sales	NT\$ 101,227 (approximately US\$ 3,274)	0.07	45 days after monthly closing	No significant difference	No significant difference	NT\$ 16,516 (approximately US\$ 551)	0.13	
	TPKD	The same ultimate parent company	Sales	NT\$ 2,573,999 (approximately US\$ 83,244)	1.88	45 days after monthly closing	No significant difference	No significant difference	NT\$ 479,204 (approximately US\$ 15,984)	3.72	
TPKJ HK	TPKJ	The same ultimate parent company	Sales	NT\$ 116,353 (approximately US\$ 3,763)	0.09	45 days after monthly closing	No significant difference	No significant difference	-	-	

Note 1: The sales prices and payment terms of intercompany and related party sales and purchases were not significantly different from those transactions with third parties.

Note 2: Except for TES XM and BTO, intercompany balances and transactions were eliminated upon consolidation.

Note 3: The average exchange rate from U.S. dollars to New Taiwan dollars for the year ended December 31, 2019 was US\$1=NT\$30.9213.

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

(Concluded)

TABLE 6**TPK HOLDING CO., LTD. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2019****(In Thousands)**

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount (Note 1)	Action Taken		
TPKC	TPK HK	The same ultimate parent company	NT\$ 12,133,988 (approximately US\$ 404,736)	4.09	NT\$ 6,012,557 (approximately US\$ 200,552)	Enhance collection	NT\$ 7,754,206 (approximately US\$ 258,646)	\$ -
	TPKD	Investments accounted for using equity method	NT\$ 117,094 (approximately US\$ 3,906)	-	-	-	NT\$ 116,093 (approximately US\$ 3,872)	-
TPKS	TPKC	The same ultimate parent company	NT\$ 158,229 (approximately US\$ 5,278)	3.99	-	-	NT\$ 156,821 (approximately US\$ 5,231)	-
	TPK HK	The same ultimate parent company	NT\$ 634,627 (approximately US\$ 21,168)	4.57	NT\$ 410 (approximately US\$ 14)	Enhance collection	NT\$ 634,627 (approximately US\$ 21,168)	-
TPKG	TPKC	The same ultimate parent company	NT\$ 248,952 (approximately US\$ 8,304)	7.42	-	-	NT\$ 248,941 (approximately US\$ 8,304)	-
	TPKD	The same ultimate parent company	NT\$ 166,656 (approximately US\$ 5,559)	9.73	-	-	NT\$ 166,656 (approximately US\$ 5,559)	-
TPK HK	TPKC	Investments accounted for using equity method	NT\$ 893,815 (approximately US\$ 29,814)	6.26	NT\$ 44,717 (approximately US\$ 1,492)	Enhance collection	NT\$ 719,451 (approximately US\$ 23,998)	-
	TPKS	The same ultimate parent company	NT\$ 489,592 (approximately US\$ 16,331)	7.07	-	-	NT\$ 489,592 (approximately US\$ 16,331)	-
	TPKD	Investments accounted for using equity method	NT\$ 6,409,533 (approximately US\$ 213,794)	7.78	NT\$ 429,439 (approximately US\$ 14,324)	Enhance collection	NT\$ 6,305,552 (approximately US\$ 210,325)	-
MTOH	TPK HK	The same ultimate parent company	NT\$ 403,913 (approximately US\$ 13,473)	5.81	NT\$ 112,600 (approximately US\$ 3,756)	Enhance collection	NT\$ 259,285 (approximately US\$ 8,649)	-

(Continued)

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount (Note 1)	Action Taken		
TPKD	TPK HK	The same ultimate parent company	NT\$ 11,415,922 (approximately US\$ 380,785)	5.54	NT\$ 32,306 (approximately US\$ 1,078)	Enhance collection	NT\$ 7,421,784 (approximately US\$ 247,558)	-
	Cambrios Film Xiamen	Related party in substance	NT\$ 223,360 (approximately US\$ 7,450)	-	-	-	-	-
TPKJ	TPKC	The same ultimate parent company	NT\$ 349,108 (approximately US\$ 11,645)	5.50	-	-	NT\$ 343,755 (approximately US\$ 11,466)	-
	TPKS	The same ultimate parent company	NT\$ 115,980 (approximately US\$ 3,869)	7.95	-	-	NT\$ 115,951 (approximately US\$ 3,868)	-
	TPKD	The same ultimate parent company	NT\$ 479,204 (approximately US\$ 15,984)	6.54	-	-	NT\$ 479,025 (approximately US\$ 15,978)	-
RSSL	TPKT	The same ultimate parent company	NT\$ 563,830 (approximately US\$ 18,807)	-	-	-	NT\$ 563,830 (approximately US\$ 18,807)	-

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

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

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

(Concluded)

TABLE 7

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee (Note 2)	Share of Profits (Loss) (Notes 2 and 4)	Note
				December 31, 2019 (Note 1)	December 31, 2018 (Note 1)	Number of Shares	%	Carrying Amount (Notes 1 and 4)			
TPKH	Improve	Samoa	Holding company	NT\$ 4,631,610 (approximately US\$ 154,490)	NT\$ 4,631,610 (approximately US\$ 154,490)	154,490,000	100.00	NT\$ 4,160,229 (approximately US\$ 138,767)	NT\$ 178,749 (approximately US\$ 5,781)	NT\$ 178,749 (approximately US\$ 5,781)	Subsidiary
	UYH	Samoa	Holding company and International trade	NT\$ 5,907,259 (approximately US\$ 197,040)	NT\$ 5,907,259 (approximately US\$ 197,040)	196,250,000	100.00	NT\$ 31,368,908 (approximately US\$ 1,046,328)	NT\$ 1,988,410 (approximately US\$ 64,306)	NT\$ 1,988,410 (approximately US\$ 64,306)	Subsidiary (Note 8)
	TTI	Samoa	International trade	NT\$ 14,990 (approximately US\$ 500)	NT\$ 14,990 (approximately US\$ 500)	500,000	100.00	NT\$ 178,070 (approximately US\$ 5,940)	NT\$ (13,366) (approximately US\$ -432)	NT\$ (13,366) (approximately US\$ -432)	Subsidiary
	OTH	Singapore	Holding company	NT\$ 1,563,547 (approximately US\$ 52,153)	NT\$ 1,563,547 (approximately US\$ 52,153)	31,000	100.00	NT\$ 1,837,915 (approximately US\$ 61,305)	NT\$ 124,013 (approximately US\$ 4,011)	NT\$ 124,013 (approximately US\$ 4,011)	Subsidiary
	RUSL	Hong Kong	Holding company	NT\$ 14,075,550 (approximately US\$ 469,498)	NT\$ 14,075,550 (approximately US\$ 469,498)	469,498,000	100.00	NT\$ 7,313,269 (approximately US\$ 243,938)	NT\$ (1,495,433) (approximately US\$ -48,363)	NT\$ (1,495,433) (approximately US\$ -48,363)	Subsidiary
Improve	TPKA	Malaysia	Holding company	NT\$ 4,994,340 (approximately US\$ 166,589)	NT\$ 4,994,340 (approximately US\$ 166,589)	632,187	100.00	NT\$ 4,124,393 (approximately US\$ 137,571)	NT\$ 178,639 (approximately US\$ 5,777)	NT\$ 178,639 (approximately US\$ 5,777)	Sub-subsiidary (Note 9)
OTH	TPKU	U.S.A.	International trade	NT\$ 143,904 (approximately US\$ 4,800)	NT\$ 143,904 (approximately US\$ 4,800)	Note 3	100.00	NT\$ 170,953 (approximately US\$ 5,702)	NT\$ (16,303) (approximately US\$ -527)	NT\$ (16,303) (approximately US\$ -527)	Sub-subsiidary
RUSL	TPK HK	Hong Kong	Touch module related research; holding company and international trade	NT\$ 14,015,590 (approximately US\$ 467,498)	NT\$ 14,015,590 (approximately US\$ 467,498)	467,498,000	100.00	NT\$ 7,254,870 (approximately US\$ 241,990)	NT\$ (1,495,379) (approximately US\$ -48,361)	NT\$ (1,495,379) (approximately US\$ -48,361)	Sub-subsiidary
TPK HK	Cando	Taiwan	Touch modules research and manufacture	NT\$ 5,803,351 (approximately US\$ 193,574)	NT\$ 5,803,351 (approximately US\$ 193,574)	77,124,591	19.78	-	-	-	Associate accounted for using equity method (Note 6)
	TPKF HK	Hong Kong	Holding company	NT\$ 450,150 (approximately US\$ 15,015)	NT\$ 450,150 (approximately US\$ 15,015)	18,000,000	100.00	NT\$ (574,636) (approximately US\$ -19,167)	NT\$ (32,779) (approximately US\$ -1,060)	NT\$ (32,779) (approximately US\$ -1,060)	Sub-subsiidary
TPKA	TPKT	Taiwan	Touch related material sales and machinery manufacture, wholesale and retail	NT\$ 2,911,700 (approximately US\$ 116,433)	NT\$ 2,911,700 (approximately US\$ 116,433)	50,717,000	100.00	NT\$ 2,080,305 (approximately US\$ 69,390)	NT\$ 193,648 (approximately US\$ 6,263)	NT\$ 193,648 (approximately US\$ 6,263)	Sub-subsiidary
TPKT	RSSL	Hong Kong	Holding company	NT\$ 399,034 (approximately US\$ 13,310)	NT\$ 399,034 (approximately US\$ 13,310)	13,310,000	100.00	NT\$ 563,830 (approximately US\$ 18,807)	NT\$ (1,899) (approximately US\$ -61)	NT\$ (1,899) (approximately US\$ -61)	Sub-subsiidary (Note 7)
TPKJ	TPKJ HK	Hong Kong	International trade	NT\$ 14,990 (approximately US\$ 500)	NT\$ 14,990 (approximately US\$ 500)	500,000	100.00	NT\$ 19,298 (approximately US\$ 644)	NT\$ 4,176 (approximately US\$ 135)	NT\$ 4,176 (approximately US\$ 135)	Sub-subsiidary

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

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

Note 3: There are no shares since it is a limited liability no-shares company.

Note 4: Except for Cando, intercompany balances and transactions were eliminated upon consolidation.

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

(Continued)

- Note 6: Based on assessments, the recoverable amounts of the Company’s interests in Cando were less than their carrying amounts. Hence, impairment losses of the total carrying amounts were recognized. Refer to Note 13 to the consolidated financial statements for more information.
- Note 7: In order to simplify its organizational structure, the Company’s board of directors resolved to dissolve and liquidate RSSL, which has finished in January 2020.
- Note 8: In order to simplify its organizational structure, the Company’s board of directors resolved to annul the registration of UYH Hong Kong Branch, which was finished in December 2019.
- Note 9: In order to simplify its organizational structure, the Company’s board of directors resolved to dissolve and liquidate TPKA. However, as of March 23, 2020, the above procedures have not been completed.

(Concluded)

TABLE 8

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands)

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

(Continued)

Investee Company	Main Business and Products	Paid in Capital (Notes 1 and 2)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 2)	Net Income (Loss) of the investee (Note 3)	% Ownership of Direct or Indirect Investment	Investment Income (Loss) Recognized (Notes 3 and 5)	Carrying Amount as of December 31, 2019 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
TPKF	Touch modules research, development, manufacture and sales	NT\$ 530,646 (approximately US\$ 17,700)	Direct investment	\$ -	\$ -	\$ -	\$ -	NT\$ (32,663) (approximately US\$ -1,056)	100.00	NT\$ (32,663) (approximately US\$ -1,056)	NT\$ (580,539) (approximately US\$ -19,364)	\$ -
TPKMT	Touch related electronic material manufacture	NT\$ 299,800 (approximately US\$ 10,000)	Direct investment	-	-	-	-	NT\$ (1,286) (approximately US\$ -42)	100.00	NT\$ (1,286) (approximately US\$ -42)	NT\$ 294,477 (approximately US\$ 9,822)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (Note 2)	Investment Amount Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Notes 2 and 4)
NT\$398,734 (approximately US\$13,300)	NT\$488,674 (approximately US\$16,300)	NT\$1,248,183 (approximately US\$41,634)

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

(Concluded)

TABLE 9

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

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

Note 1: The parent company is indicated by “1”, while all other numbers indicate subsidiaries.

Note 2: The Company name and counterparty are listed in Note 12 to the financial statements.

Note 3: No. 1 represents the transactions from parent company to subsidiary.
No. 2 represents the transactions from subsidiary to parent company.
No. 3 represents the transactions between subsidiaries.

Note 4: The sales prices and payment terms of intercompany sales and purchases were not significantly different from those transactions with third parties. For other intercompany transactions, prices and terms are determined based on mutual agreements.

Note 5: Other transactions that were less than 0.1% of total assets or sales are not disclosed.

Note 6: Intercompany balances and transactions were eliminated upon consolidation.

(Concluded)