

Stock Code: 1802



**台灣玻璃工業公司**  
**TAIWAN GLASS IND. CORP.**

Annual Report 2018

**Accessible at Website: <http://mops.twse.com.tw/index.htm>  
<http://www.taiwanglass.com>**

Prepared by TAIWAN GLASS IND. CORP.  
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**II. Company and factories: (No subsidiaries)**

Entity	Address	Tel. No.
Head Office	11F, Taiwan Glass Building, No. 261, Sec. 3, Nanking E. RD., Taipei City	(02) 2713-0333
Taichung Factory	No. 377, Ziqiang Rd., Wuqi Dist., Taichung City	(04) 2639-0333
Taichung Process Factory	No. 222, Ziqli 3rd Street, Wuqi Dist., Taichung City	(04) 2639-0333
Taoyuan Factory	No.1, Jingjian 5th Rd., Guanyin Industrial Park, Guanyin Township, Taoyuan County	(03) 483-7333
Lukang Factory	No.11, Lugong Rd., Changhua Coastal Industrial Park, Lukang Township, Changhua County	(04) 781-0333
Changpin Factory	Changhua Coastal Industrial Park, Lukang Township, Changhua County	(04) 781-2333
Hsinchu Factory	No. 470, Sec. 4, Zhonghua Rd., Hsinchu City	(03) 530-0333

**III. Stock Transfer Registration:**

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# One. Letter to Shareholders

## I. 2018 Business Operation

### (I) Production:

Type	Territory	Contents	Yearly Output Thousand MT
Flat Glass	Taiwan	<ul style="list-style-type: none"> <li>1 production line of flat glass in Taichung Factory</li> <li>1 production line of flat glass in Lukang Factory</li> <li>1 production line of ultra-thin glass in Taichung Factory</li> <li>Subtotal 3 production lines of flat glass</li> </ul>	279 (-8.9%)
	China	<ul style="list-style-type: none"> <li>12 production lines of flat glass in Kunshan, Chengdu, Tianjin, Dongguan, Qingdao, Donghai, Xianyang and Anhui Factories</li> <li>1 production line of Photovoltaic glass in Fujian Factory</li> <li>Subtotal 13 production lines of flat glass</li> </ul>	2,916 (+4.0%)
Fiberglass Fabric & Fiberglass Reinforced	Taiwan	<ul style="list-style-type: none"> <li>2 production lines of fiber glass in Taoyuan Factory</li> <li>2 production lines of fabric glass in Lukang Factory</li> <li>Subtotal 4 production lines</li> </ul>	81 (+24.0%)
	China	<ul style="list-style-type: none"> <li>4 production lines of fabric glass in Kunshan Factory</li> <li>1 production line of fabric glass in Chengdu Factory</li> <li>Subtotal 5 production lines</li> </ul>	54 (-2.4%)
Container, Tableware Kitchenware	Taiwan	<ul style="list-style-type: none"> <li>7 production lines of container, tableware and kitchenware glass in Hsinchu Factory</li> </ul>	142 (-1.6%)
Autoglass	Taiwan	<ul style="list-style-type: none"> <li>Production line of automotive glass in Taichung Factory</li> </ul>	8 (-17.2%)
	China	<ul style="list-style-type: none"> <li>Production line of automotive glass in Yancheng Factory</li> </ul>	11 (+17.7%)
Total		-	3,491 (+2.8%)

### (II) Sales:

Type	Territory	Sales Volume		Sales Amount	
		Thousand MT	Compared with 2017	NT\$ Million	Compared with 2017
Flat Glass	Taiwan	273	(-6.4%)	4,038	(-5.5%)
	China	3,109	(+3.5%)	29,078	(+9.9%)
	Subtotal	3,382	(+2.6%)	33,116	(+7.8%)
				<b>= US\$ 1,098mil</b>	<b>Percentage of group's turnover 67.8%</b>
Fiberglass Fabric & Fiberglass Reinforced	Taiwan	69	(-0.1%)	4,890	(-8.8%)
	China	70	(-5.9%)	6,286	(-3.3%)
	Subtotal	139	(-3.1%)	11,176	(-5.8%)
				<b>= US\$ 371mil</b>	<b>Percentage of group's turnover 22.9%</b>
Container, Tableware and Kitchenware	Taiwan	145	(+2.1%)	3,468	(+2.5%)
				<b>= US\$ 115mil</b>	<b>Percentage of group's turnover 7.1%</b>
Autoglass	Taiwan	8	(-12.7%)	568	(-11.3%)
	China	11	(+13.8%)	486	(+8.8%)
	Subtotal	19	(+1.1%)	1,054	(-3.0%)
				<b>= US\$ 35mil</b>	<b>Percentage of group's turnover 2.2%</b>

Total	3,685	(+2.4%)	48,814	(+3.7%)
			= US\$ 1,619mil	Domestic 83% Export 17%
Merge Reversal	-	-	(2,723)	
Total after offset	-	-	46,091	(+2.7%)
			= US\$ 1,529mil	

(III) Financial report:

1. In the second half of 2018, overproduction of the market and rising raw material prices brought decreased sales volume and product prices and led to slight declines in gross profit. Furthermore, TG's overall profit is lower than it in 2017 because of the US-China trade conflict, exchange rate fluctuations and foreign exchange losses.

2.

Unit: NT\$ '000

Title	2018	2017	Comparison% 2018/2017
Operating Revenue	46,091,494	44,869,581	2.7%
Operating Income	2,323,574	2,640,535	(12.0)%
Net Income before Tax	1,554,665	2,390,795	(35.0)%
Net Income after Tax	1,031,980	2,175,745	(52.6)%
Net Income after Tax Attributable to Stockholders of the Parent	1,066,286	2,123,773	(49.8)%

(IV) Budget Execution:

Unit: NT\$ '000

Title	2018 Budget (*)	2018 Amount	Proportion
Operating Revenue	50,000,000	46,091,494	92.2%
Net Income before Tax	3,315,000	1,554,665	46.9%
Net Income after Tax Attributable to Stockholders of the Parent	2,706,000	1,066,286	39.4%

\*Note: it refers to inner budget with unpublished financial projections

(V) Profitability Analysis:

Title	2018	2017
Return on Total Assets (ROA)	1.90%	3.30%
Return on Stockholder's Equity (ROE)	2.12%	4.49%
Ratio of Operating Income to Paid-in Capital	7.99%	9.08%
Ratio of Income before Tax to Paid-in Capital	5.35%	8.22%
Profit margin	2.24%	4.85%
EPS (adjusted retroactive)	NTD 0.37	NTD 0.73

## Overview of 2019 Operation Plan:

### Strategy of Business Running:

This year is TGI's 55th anniversary since establishment. Special thanks to our stockholders, dealers, suppliers, and employee for their long-term support and contribution to TG. We will continue to optimize corporate governance, pay attention to professional managers, innovative technology, and talent cultivation, enhance risk management of industrial safety, invest in environmental equipment, fulfill corporate social responsibilities, and create maximum profits for stockholders and employee.

### Brief of Technology and R&D:

In 2018, TG continued to improve its production technologies to increase the capacity of 0.33mm ultra-thin glass from 36,000m<sup>2</sup>/day of 2017 to 48,000 m<sup>2</sup>/day, an increase of 35%. Our goal in 2019 is to develop medium aluminum ultra-thin glass which is alumina content increased. Compare with sodalime glass, the medium aluminum glass has increased mechanical strength and weather resistance as well as extended ion exchange rate and depth during the chemical strengthening process to meet demand for thinner and higher strength for display devices in the future. The ultra-thin glass is also supplied to manufacturers of automotive electronic equipment. Through combining sensor technology with auto-dimming rearview mirrors, high-grade glass for automatic anti-glare rearview mirror products were developed. Moreover, the manufacturing process and quality inspection ability was improved to achieve clients' demands for higher flatness of glass surface. The manufacturing process and quality have now obtained the certification of clients, and will be widely applied to the major global automotive companies.

In raw flat glass manufacturing, TGI has redoubled efforts to improve quality and cost efficiency by reducing the color-change time, and evaluating to add glass collecting machines to increase the collecting rate of ultra-large flat glass. Meanwhile TGI has invested in Double Low-E glass, and actively develops more high-performance Triple Low-E coated glass products.

As the age of 5G is approaching, the demand for high-speed and high-frequency laminate has increased steadily. TGI continues to expand production lines of low dielectric constant fiberglass fabric and develops 4μm ultra-fine fiberglass to extend product applications. To cope with downstream thin FRP products, TGI developed flat CS fiberglass to use in high-fiberglass products for decreasing warps substantially. TGI also makes use of Roving products which are certificated by DNV GL on the application of wind power generation in response to the issues of global environmental protection and energy saving & carbon reduction.

### Prospects of Operating:

In the first half of 2018, the domestic and international demands raised the economy of Taiwan. In the second half of 2018, the rising Fed rate brought the rebound of the USD, and high export base period as well as US-China trade conflict slowed the economy. In addition, Brexit is postponed, and GDP of Mainland China in 2018 hit a record low with 6.6%. With the possibility of an economy downturn in 2019, the International Monetary Fund (IMF) has lowered the global GDP growth prediction to 3.3%. Institutes in Taiwan have also forecasted that the domestic economy growth in this year will be lower than in last year. From this spring, the US-China trade conflict has eased. In addition, the Fed's announcement of stabilizing interest rate, and the homecoming of Taiwanese enterprises could have positive effect for the economy in 2019.

The rise of global economy brought TGI's growth in first and second quarter of 2018. However, excess market capacity and rising raw material prices led to lower operating gross profit. Although the corporate business achievement of whole year is not better than it was in 2017, we still maintained a certain profit performance. TGI's consolidated net income before tax achieved NTD1.55 billion. We make a brief report by product lines as follows.

In flat glass, under the situation of inactive real estate in Taiwan, the quantity of domestic demands only stayed level. Besides continuing to produce high added value products and enhancing after-service by combining clients' demands, we appealed to the Government for pushing adaptation of Low-E energy saving glass to reduce power consumption of air conditioner, responding to the stage of energy transition and adjustment of power supply of Taiwan.

In ultra-thin glass, it continues to be sold to the markets of Europe and America, India and Vietnam. We cooperate with customers to develop new products and ensure the products will comply with quality standard of the industry can be supplied, and increase product sales volume.

The sales volume of flat glass in Mainland China markets was increased. The market faces strict environmental regulations and emission reduction measures, and continues to consolidate supply-wise. However, the overproduction still exists. Since this April, the VAT rate of China enterprises has been adjusted from 16% to 13%, meanwhile, the general industrial oil and gas price and five social insurance and one housing fund are decreased to effectively reduce the production cost of enterprises. All TGI's subsidiaries in Mainland China comply with the environmental standard, carry out the control of risk and industrial safety. TGI fully uses its flexible capacity and inventory to optimize its industrial structure by forbidding adding new capacity strictly, and supervise the backward production capacity.

In fiberglass, the Electronic Fiberglass Fabric suffered a mild correction last year. TGI is self-sufficient on raw material and production, that it, we still have the advantage of competition on cost. Taichia Bengbu Glass Fiber Co., Ltd. in Anhui of China started production this March. It is predicted to reach full capacity in second quarter of this year with yearly capacity of 35 thousand tons. Nowadays, emerging technology applications, IoT, and automotive electronics industry are still under rapid growth. TGI continues to strive for orders to enter the high-end customer supply chain.

For FRP, TG Taoyuan Factory has signed an agreement for technology cooperation, manufacturing and supply with Owens Corning, and obtained the most advanced fiberglass formulation and technology in the world. The equipment is promoted in second quarter of this year to help cut production costs efficiently. Comparing with the traditional steel material, it has more flexibility to be designed, processed and recycled. These advantages meet energy saving and environmental trends.

In container, tableware and kitchenware glass, two tableware production lines of TS-6 in Hsinchu Factory were replaced by IS M/C equipment to produce container glass. Through transferring effect of US-China trade competition, we actively achieved higher priced orders from America. It is expected to start production in July of this year with yearly capacity 8,000 tons.

In our private brand, TGI cooperated with Fukasawa Naoto, who is a Japanese artist of industrial design, to plan and design our private brand "TG". First batch of products is in minimalist and elegant style, injecting new ideas into Taiwan's life aesthetics.

Shihlien Chemical Industrial Jiangsu Co., Ltd. (SCJ) reached full production and sales and the price of soda ash and ammonium chloride were increased in 2018. Its consolidated income before tax was USD13 million, and its predicted yearly capacity of this year could reach 1.1million tons. With regard to Pharmaceutical sodium chloride, we have obtained the GMP certification of China in September, 2018. The medical-grade equipment products have begun to ship, and the medical pharmaceutical grade products are undergoing examination, review and negotiation of OEM cooperation.

**Important Sales Policy:**

- |                          |                        |                           |
|--------------------------|------------------------|---------------------------|
| 1. Innovative Technology | 2. Excellent Quality   | 3. Cost Efficiency        |
| 4. Reasonable Price      | 5. Product Development | 6. Comprehensive Services |



## Two. Profile

### I. Company Profile

(I) Date of Establishment: August 25, 1964

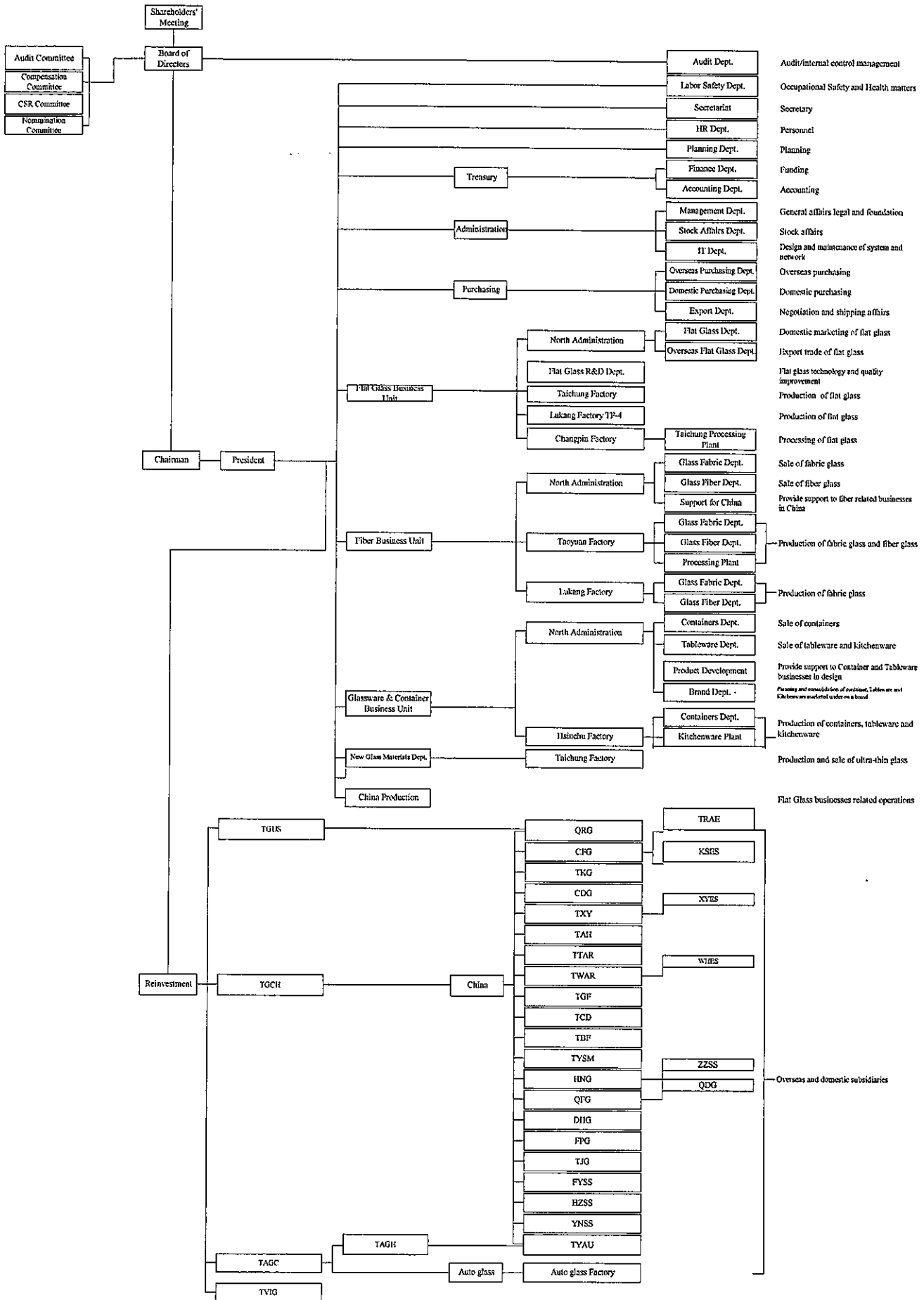
### (II) Organization and Operations

Year	Milestones
1964	Company was established with a capital of NT\$150 million
1965	Cooperated with Asahi, Japan for sheet glass TAA
1967	Hsinchu TS Factory sheet glass plant launched into production
1970	Cooperation with U.S. WHEATON GLASS for glass containers TAA
1972	TGI Building inaugurated
1973	TGI stock listed on Taiwan Stock Exchange
1974	Cooperated with Pilkington PLC. UK for tinted glass TAA
1977	Cooperated with Veba Glass Ag. Germany for tableware glass TAA
1980	Cooperated with Pilkington PLC. UK for float glass TAA
1983	Taichung TF Factory float glass plant production
1987	Cooperated with OWENS CORNING FIBERGLAS CORP. for fiberglass reinforced TAA Cooperated with Sibata Hario, Ltd. Japan for heat-resistant glass TAA
1988	Work with Kanebo, Ltd. Japan for fiberglass fabric glass TAA
1989	25 <sup>th</sup> Anniversary of Taiwan Glass Group
1990	Taoyuan TT Factory fiberglass fabric & fiberglass reinforced plant production
1992	Founder took the business trip to Mainland China.
1993	Taiwan Glass China Holding Ltd. established
1994	Cooperated with HERMANN HEYE for container glass TAA 30 <sup>th</sup> Anniversary of Taiwan Glass Group Establishment of TG Qingdao Factory
1995	Cooperated with Ishizuka Glass Co., Ltd. Japan for tableware TAA Taichung, Taoyuan and Hsinchu Factories ISO-9002 Certification TG Qingdao Glass Co., Ltd. plant production Founder paid the visit to Beijing
1997	TG Changjiang Glass Co., Ltd. plant production
1998	Lukang Factory TL factory fiberglass fabric plant production
2001	Taichia Glass Fiber Co., Ltd. established and groundbreaking Taoyuan, Hsinchu, Taichung and Lukang Factories ISO-14001 Certification
2002	Chairman Lin awarded with the Phoenix Award (USA) of 32 <sup>nd</sup> term TG Changjiang Glass Co., Ltd. CFG-2 plant production
2004	Taichia Glass Fiber Co. Ltd. plant production TG Donghai Glass Co. Ltd. plant production TG Chengdu Glass Co. Ltd. plant production 40 <sup>th</sup> Anniversary of Taiwan Glass Group
2005	TG Huanan Glass Co., Ltd. plant production Taichia Glass Fiber Co. Ltd. TFG-2 plant production
2006	TG Kunshan Glass Co., Ltd. CFG-3 plant production TG Tianjin Glass Co., Ltd. plant production Lukang Factory TF-4 float glass plant production
2007	Taichia Glass Fiber Co. Ltd. TFG-3 plant production

Year	Milestones
2008	TG Chengdu Glass Co. Ltd. CDG-2 plant production TG Huanan Glass Co., Ltd. HNG-2 plant production Taichia Glass Fiber Co. Ltd. TFG-4 plant production Hsinchu Factory TS-7 rolled glass furnace rebuilding to container glass furnace
2009	Taoyuan Factory TT-1 expansion FRP Lukang Factory TF-4 introduced Low-E glass coating technology. TG Fujian Photovoltaic Glass Co., Ltd. groundbreaking
2010	TG Yueda Autoglass Co., Ltd. established TG Taicang Architectural Glass Co., Ltd. established and groundbreaking TG Xianyang Glass Co., Ltd. established TG Anhui Glass Co., Ltd. established TG Wuhan Architectural Glass Co., Ltd. established TG Fujian Photovoltaic Glass Co., Ltd. plant production
2011	Changpin Factory plant production Hsinchu Factory ISO-22000 certification TG Yueda Solar Mirror Co., Ltd. established Taichia Chengdu Glass Fiber Co., Ltd. groundbreaking TG Anhui Glass Co., Ltd. groundbreaking TG Wuhan Architectural Glass Co., Ltd. groundbreaking TG TECO Vacuum Insulated Glass Corp.(TVIG) established TG Yueda Autoglass Co., Ltd. plant production
2012	TG Huanan Glass Co., Ltd. Low-E glass plant production TG Taicang Architectural Glass Co., Ltd. Low-E glass plant production TG Wuhan Architectural Glass Co., Ltd. Low-E glass plant production
2013	TG Xianyang Glass Co., Ltd. plant production TG Anhui Glass Co., Ltd. plant production Hsinchu Plant TS-10 heat-resistant container furnace plant production Hsinchu Plant TS-11 heat-resistant tableware furnace plant production TG Donghai Glass Co., Ltd. DHG-2 plant production Shihlien Chemical Industrial Jiangsu Co., Ltd. plant production
2014	Hsinchu Plant TS-4 container furnace plant production TG Donghai Glass Co., Ltd. DHG-3 plant production 50 <sup>th</sup> Anniversary of Taiwan Glass Group TG TECO Vacuum Insulated Glass Corp.(TVIG) plant production Taichung Plant TF-5 electronic-grade ultra-thin glass production
2015	Taichia Chengdu Glass Fiber Co., Ltd. plant production TG Yueda Solar Mirror Co., Ltd. Plant production The Company issued 130,000,000 new common shares, the aggregated amount was NT\$1,300,000,000
2016	The Company issued 400,000,000 new common shares, the aggregated amount was NT\$4,000,000,000
2017	TG (Qingdao) Photoelectric Technology Co., Ltd. established

Year	Milestones
2018	Dissolution of Hario TG Glass Co.,Ltd

Three. Corporate Governance  
 1. Organization, and Functions and Operations of Departments



II. Profiles of Directors, Supervisors, President, Executive Vice Presidents, Asst. VP, and Supervisors of the various departments and branches:

Job Title (Note 1)	Nationality/Company of Origin	Name	Gender	Date when first elected (Date 2)	Term	Shareholding as at the end of		Current Shares Held by Spouse & Dependents		Shares held in another name		Major directorships (outside)	Company & Other positions	Other Chief Supervisors or Directors with Spouse or Other Immediate Relative		Notes	
						Shareholding as at the end of	%	Shares	%	Shares	%			Job Title	Name		Relationship
Chairman	H.K.C.	Lin, P.F.	Male	1987-09-16	From 2018-06-13 until 2021-06-12	26,615,512	0.71	2,040,533	0.51	2,040,533	0.00	TD General Manager	Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Director	Lin, P.F.	Director	
		Lin, P.S.	Male	1987-09-16		14,897,934	0.51	14,897,934	0.51	14,012,202	0.00	TD Executive Director	TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Director	Lin, P.S.	Director	
		Lin, P.C.	Male	1975-04-23		6,181,062	0.21	6,181,062	0.21	6,729,447	0.16	TD Executive Director	Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Director	Lin, P.C.	Director	
		Lin, J.T.	Male	2009-06-10		10,337,628	0.36	10,337,628	0.36	-	-	Director of P&G's Holding Ltd. Chairman of Program Investment Co., Ltd.	Director of P&G's Holding Ltd. Chairman of Program Investment Co., Ltd.	Director	Lin, J.T.	Director	
		Lin, K.S. (aka K.S. Lin)	Female	2015-06-09		136,904,509	4.71	136,904,509	4.71	-	-	G.M.O.R. Senior Department Head	Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Director	Lin, K.S.	Director	
		Lin, L.L.	Female	2015-06-09		1,263,137	0.04	1,263,137	0.04	13,996,939	0.32	Member of the Japan Development Industry Trade Association of Japan	Member of the Japan Development Industry Trade Association of Japan	Director	Lin, L.L.	Director	
		Lin, G.H.	Male	2018-06-13		16,096	0.00	16,096	0.00	-	-	Former President of Citic's Affiliates	Former President of Citic's Affiliates	Director	Lin, G.H.	Director	
Director		Lin, H.Y. (aka H.Y. Lin)	Male	2004-06-23		420,137,922	14.45	420,137,922	14.45	-	-	Former Chairman of the World Bank's Board of Directors	Former Chairman of the World Bank's Board of Directors	Director	Lin, H.Y.	Director	
		Lin, H.Y. (aka H.Y. Lin)	Male	1990-04-21		420,137,922	14.45	420,137,922	14.45	-	-	Former Chairman of the World Bank's Board of Directors	Former Chairman of the World Bank's Board of Directors	Director	Lin, H.Y.	Director	
		Lin, H.Y. (aka H.Y. Lin)	Male	1990-04-21		28,124	0.00	28,124	0.00	44,433	0.00	G.M.O.R. TR Eder	G.M.O.R. TR Eder	Director	Lin, H.Y.	Director	
		Lin, H.Y. (aka H.Y. Lin)	Male	2004-06-23		22,570	0.01	22,570	0.01	-	-	G.M.O.R. TR Eder	G.M.O.R. TR Eder	Director	Lin, H.Y.	Director	
	U.S.A.	Lin, C.M.	Male	2004-06-09		464,573	0.75	464,573	0.75	419,000	0.92	G.M.O.R. TR Eder	G.M.O.R. TR Eder	Director	Lin, C.M.	Director	
	H.O.C.	Lin, H.Y. (aka H.Y. Lin)	Male	2009-06-10		602,482,231	13.20	602,482,231	13.20	-	-	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Director	Lin, H.Y.	Director	
	H.O.C.	Lin, C.C.	Male	2017-10-26		402,482,231	13.20	402,482,231	13.20	-	-	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Director	Lin, C.C.	Director	
		Lin, T.M.	Male	2017-10-26		20,827	0.00	20,827	0.00	-	-	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Director	Lin, T.M.	Director	
		Lin, P.C.	Male	2012-06-05		-	-	-	-	-	-	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Director	Lin, P.C.	Director	
Independent Director		Lin, C.C.	Male	2012-06-05		-	-	-	-	-	-	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Director	Lin, C.C.	Director	
		Lin, J.Y.	Male	2012-06-05		-	-	-	-	-	-	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Former Chairman of TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd. (Formerly TD (Investment) Co., Ltd. and TD (Investment) Co., Ltd.)	Director	Lin, J.Y.	Director	

Note 1: The names of companies shareholders, if any, shall be identified, and the following table shall be completed.

Note 2: The circumstances resulting in suspension of initial ineligibility date for the Company's director or supervisor, if any, shall be noted.

Note 3: The relevant job title and function in the CPA office or its affiliate in said period, if any, shall be identified.

Note: Director Lin, L. acted as a supervisor of the Company from June 10, 2009 until August 27, 2014, and also a director of the Company as of June 9, 2015. Director Lin, L. acted as a supervisor of the Company from March 19, 1988 until June 9, 2009, and also a director of the Company as of June 10, 2009.

**Table 1: Key Shareholders of Major Institutional Shareholders**

December 31, 2018

Institutional shareholder Name (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)	%
Tai Hong Investment Co., Ltd.	Ho Ho Investment Co., Ltd.	29.4%
	Tai Cheng Investment Co., Ltd.	11.4%
	Lin, P F	14.0%
	Lin, P S	14.0%
	Lin, P C	14.0%
Ho Ho Investment Co., Ltd.	Tai Hong Investment Co., Ltd.	32.2%
	Tai Yu Investment Co., Ltd.	19.8%
	Tai Chia Investment Co., Ltd.	19.8%
Tai Chien Investment Co., Ltd.	Ho Ho Investment Co., Ltd.	19.7%
	Tai Chia Investment Co., Ltd.	12.2%
	Tai Yu Investment Co., Ltd.	12.1%
	Lin, P F	15.2%
	Lin, P S	15.2%
	Lin, P C	15.2%
Lim Ken Seng Kah Kih Co., Ltd.	Tai Chia Investment Co., Ltd.	16.7%
	Tai Yu Investment Co., Ltd.	19.8%
	Lin, P F	15.3%
	Lin, P S	15.3%
	Lin, P C	15.3%

Note 1: The director/supervisor who represents a corporate shareholder, if any, shall identify the corporate shareholder's name.

Note 2: Please specify the major shareholders' name (those with shareholdings in the first top 10) and their shareholdings. If the major shareholder is a corporation, please also complete the following Table 2.

**Table 2: Key Shareholders of Major Institutional Shareholders in Table 1**

December 31, 2018

Institutional shareholder Name (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)	%
Tai Cheng Investment Co., Ltd.	Tai Yu Investment Co., Ltd.	14.8%
	Lin, P F	21.9%
	Lin, P S	21.9%
	Lin, P C	21.9%
Tai Yu Investment Co., Ltd.	Tai Chia Investment Co., Ltd.	40.9%
	Ho Ho Investment Co., Ltd.	16.5%
	Tai Chien Investment Co., Ltd.	16.2%
Tai Chia Investment Co., Ltd.	Tai Yu Investment Co., Ltd.	25.8%
	Tai Chien Investment Co., Ltd.	13.1%
	Lin, P F	10.1%
	Lin, P S	10.1%
	Lin, P C	10.1%
Tai Hong Investment Co., Ltd.	See Table 1	See Table 1
Ho Ho Investment Co., Ltd.	See Table 1	See Table 1

Note 1: Names of the major shareholders identified in Table 1 who are corporations, if any, shall be specified.

Note 2: Please specify the names of the corporate shareholders' major shareholders (those with shareholdings in the first top 10) and their shareholdings.

## Directors' independence status and their relevant work experience (2)

December 31, 2018

Name (Note 1)	Conditions	Have more than 5 years of experience and the following professional qualifications			Status of independence (Note 2)										Number of public companies where the person holds the title as independent director	Note
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the company in public or private colleges or universities	Passed the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required Work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8	9	10		
Lin, P F			✓								✓		✓	✓		
Lin, P S			✓								✓		✓	✓		
Lin, P C			✓								✓		✓	✓		
Yun San Corporation Chang, P S			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓			Resigned as June 12, 2018
Lim, H T			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Lim Ken Seng Kah Kih Co., Ltd. Hsu, L L			✓	✓		✓					✓		✓			
Peng, C. H			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		Acted as June 13, 2018
Tai Hong Investment Co., Ltd. Su, Y T			✓			✓	✓	✓			✓	✓	✓			
Tai Hong Investment Co., Ltd. Lin, C H			✓			✓					✓		✓		1	
Tai Hong Investment Co., Ltd. Lin, C Y			✓			✓					✓		✓			
Tai Chien Investment Co., Ltd. Lin, C M			✓			✓					✓		✓			
Ho Ho Investment Co., Ltd. Chen, C C			✓			✓	✓	✓			✓	✓	✓			
Ho Ho Investment Co., Ltd. Tsai, T M			✓			✓	✓	✓	✓	✓	✓	✓	✓			Acted as October 26, 2017
Lin, F C			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Chen, C C			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Hwang, T Y			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	

Note 1: The number of boxes shall be adjusted subject to the actual circumstances.

Note 2: Respective director and supervisor who meet the following qualifications 2 years before assumption of office and at the time of assumption office shall put a "✓" in the appropriate space.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates (excluding the capacity of independent director of the



Company or its parents, or a subsidiary directly or indirectly held by the Company with more than 50% of the shares with voting power).

- (3) Not a natural person, spouse, underage child, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.
- (4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).
- (5) Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
- (6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relation with the Company.
- (7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the Company or a spouse to the aforementioned persons, provided that this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the GTSM.
- (8) Not a spouse to or kin at the second pillar under the Civil Code to any other director.
- (9) Not under any of the categories stated in Article 30 of the Company Law.
- (10) No government apparatus agency, juristic person or its representative is elected under Article 27 of the Company Law.

(II) President, Vice Presidents, Assistant Executive Vice Presidents and general managers of the departments and branches:

Job Title (Note 1)	Nationality	Name	Gender	On-Board Date	Shareholding		Current Shares Held by Spouse & Dependents		Shares held in another's name		Major (academic degree) experience (Note 2)	Positions with other companies	Spouse or kinship within the second pillar under the Civil Code and who is a manager			Manager acquires employees' stock option	Note
					Shares	%	Shares	%	Shares	%			Job Title	Name	Relationship		
President & CEO	R.O.C.	Lin, P S	Male	2009-06-10	14,897,934	0.51	1,403,202	0.05	-	-	TGI Executive Director	General Manager of TVIG, Chairman of Ho Ho Investment Co., Ltd./Tai Yu Investment Co., Ltd./Lin Ken Seng Kah Kih Co., Ltd./Tai Hong Golf Club Chairman of FFG,QFG,DHG,QRG,SCH,SCI,TVIG,YNSS and QDG Vice Chairman of TGCH Executive Director of HSB Director of TQUS,CFG,TKG,TGF,CDG,HNG,JIG,TTAR,TTY,T AH,TWAR,ICD,TBF, FYSS and HZSS	None				
Vice President	"	Lin, C H	"	2005-02-01	1,156,111	0.04	-	-	-	-	TGI President, China	Independent director of WUS Printed Circuit Co., Ltd. Chairman of TAGC, CFG, TKG, CDG, TXY, TAH, TTAR, TWAR, TAGH, TYSM, TYAU, FYSS and HZSS Director of or TGCH, QFG, QRG, TGF, HNG, TIG, DHG, FFG, TCD, TBF and YNSS. Executive Director of KSES, WHES, and XYES. General Manager of KSES, WHES and XYES.	Lin, C Y	Vice President	Brothers		
Vice President	"	Su, Y T	"	1996-04-01	26,124	0.00	44,533	0.00	-	-	G. MGR, TGI Fiber	None	None				
Vice President	"	Lin, C Y	"	2012-06-05	225,701	0.01	-	-	-	-	VP, TGI Fiber	Vice Chairman of TGCH, General Manager of TGF and TCD. Director of TGCH, TAGC, QFG, QRG, CFG, TGF, TGF, CDG, HNG, .TIG, DHG, FFG, TTAR, TXY, TAH, TWAR, TYSM, TCD, TBF, TYAU, YNSS, FYSS, HZSS, KSES and TVIG. Supervisor of WHES and XYES.	Lin, C H	Vice President	Brothers		
Vice President Financial Officer	U.S.A.	Lin, C M	"	2012-06-05	464,778	0.02	619,005	0.02	-	-	VP, TGI Finance	Director of TGCH, TYSM, TYAU, TAGH and SCH Supervisor of TAGC, QFG, QRG, CFG, TGF, CDG, HNG, TIG, D HG, FFG, TTAR, TXY, TAH, TWAR, TCD, TBF, YNSS, FYSS, HZSS, KSES, TVIG	None				
Vice President	R.O.C.	Hsu, C C	"	2013-07-01	26,000	0.00	-	-	-	-	General Manager of TAGC	None	None				
Vice President	"	Chen, C C	"	2009-06-10	33,416	0.00	-	-	-	-	Foreman, TGI Lukang Factory	Associate Bachelor's	General Manager of TBF	None			
Vice President	"	Tsai, T M	"	2017-10-26	20,824	0.00	-	-	-	-	AGM, TGI Purchasing	Bachelor's	None	None			
Manager, Accounting	"	Huang, Y H	Female	2014-06-09	-	-	-	-	-	-	Deputy Manager, TGI Accounting Dept.	Bachelor's	None	None			
Manager, Corporate governance affairs	"	Pan, Y L	Female	2019-03-18	-	-	-	-	-	-	Manager, TGI Secretary Dept.	Bachelor's	None	None			

Note 1: To include the information about presidents, vice presidents, assistant VPs, and general managers of departments/branches, and those job titles equivalent to presidents, vice presidents or assistant VPs.

Note 2: The relevant job title and function in the CPA office or its affiliate in said period, if any, shall be identified.

### III. Remuneration to Directors, Supervisors, Presidents and Vice Presidents

#### (I) Remuneration to Directors, Supervisors, Presidents and Vice Presidents:

##### (1) Remuneration to directors (Independent Director)

Job Title	Name	NTD thousand										December 31, 2018			
		Remuneration to Directors					Relevant remuneration received by directors who are also employees					The sum of A, B, C, D, E, F and G to Earnings (%)		Whether remuneration from any director is received in other than subsidiaries?	
		Remuneration (A)	Pension (B)	Directors Remuneration (C)		Professional practice (D)	The sum of A, B, C and D in proportion to Earnings (%)	Salaries, bonus and special subsidies (E)	Pension (F)	Employees Remuneration (G)		The Company	All companies included in the consolidated financial statements		
The Company consolidated financial statements	The Company consolidated financial statements	All companies included in the consolidated financial statements	The Company consolidated financial statements	All companies included in the consolidated financial statements	The Company consolidated financial statements	All companies included in the consolidated financial statements	The Company consolidated financial statements	All companies included in the consolidated financial statements	The Company consolidated financial statements	Cash	Stock	The Company consolidated financial statements	All companies included in the consolidated financial statements		
Chairman	Lin, P F	4,729	314	2,456	2,456	1,256	0.82	0.85	-	-	-	-	0.82	0.85	-
Director	Lin, P S	-	314	2,456	2,456	240	0.28	0.29	4,657	108	-	-	0.73	0.75	-
	Lin, P C	960	-	1,228	1,228	240	0.23	0.42	-	-	-	-	0.23	0.42	-
	Yun Sam Corporation Chang, P S (Note1)	-	-	548	548	55	0.06	0.06	-	-	-	-	0.06	0.06	-
	Peng, C H (Note2)	-	-	680	680	66	0.07	0.07	-	-	-	-	0.07	0.07	-
	Lin, H T	-	-	1,228	1,228	120	0.13	0.13	-	-	-	-	0.13	0.13	-
	Lim Ken Seng Kah Kh Co., Ltd. Hsu, L L	-	-	1,228	1,228	120	0.13	0.13	-	-	-	-	0.13	0.13	-
	Tai Hong Investment Co., Ltd. Su, Y T	-	177	1,228	1,228	120	0.14	0.15	2,789	108	-	-	0.41	0.53	-
	Tai Hong Investment Co., Ltd. Lin, C H	-	158	1,229	1,229	240	0.14	0.16	2,606	-	-	-	0.39	0.46	-
	Tai Hong Investment Co., Ltd. Lin, C Y	-	144	1,228	1,228	180	0.13	0.15	2,607	-	-	-	0.38	0.50	-
	Tai Chien Investment Co., Ltd. Lin, C M	-	139	1,228	1,228	180	0.14	0.15	2,308	-	-	-	0.36	0.37	-
	Ho Ho Investment Co., Ltd. Chen, C C	-	149	1,229	1,229	120	0.13	0.15	2,502	108	-	-	0.39	0.40	-
	Ho Ho Investment Co., Ltd. Tsai, T M	-	129	1,228	1,228	120	0.14	0.14	1,985	-	-	-	0.31	0.33	-
Independent Director	Lin, F C	1,200	-	-	-	-	0.11	0.11	-	-	-	-	0.11	0.11	-
	Chen, C C	1,200	-	-	-	-	0.11	0.11	-	-	-	-	0.11	0.11	-
	Hwang, T Y	1,200	-	-	-	-	0.11	0.11	-	-	-	-	0.11	0.11	-
Total	16 persons	9,289	1,524	17,194	17,194	2,817	2.89	3.19	19,454	324	-	-	4.75	5.35	-

\* Apart from what is listed in the table above, the company's directors did not receive any pay for the services they provided in the previous year's financial report (e.g., providing consultations as non-staff).

【Note1】 Director Chang, P S resigned as of June 12, 2018.

【Note2】 Director Peng, C H acted as of June 13, 2018.

## (2) Remuneration to President and Vice Presidents

		NTD thousand										December 31, 2018		
Job Title	Name	Salary (A)		Pension (B)		Bonus and special subsidies, et al. (C)		Employee Remuneration (D)				The sum of A, B, C and D in proportion to earnings (%)		Whether remuneration from any remvestees other than subsidiaries is received?
		The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements	The Company		All companies included in the consolidated financial statements		The Company	All companies included in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President & CEO	Lin, P S	3,890	3,890	108	108	767	767	-	-	-	-	0.45	0.46	-
Vice President	Su, Y T	2,078	2,078	108	108	711	1,721	-	-	-	-	0.27	0.38	-
Vice President	Lin, C H	1,946	1,946	-	-	660	1,058	-	-	-	-	0.24	0.30	-
Vice President	Lin, C Y	1,767	1,767	-	-	840	1,850	-	-	-	-	0.24	0.35	-
Vice President	Lin, C M	1,707	1,707	-	-	601	601	-	-	-	-	0.22	0.22	-
Vice President	Chen, C C	1,850	1,850	108	108	651	685	-	-	-	-	0.24	0.26	-
Vice President	Tsai, T M	1,586	1,586	-	-	399	399	-	-	-	-	0.19	0.19	-
Vice President	Hsu, C C	1,731	1,731	104	104	407	407	-	-	-	-	0.21	0.22	-
Total	8 persons	16,555	16,555	428	428	5,036	7,488	-	-	-	-	2.07	2.37	-

(4) Names of general managers to whom employee bonus was allocated, and the status of allocation:

No employee remuneration was distributed in 2018.

(II) Specify and compare the remuneration to directors, supervisors, President and Vice Presidents of the Company in proportion to the earnings from the Company and the companies included in the consolidated financial statements in the latest 2 years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.

A. Proportion to Earnings (%):

Name	The Company		All companies included in the consolidated financial statements	
	2017	2018	2017	2018
Director	3.09%	4.75%	3.25%	5.35%
Supervisor	—	—	—	—
President and Vice Presidents	1.00%	2.07%	1.10%	2.37%

B. The Board of Directors is authorized to decide the remuneration to Chairman, directors, independent directors, supervisors, presidents, executive VPs and vice presidents according to their participation in the operation and contribution to the Company.

The bonus will be granted subject to the Company's overall operating performance and personal performance appraisal.

#### IV. Status of Corporate Governance

##### (I) Information about functions and operations of the Board of Directors

The Board of Directors has called 6 meetings (A) in the most recent year, and the directors' attendance is stated as follows:

Job Title	Name (Note 1)	Actual number of attendance (B)	Attend through proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Attendance of the 18 <sup>th</sup> 19 <sup>th</sup> Board of Directors (from Jan. 1st to Dec. 31st 2018: 6 Board of Director meetings in the year)					
Chairman	Lin, P F	6	0	100.00	Renewal of office on June 13,2018
Director	Lin, P S	4	2	66.67	Renewal of office on June 13,2018
	Lin, P C	5	1	83.33	Renewal of office on June 13,2018
	Yun San Corporation Chang, P S	1	0	50.00	Discharged on June 12,2018 06-13~12-31 total 2 meetings
	Lim, H T	5	1	83.33	Renewal of office on June 13,2018
	Lim Ken Seng Kah Kih Co., Ltd. Hsu, L L	5	1	83.33	Renewal of office on June 13,2018
	Peng,C.H	3	0	75.00	New office assumed on June 13 06-13~12-31 total 4 meetings
	Tai Hong Investment Co., Ltd. Su, Y T	6	0	100.00	Renewal of office on June 13,2018
	Tai Hong Investment Co., Ltd. Lin, C H	4	2	66.67	Renewal of office on June 13,2018
	Tai Hong Investment Co., Ltd. Lin, C Y	5	1	83.33	Renewal of office on June 13,2018
	Tai Chien Investment Co., Ltd. Lin, C M	6	0	100.00	Renewal of office on June 13,2018
	Ho Ho Investment Co., Ltd. Chen, C C	2	4	33.33	Renewal of office on June 13,2018
	Ho Ho Investment Co., Ltd. Tsai, T M	6	0	100.00	Renewal of office on June 13,2018
	Independent Director	Lin, F C	5	1	83.33
Chen, C C		6	0	100.00	Renewal of office on June 13,2018
Hwang, T Y		6	0	100.00	Renewal of office on June 13,2018

Note 1: The name and representative of the institutional shareholder of any director who is a corporation, if any, shall be disclosed.

Note 2:

- (1) Where a specific director may be relieved from duty before the end of the fiscal year, specify the date of discharge. His actual attendance rate (%) to Board session shall be calculated on the basis of the actual number of sessions held and the number of sessions he attended.
- (2) Where a reelection may be held for filling the vacancies of directors before the end of the fiscal year, list out both the new and the discharged directors, and specify if they are the former directors, or newly elected, re-elected and the date of the reelection. Their attendance rate (%) at the Board session shall be calculated on the basis of the actual number of sessions held and the number of sessions they attended during the term of office.

(II) Information about Functions and Operations of Audit Committee :

The Audit Committee has called 5 meetings (A) in the most recent year, and the directors' attendance is stated as follows:

Job Title	Name (Note 1)	Actual number of attendance (B)	Attend through proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Attendance of the 1 <sup>th</sup> 2 <sup>nd</sup> Audit Committee (from Jan. 1st to Dec. 31st 2018: 5 Audit Committee meetings in the year)					
Independent Director	Lin, F C	4	1	80.00	Renewal of office on June 13,2018
	Chen, C C	5	0	100.00	Renewal of office on June 13,2018
	Hwang, T Y	5	0	100.00	Renewal of office on June 13,2018

Other notes:

- I. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:
  - (I) Matters referred to in Article 14-5 of the Securities and Exchange Act. Please reference P20.
  - (II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: N/A.
- II. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.
- III. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)
  - (I) The CPA hired by this Company participates in the Audit Committee meeting biannually to review or audit the financial statements of this Company and domestic and overseas subsidiaries and periodic reports important accounting/audit issues to the independent directors and exchanges opinions on adjusting the journal entries and the effect of account presentation due to legal changes. Communications between the independent directors and CPAs is stated as follows:
    - 2018-03-26: reports parent company only financial statement & consolidated financial statements 2017 and present internal audit report and assessment of state of implementation of adopted the International Financial Reporting Standard..
    - 2018-08-08: reports for 2018 first and second quarters consolidated financial statements and the effect of account presentation due to Securities and Exchange Act changes.
    - 2018-11-05: reports for 2018 first and second and third quarters consolidated financial statements and reports for 2018 financial statements with the annual audit program.
  - (II) Internal audits are conducted in accordance with the annual audit program and the internal audit report is submitted to independent directors for review by the end of the next month after the audit. A follow-up report on the internal control defects and anomalies specified in the audit report is submitted to all independent directors every quarter. The internal audit chief attends the Audit Committee meeting to present an audit business report. Communications between the independent directors and internal audit chief is stated as follows:
    - 2018-03-26: (1) 2017-10~2018-02 an internal audit report  
(2) 2017 internal control system and to determine if the design and enforcement thereof are effective and statement of Declaration of Internal Control System.
    - 2018-05-07: 2018-03 an internal audit report.
    - 2018-07-19: 2018-04~05 an internal audit report.
    - 2018-08-08: 2018-06 an internal audit report.
    - 2018-11-05: (1)2018-07~09 an internal audit report.  
(2) Motion for audit plan 2019.

Note 1:Where a specific independent director may be relieved from duty before the end of the fiscal year, specify the date of discharge. His actual attendance rate (%) to Board session shall be calculated on the basis of the actual number of sessions held and the number of sessions he attended.

Note 2:Where a reelection may be held for filling the vacancies of independent directors before the end of the fiscal year, list out both the new and the discharged independent directors, and specify if they are the former independent directors, or newly elected, re-elected and the date of the reelection. Their attendance rate (%) at the Audit Committee session shall be calculated on the basis of the actual number of sessions held and the number of sessions they attended during the term of office.

Meeting	Date	Items	All independent directors' opinions and the Company's handling of the independent directors' opinions
The 18 <sup>th</sup> meeting of the 1 <sup>st</sup> Audit Committee	2018-03-26	Approval <ol style="list-style-type: none"> <li>1 Motion for 2017 Business Report.</li> <li>2 Motion for parent company only financial statement &amp; consolidated financial statements 2017.</li> <li>3 Motion for 2017 earning distribution.</li> <li>4 2017 TG evaluation of the External Auditor's Independence.</li> <li>5 2018 TG commissioned Ernst &amp; Young Accounting Firm for audit and public funds certification.</li> <li>6 Motion for amendments to the "Internal Control System".</li> <li>7 Motion for the assessment of effective internal control system and "Statement of Declaration of Internal Control System" 2017.</li> <li>8 TGCH applied for the credit of US\$10,000 thousand with the O-Bank, and asked TG to be the guarantor.</li> <li>9 TBF applied for the credit of US\$12,000 thousand with the First Bank, and asked TG to be the guarantor.</li> <li>10 TXY applied for the credit of US\$15,000 thousand with the Mega International Commercial Bank, and asked TG to be the guarantor.</li> <li>11 TYAU applied for the credit of RMB9,000 thousand with the First Bank, and asked TG to be the guarantor.</li> </ol>	Approved by independent Director
The 19 <sup>th</sup> meeting of the 1 <sup>st</sup> Audit Committee	2018-05-07	Approval <ol style="list-style-type: none"> <li>1 TGCH applied for the credit of US\$30,000 thousand with the Mega International Commercial Bank, and asked TG to be the guarantor.</li> <li>2 TJG, FPG, and TYSM applied for the credit of US\$15,000 thousand with the Citibank Taiwan, and asked TG to be the guarantor.</li> <li>3 TGCH, TGF, TJG, HNG and TYAU applied for the credit of US\$58,500 thousand with the Taiwan Cooperative Bank, and asked TG to be the guarantor.</li> <li>4 TAH and TXY applied for the credit of RMB188,000 thousand with the First Bank, and asked TG to be the guarantor.</li> <li>5 FPG applied for the credit of RMB50,000 thousand with the Xiamen Bank, and asked TG to be the guarantor.</li> </ol>	
The 1 <sup>st</sup> meeting of the 2 <sup>nd</sup> Audit Committee	2018-07-19	Approval <ol style="list-style-type: none"> <li>1 Revise motion for the increase of TG/TGCH investment in SCH by US\$46,782 thousand.</li> </ol>	
The 2 <sup>nd</sup> meeting of the 2 <sup>nd</sup> Audit Committee	2018-08-08	Approval <ol style="list-style-type: none"> <li>1 Motion for 2018 first and second quarters consolidated financial statements.</li> <li>2 TBF applied for the credit of US\$40,000 thousand with Cathay United Bank - the Shanghai Commercial &amp; Saving Bank, and asked TG to be the guarantor.</li> <li>3 TBF applied for the credit of US\$20,000 thousand with the First Bank, and asked TG to be the guarantor.</li> <li>4 TCD applied for the credit of RMB80,000 thousand with the First Bank, and asked TG to be the guarantor.</li> <li>5 QFG and TJG applied for the credit of US\$20,000 thousand with the Taipei Fubon Bank, and asked TG to be the guarantor.</li> <li>6 TYAU applied for the credit of US\$7,000 thousand with the JihSun Bank, and asked TG to be the guarantor.</li> </ol>	
The 3 <sup>rd</sup> meeting of the 2 <sup>nd</sup> Audit Committee	2018-11-05	Approval <ol style="list-style-type: none"> <li>1 Motion for audit plan 2019.</li> <li>2 TG and TGCH applied for the credit of NT\$800,000 thousand with the KGI Bank.</li> <li>3 TGCH applied for the credit of NT\$15,000 thousand with the Far Eastn International Bank, and asked TG to be the guarantor.</li> <li>4 TGCH applied for the credit of NT\$10,000 thousand with Bank of Kaohsiung, and asked TG to be the guarantor.</li> <li>5 TJG applied for the credit of US\$5,000 thousand with the Taishin International Bank, and asked TG to be the guarantor.</li> <li>6 TBF applied for the credit of RMB\$50,000 thousand with the First Bank, and asked TG to be the guarantor.</li> <li>7 TXY applied for the credit of US\$20,000 thousand with the JihSun Bank, and asked TG to be the guarantor.</li> <li>8 HNG and TYSM applied for the credit of US\$13,000 thousand with the JihSun Bank, and asked TG to be the guarantor.</li> </ol>	
The 4 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee	2019-03-18	Approval <ol style="list-style-type: none"> <li>1 Motion for 2018 Business Report.</li> <li>2 Motion for parent company only financial statement &amp; consolidated financial statements 2018.</li> <li>3 Motion for 2018 earning distribution.</li> <li>4 2018 TG evaluation of the External Auditor's Independence.</li> <li>5 2019 TG commissioned Ernst &amp; Young Accounting Firm for audit and public funds certification.</li> <li>6 Motion for amendments to the "Regulations Governing the Acquisition and Disposition of Assets".</li> <li>7 Motion for amendments to the "Operating Procedure for Financial Derivatives Transactions".</li> <li>8 Motion for amendments to the "Operating Procedure for Making Endorsements/Guarantees".</li> <li>9 Motion for amendments to the "Operating Procedure for Granting Loans to Others".</li> <li>10 Motion for amendments to the "Internal Control System".</li> <li>11 Motion for the assessment of effective internal control system and "Statement of Declaration of Internal Control System" 2018.</li> <li>12 TGCH and TAH applied for the credit of US\$15,000 thousand with Taishin International Bank, and asked TG to be the guarantor.</li> <li>13 CFG applied for the credit of RMB20,000 thousand with the Chang-Hwa Bank, and asked TG to be the guarantor.</li> <li>14 TXY applied for the credit of US\$15,000 thousand with the Mega International Commercial Bank, and asked TG to be the guarantor.</li> <li>15 TGF applied for the credit of US\$12,000 thousand with the Mizuho Bank, and asked TG to be the guarantor.</li> </ol>	
The 5 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee	2019-05-13	Approval <ol style="list-style-type: none"> <li>1 TGCH, invested by TG, TG/TGCH granted the loan of US\$43,000 thousand and RMB 24,000 thousand to TJG. TGCH intended to convert US\$25,000 thousand of the loan into an investment in TJG.</li> <li>2 CFG, invested by TG/TGCH, merged with TKG.</li> <li>3 TG and TGCH applied for credit of NT\$800,000 thousand with Land Bank of Taiwan, and asked TG and TGCH to be the guarantor for each other.</li> <li>4 TJG applied for the credit of US\$5,000 thousand with the Entie Bankk, and asked TG to be the guarantor.</li> <li>5 TGCH, TGF, TJG, HNG and TYAU applied for the loan of US\$50,500 thousand with Taiwan Cooperative Bank, and asked TG to be the guarantor.</li> <li>6 TAH, TXY, and TYAU applied for the loan of RMB201,000 thousand with First Bank, and asked TG to be the guarantor.</li> </ol>	



### (III) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status(Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		No discrepancy.
2. Shareholding Structure & Shareholders’ Rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	V V V V		(1) The suggestions from shareholders, or doubts or disputes will be handled and settled by the spokesperson and deputy spokesperson.  (2) Keep touch with the internal staff.  (3) Handled by dedicated personnel <i>ex officio</i> .  (4) The Company has established its “Insider Trading Policy”.
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) No discrepancy.

Evaluation Item	Implementation Status(Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
		<p>Abstract Illustration</p> <p>the future. The Company will consider whether or not the candidates are complementary to other directors, and may enhance the overall talent, experience and expertise of the Board, and nominate those with relevant expertise to achieve the goal of diversifying the members of the Board.</p> <p>(1) There are 15 board directors, including 3 independent directors 20% of board director and 1 female board director. The age groups of the board directors are as follows:  35~40 years old: 2 directors / 41~50 years old: 1 director / 61~70 years old: 7 directors / 71~80 years old: 5 directors</p> <p>(2)General directors: Directors with the education background of the Department of Journalism of Shih Hsin University, PCC University of the United States, Department of Business Administration of Hong Kong Baptist University, Master of Management Science of Stanford Graduate School of Business, Physical Education of PCCU , University of Bridgeport Graduate School of Business, Department of Mechanical Engineering of Cheng Kung University, Institute of Mechanical and Industrial Engineering of Cornell University, Department of Mechanical Engineering of National Taipei University of Technology, and the Department of International Trade of Shih Hsin University.</p> <p>Independent directors: Directors with the education background of Department of Law of Chung Hsing University, Doctor of economics of the Massachusetts Institute of Technology, and Doctor of Graduate School of Business Administration of Nihon University.</p> <p>All board directors have professional backgrounds, professional skills, and industry experience in commerce, legal, financial, accounting, or corporate business.</p>	

Evaluation Item	Implementation Status(Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V	<p>(2) The Company set up the CSR Committee and Nomination Committee.</p> <p>1. There are 7 members of the CSR Committee, including the chairman and president acting as conveners, one independent director acting as the advisory member, two executive members, and two executive secretaries. The CSR Committee holds a meeting every six months subject to flexible adjustments if necessary. Two meetings were held in 2018. The CSR Working Group prepares CSR reports based on the communications with stakeholders. With respect to investigation on the issues of interest to stakeholders, members of each group will assess the Company's current status and countermeasures to disclose the economic, environmental and social issues arising from the operational activities. After confirmed by the third-party notary office, the final version of a report shall be submitted to the chairman of the Board for review according to administrative procedures before the issuance of the report.</p> <p>2. The Nominating Committee consists of 6 members, with the chairman acting as the convener, 3 independent directors and 2 directors acting as members. It assists the Board of Directors in the search, review, and nomination of candidates for directors, construction of the Board of Directors, and development of the organizational structure of the Board to ensure that the Board of Directors is properly composed. In 2018, one meeting of the Nominating Committee was held to deliberate on the nomination of candidates for the nineteenth directors, and the candidates for the fourth members of the Remuneration Committee.</p>	(2) No discrepancy.
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	V	(3) In the deliberation.	(3) In the deliberation.

Evaluation Item	Implementation Status(Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
(4) Does the company regularly evaluate the independence of CPAs?	V	<p>(4) The Audit Committee of the Company has reviewed the independency of audit accountant based on the following criteria and reported the examination results to the Board:</p> <ol style="list-style-type: none"> <li>1. Statement of Accountant Independency.</li> <li>2. The Company has checked the independency of audit accountant from the aspects of the financial profit, loans and guarantees, business relations, family and personal contacts, employment status, gifts and special offers, rotation of audit accountant and non-audit business.</li> </ol>	(4) No discrepancy.
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	V	<p>The Company set up a appoint personnel Pan Ya Lun, the manager of the secretary department ,acts as governance officer. ' responsible for corporate governance matters. °The scope of authorization and annual key tasks are as follows:</p> <ol style="list-style-type: none"> <li>1. Assist independent directors and general directors in performing their duties, and provide the required information.</li> <li>2. Arrange for directors to pursue further studies.</li> <li>3. Draw up the agendas for meetings of the Board of Directors, give a notice to directors 7 days in advance, convene the meetings and provide meeting materials, and complete the minutes of the Board meetings within 20 days after the meetings are held.</li> <li>4. Deal with the matters relating to the shareholders' meetings in accordance with the law, declare excerpts from significant resolutions within two days after the shareholders' meetings, and complete the minutes of the shareholders' meetings within 20 days after the meetings are held.</li> <li>5. Assist directors in complying with the law.</li> </ol>	No discrepancy.
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms	V	<p>The Company through a survey it collected issues of concern from these stakeholders and started communication on economic, environmental and social issues. On the official website there is an email address dedicated to external communication: <a href="mailto:igi@taiwanglass.com">igi@taiwanglass.com</a>. TGI has dedicated personnel to handle all the emails sent to this address and forwards them to</p>	No discrepancy.

Evaluation Item	Implementation Status(Note 1)		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
of corporate social responsibilities?		<p>the responsible departments.</p> <p>(1) The Company were 8 types of stakeholders: shareholders / investors / financial institutions 、 employees 、 corporate clients 、 dealers 、 suppliers 、 contractors 、 subcontractors 、 government / authorities.</p> <p>(2) The Company were total 16 major issues of stakeholders : economic performance 、 labor relations 、 emissions 、 effluents and waste 、 energy 、 codes compliance of environment 、 codes compliance of society 、 product and service labeling 、 raw material 、 customer health and safety 、 codes compliance of product 、 products and services 、 water 、 occupational health and safety 、 employment relations 、 marketing communications.</p> <p>(3) The spokesperson shall take the initiative to communicate. TG has the following communication platforms with stakeholders: external communication 、 internal information system 、 TGI website 、 major announcements 、 general shareholder meeting 、 institutional investors’ conference 、 complaint phone number 、 labor management meetings 、 questionnaire 、 product exhibitions 、 supplier audit 、 Sub-contractor evaluation.</p> <p>Additional communicate with stakeholders, The Company has set up CSR Working Group. By surveying the issues concerned by the stakeholders, the working group evaluated the current execution and counterstrategies, which allowed them to disclose the economic, environmental and social issues arising from TGI’s business activities.</p> <p>In addition, the Company website has a Corporate Responsibility Section that includes interested party’s participation, disclosure of corporate governance information, and social care and participation to facilitate access for interested parties and the general public. It also indicates the contact window in the hope of strengthening interaction with interested parties and responds appropriately to the issues of concern and continues to</p>	

Evaluation Item	Implementation Status(Note 1)		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?		V	No discrepancy.
7. Information Disclosure			
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(1) The Company has set up the website at <a href="http://www.taiwanglass.com">www.taiwanglass.com</a> to disclose the relevant financial information.
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(2) Appointing dedicated personnel to collect the Company's information: Already appoint the personnel who have comprehensive knowledge about the Company's finance and business, or are able to coordinate various departments to provide relevant information, and may make statement externally on behalf of the Company independently to assume the Company's spokesperson and deputy spokesperson.
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1) The Company has prepared Corporate Social Responsibility Report and disclosed on the Company's website. (2) The Company has purchased insurance for directors in May 2019.
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.			No discrepancy.
The Fourth Corporate Governance Evaluation Report was submitted to the Board on Aug 8, 2018, and to strengthen the improvement of non-scoring item.			

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

## (IV) Composition, Responsibilities and Operations of the Remuneration Committee

### (1) Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks (9)	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8			
Independent Director	Hwang, T Y			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Other	Su, S M			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Other	Chang K.C) (Resigned as of June 12, 2018)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Other	Chen, C C (Acted as of June 13, 2018)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

Note: Respective remuneration committee member who meets the following qualifications 2 years before assumption of office and at the time of assumption office shall put a "✓" in the appropriate space.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (3) Not a natural person, spouse, underage child, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.
- (4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).
- (5) Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
- (6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relation with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.
- (8) Not under any of the categories stated in Article 30 of the Company Law.
- (9) Remark: Responsibilities and Operations of the Remuneration Committee  
Review the Committee Charter, and put forward suggestions on amendments thereto on a regular basis.  
Develop and review the policies, systems, standards and structures of annual and long-term performance goals of and salary remuneration for directors and managers on a regular basis.  
Regularly evaluate the achievement of the performance objectives by directors and managers, and determine the details and amount of salary and compensation for individual director or manager..

## (2) Attendance of Members at Remuneration Committee Meetings

1. There are 3 members in the Remuneration Committee.
2. 3<sup>rd</sup> Committee members' period: from June 9, 2015 to June 12, 2018.
- 4<sup>rd</sup> Committee members' period: from June 13, 2018 to June 12, 2021

The Compensation Committee has called 2 meetings (A) in the most recent year, and the Committee members' attendance is stated as follows:

Title	Name	Actual number of attendance (B)	Attend through proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Hwang, T Y	2	0	100.00	Renewal of office on June 13,2018
Member	Su, S M	2	0	100.00	Renewal of office on June 13,2018
Member	Chang, K C	1	0	100.00	Discharged on June 12,2018 01-01~06-12 total 1 meetings
Member	Chen, C C	1	0	100.00	New office assumed on June 13 06-13~12-31 total 1 meetings

### Annotation :

1. The Compensation Committee has discussed content of the motion and Resolutions:

Session	Date of the meeting	Content of the motion	Resolutions
The 6 <sup>th</sup> meeting of the 3 <sup>rd</sup> remuneration Committee	2018-03-26	Motion for allocation of remuneration to directors and managers 2017	Approval by members
The 1 <sup>st</sup> meeting of the 4 <sup>th</sup> Remuneration Committee	2018-08-08	Periodic review 「 Motion for remuneration to directors and managers. 」	
The 2 <sup>nd</sup> meeting of the 4 <sup>th</sup> Remuneration Committee	2019-03-18	Motion for allocation of remuneration to directors and managers 2018	

2. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None
3. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.



## (V) Corporate Social Responsibility

Evaluation Item	Implementation Status		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
<p>1. Corporate Governance Implementation</p> <p>(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?</p> <p>(2) Does the company provide educational training on corporate social responsibility on a regular basis?</p> <p>(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</p> <p>(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>(1) The Company established Corporate Social Responsibility Best Practice Principles.</p> <p>(2) The Company has periodically held on-job-training and participated in various seminars on CSR.</p> <p>(3) The Company has set up CSR committee, which will hold regular meeting and CSR committee has called 2 meetings in 2018 and report to the Board.</p> <p>(4) The Company has set up reasonable salary standards based on the experiences and positions of the employees, which are supplemented by the employee performance evaluation system; performance bonuses are given out quarterly to achieve the purpose of reward and discipline.</p>	<p>No discrepancy.</p>
<p>2. Sustainable Environment Development</p> <p>(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p>	<p>V</p>	<p>(1) The Company endeavors to establish an environmental management substance control system to make its products comply with RoHS and also establishes the waste glass recycling yard for environmental protection. The use of crushed glass theory for the heat of fusion only requires about 50% of raw materials, which can effectively save</p>	<p>No discrepancy.</p>

Evaluation Item	Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	V	<p>energy and reduce the GHG emissions.</p> <p>(2) The Company follows the ISO 14001 environmental management system.</p> <p>Compliance with Environmental Regulations : TGI has Legal Department and Audit Department to ensure that all units' operations comply with environmental, labor safety, product and any related regulations and Labor Standards Act. We offer education and training to help and ensure that each employee understand related rules and regulations.</p> <p>Greenhouse Gas Reduction and Management Act: The Company continued to promote energy conservation and take action on carbon reduction. Taiwan Glass mainly relies on electricity, heavy crude oil, natural gas and diesel. Based on corporate social responsibility and the pursuit of green production and sustainability, our Taichung factory introduced ISO 50001: 2011 (energy management system) and was certified on November 21, 2014 with the certificate from Bureau Veritas Certification Taiwan. The main purpose was to provide a structure for necessary procedures by establishing energy management principles and methods. On top of this, the Plan Do-Check-Action mechanism can continue improving the way TG uses energy. By lowering energy cost and reducing greenhouse gas emissions, Taiwan Glass will achieve sustainability and be more environment-friendly. The experience from the Taichung factory will be replicated at other factories.</p> <p>Air Pollution Control: For air pollution prevention, TG starts with reducing the pollutants in the exhaust. Our priority is to comply with EPA' emissions standards and reduce pollutants emitted every year.</p>	

Evaluation Item	Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon	V	<p>TG follows the ISO 14001 management system and complies with air pollution prevention guidelines. We have departments in charge of periodically checking and maintaining our equipment.</p> <p><b>Water Pollution Prevention:</b> When it comes to water pollution prevention, TGI’s top priority is to reduce the production waste going into wastewater. All factories have wastewater treatment equipment to reduce the pollutants in the wastewater so that the wastewater can meet the local discharge quality standards. Graywater, after being treated by the treatment system, is in compliance with the legal standard to be discharged to the surface water body.</p> <p><b>Waste Management and Recycle:</b> When it comes to waste management, the Taoyuan Factory first aims to reduce waste by improving the production yield rate. Taichung Factory commissions qualified cleaning companies to collect and recycle its waste. To protect the environment and conserve energy, Lukang Factory recycles its business waste and has a dedicated department response for recycling valuable resources in the waste. Changpin Factory checks waste sorting from all departments. Departments that do not meet the standards will receive a warning and be asked to improve the waste sorting immediately. This will help the factory reduce waste. Changpin Factory tries to find recycle companies that can recycle the waste (after solidification or heat treatment if necessary) so that the waste can become resources for the company.</p> <p>(3) TG greenhouse gas emissions can be divided into two categories: direct and indirect. The direct category includes the energy (such as heavy crude oil, diesel and natural gas) used during production. The indirect category mainly consists the electricity purchased from external sources. TGI continued to promote energy conservation and</p>	

Evaluation Item	Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
reduction?		<p>Abstract Illustration</p> <p>take action on carbon reduction. Carbon Reduction Commitment from TGI Factories:</p> <p>Taoyuan Factory: To achieve reduction of indirect energy consumption through the (ISO 14001) environmental management system management program. Every year it implements energy saving measures, mainly including lighting energy consumption reduction, production process improvement, equipment deprecation or compressor performance adjustment. Execute energy management in the plant and voluntarily comply with the government’s greenhouse gas reduction policy.</p> <p>Hsinchu Factory: TGI joined in MOEA’s Voluntary GHG Reduction Program in 2012 and was reviewed and approved by the Green Foundation commissioned by MOEA. Follow the annual energy conservation objectives by the government and submit the energy conservation action plan to the Bureau of Energy of MOEA. Replace current equipment with energy-efficient counterparts to reduce energy consumption. Commission SGS to validate our ISO 14064 greenhouse gas inspection statement.</p> <p>Taichung Factory: As a legal person and natural person of a contract capacity of more than 800 kilowatts, the factory has, according to the Article 9 of Energy Administration Act, established the objectives of conserving 1% of electricity and 0.421% of oil.</p> <p>Lukang Factory and Lukang Flat Glass Factory: From 2011, Lukang Factory and Lukang Flat Glass Factory joined the Industrial Development Bureau’s Greenhouse Gas Emission Voluntary Reduction Program. Each year, through the environment management system, the factory proposes its energy conservation plan.</p> <p>Changpin Factory: The Changpin Factory is aware of the importance</p>	

Evaluation Item	Implementation Status		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			and urgency of climate change so it actively improved equipment and adjusted production modes, for the development of a green energy industry, and to help create a sustainable low-carbon society and develop a low-carbon economy.
3. Preserving Public Welfare	V		(1) The Company complies with the Labor Standard Act and related labor laws & regulations, and also designates the relevant personnel to attend the meeting called by the industrial union board to respond to any suggestions.
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(2) The Company has set up an employ feedback mailbox to gather employee suggestions via both regular mail and e-mail and assigned dedicated personnel to handle the issues.
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		(3) The Company implements special and general health examination programs for employees periodically, and continues improving the operating environment to ensure employees' mental and physical health.
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(4) The Company engaged in propagating the Company's overview of operation, development policy and current condition through the regular labor and employer meeting, interview with employees and irregular meetings to communicate with employees on an open and fair basis.
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(5) The Company sends employees to internal and external training programs that meet their respective needs at work on a regular or irregular basis to develop employees' work skills.
(5) Does the company provide its employees with career development and training sessions?			No discrepancy.

Evaluation Item	Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
<p>(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?</p> <p>(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?</p> <p>(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?</p> <p>(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?</p>	V	(6) The Company has established relevant procedures and personnel to handle related matters in a timely and effective manner.	
	V	(7) The Company carried out marketing and labeling of all products in strict compliant with relevant laws and regulations and the practices have been incorporated into the ISO 9000 procedures.	
	V	(8) The Company evaluates its suppliers based on the procedures set in the ISO 14000 documents.	
	V	(9) The Company evaluates its suppliers based on the procedures set in the ISO 14000 documents.	
<p>4. Enhancing Information Disclosure</p> <p>(1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?</p>	V	(1) The Company has already set up the website in Chinese and English languages at <a href="http://www.taiwanglass.com">http://www.taiwanglass.com</a> .	No discrepancy.

Evaluation Item	Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: No discrepancy.		Abstract Illustration	
6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices: Other information of the Company’s corporate social responsibility practices, please refer <a href="http://www.taiwanglass.com">http://www.taiwanglass.com</a> .			
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The TGI 2018 Annual Corporate Social Responsibility Report is currently in preparation and is being reviewed by Ernst & Young based on the ISAE3000 standards.			

Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

2. Companies who have compiled CSR reports may cite the source from specific pages of their CSR reports instead.

## (VI) Ethical Corporate Management

Evaluation Item	Implementation Status (Note)		Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> <p>(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	V	<p>(1) The Company's board of directors and management rank all undertook to manage the Company in accordance with the ethical corporate management principles. The Company established ethical corporate management principles, and declare ethical corporate management policies and procedures in its guidelines.</p> <p>(2) The Company defined such SOP, ethical guidance and educational training as the "Ethical Corporate Management Best Practice Principles", "Parliamentary Rules for Directors' Meeting", "Employee Ethical Code of Conduct", "Written Undertaking to Perform Procurement", "Non-Disclosure Agreement", and "Written Undertaking for Study Abroad".</p> <p>(3) The Company provides donations or sponsorships in accordance with the relevant laws and the Company's internal rules to prevent offering and acceptance of bribery and provision of illegal political contributions.</p>	<p>(1) No discrepancy.</p> <p>(2) No discrepancy.</p> <p>(3) No discrepancy.</p>
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p>	V	<p>(1) The Company has established a "Contract Management Approach," which is based on procedures, such as, research and development, revision, review, signing, implementation, contract electronic file storage, and access, to understand the status of ethical management of the counterparty.</p>	<p>(1) No discrepancy.</p>



Evaluation Item	Implementation Status (Note)		Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V	(2) audits , including 2members in legal affairs ,including 3members in internal audits. Legal affairs and internal audits were responsible to ensure the various units' compliance with the relevant laws when carrying out business, e.g. Company Law, Securities and Exchange Act, Prevention of Corruption Act, Government Procurement Act, TWSE/TPEX listed companies' relevant regulations or any other laws related to business conduct, for fulfillment of the ethical corporate management. Audit plan include internal audit every month , motion for the assessment of effective internal control system and "Statement of Declaration of Internal Control System first quarter every year and Motion for the next year audit plan its fiscal fourth quarter. The internal audits present to Board of Directors an internal audit report every quarter.	(2) No discrepancy.
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V	(3) In the deliberation.	(3) In the deliberation.
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V	(4) The Company's accounting system was defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC, and its accounting was performed in accordance with the principles and the relevant requirements defined by the competent authority. Meanwhile, the Company also reported the operating results to the board of directors periodically, and accepted the internal/external audit and an independent auditor's audit.	(4) No discrepancy.
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	V	(5) The Company has established the internal control system and also defined the articles of association, management rules, and various SOPs, in accordance with the Regulations Governing Establishment of Internal	(5) No discrepancy.

Evaluation Item	Implementation Status (Note)		Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
		<p>Abstract Illustration</p> <p>Control Systems by Public Companies to govern the implementation of internal control, and also reviewed and revised the same in accordance with the changes in laws and subject to the needs, to ensure the continuous effective design and implementation of the internal control system. The Company's unit dedicated to audit conducted the audit on sale, procurement, production and salary cycle in accordance with the audit plan passed at the directors' meeting, and submitted the report on the audit result to independent directors.</p> <p>At the time of on boarding training, the Company provides internal education training in ethical corporate management for each new employee, and incorporates the Ethical Corporate Management Best Practice Principles for Taiwan Glass into the Employee Handbook to help employees fully understand the Company's policy of ethical corporate management. In addition, the Company has also actively assisted in arranging its directors to participate in the relevant refresher courses for ethical corporate management organized by external organizations, to enhance the effectiveness of the Company's ethical management.</p>	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p>	V	<p>(1) The Company has promulgated the relevant laws and regulations and the ethical code of conduct in the Company's intranet. The various unit supervisors and managers engaged in the well-founded supervision and enhanced the management <i>ex officio</i>.</p> <p>(2) The Company has put into effect the Guidelines for Whistleblowing on Illegal, Immoral or Unethical Conduct in August 2018, including the investigation standards, operating procedures and related confidentiality mechanisms for reporting events.</p>	<p>(1) No discrepancy.</p> <p>(2).No discrepancy.</p>

Evaluation Item	Implementation Status (Note)		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(3) Does the company provide proper whistleblower protection?	V	(3) The Company protects the safety of whistleblowers. If a whistleblower is a member of the Company, the Company promises to protect him/her from retaliation due to reporting.	(3) No discrepancy.
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS??	V	(1) The Company established “Ethical Corporate Management Best Practice Principles” and disclosed on the Company’s website and MOPS.	(1) No discrepancy.
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. No discrepancy.			
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). The Company has been awarded the “TWAEQ Certificate” by Customs Administration, Ministry of Finance in 2012 April. Meanwhile, the Company’s business partners all expressed their support for the Company’s determination to perform safe and ethical corporate management. Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.			

**(VII) The Company established Corporate Governance Guidelines and Regulations, and disclosed on the Company’s website ([www.taiwanglass.com](http://www.taiwanglass.com)) and MOPS.**

## (VIII) Continuing Education of Directors/Supervisors

Job title	Name	Date elected	Date when first elected	Date		Organizer	Program	Hours	Total hours	Remarks
				From	To					
Direct	Lin, P F	2018/06/13	1967/09/16	2018/07/19	2018/07/19	Chinese National Association of Industry and Commerce	Introduction of Corporate Information Security From the Perspective of Corporate Governance	3.0	6	
				2018/07/24	2018/07/24	Chinese National Association of Industry and Commerce	How to effectively play the role of an independent director to strengthen corporate governance	3.0		
Direct	Lin, P S	2018/06/13	1967/09/16	2018/10/16	2018/10/16	Chinese National Association of Industry and Commerce	Protection of Trade Secrets From the Perspective of Corporate Governance	3.0	6	
				2018/10/18	2018/10/18	Chinese National Association of Industry and Commerce	Analysis of the Company's Latest Legal System	3.0		
Direct	Lin, H T	2018/06/13	1988/03/19	2018/03/06	2018/03/06	Taiwan Corporate Governance Association	Key Factors of Verification that the Board of Directors should Know and Countermeasures	3.0	6	
				2018/04/20	2018/04/20	Taiwan Corporate Governance Association	Development Trends in and Significant Norms for Money Laundering and Financing Terrorism	3.0		
Direct	Peng, C H	2018/06/13	2018/06/13	2018/07/19	2018/07/19	Chinese National Association of Industry and Commerce	Introduction of Corporate Information Security From the Perspective of Corporate Governance	3.0	12	
				2018/07/24	2018/07/24	Chinese National Association of Industry and Commerce	How to effectively play the role of an independent director to strengthen corporate governance	3.0		
				2018/10/16	2018/10/16	Chinese National Association of Industry and Commerce	Protection of Trade Secrets From the Perspective of Corporate Governance	3.0		
				2018/10/18	2018/10/18	Chinese National Association of Industry and Commerce	Analysis of the Company's Latest Legal System	3.0		
Direct	Lin, C H	2018/06/13	2000/04/28	2018/03/20	2018/03/20	Chinese National Association of Industry and Commerce	Tax Reform and Corporate Governance	3.0	6	
				2018/07/03	2018/07/03	Taiwan Institute of Directors	2018 annual conference of Taiwan Institute of Directors	3.0		
Direct	Lin, C Y	2018/06/13	2004/10/06	2018/01/25	2018/01/25	Taiwan Institute for Sustainable Energy	International Economic Trends and Financial Systems in 2018	3.0	9	
				2018/05/15	2018/05/15	Association of Taiwan Listed Companies	Business Continuity and Long-Lasting Enterprise	2.0		
				2018/06/15	2018/06/15	Association of Taiwan Listed Companies	New Southbound Episode II: Advancing South Asia	2.0		

### (VIII) Continuing Education of Directors/Supervisors

Job title	Name	Date elected	Date when first elected	Date		Organizer	Program	Hours	Total hours	Remarks
				From	To					
Direct	Lin, C Y	2018/06/13	2004/10/06	2018/08/15	2018/08/15	Association of Taiwan Listed Companies	Experience in Successful Transformation of Nan Shan	2.0	9	
Direct	Lin, C M	2018/06/13	2006/06/09	2018/07/19	2018/07/19	Chinese National Association of Industry and Commerce	Introduction of Corporate Information Security From the Perspective of Corporate Governance	3.0	6	
				2018/07/24	2018/07/24	Chinese National Association of Industry and Commerce	How to effectively play the role of an independent director to strengthen corporate governance	3.0		
Direct	Tsai, T M	2018/6/13	2017/10/26	2018/05/23	2018/05/23	Securities and Futures Development Foundation	Business Strategies and Key Performance Indicators	3.0	12	
				2018/05/24	2018/05/24	Securities and Futures Development Foundation	Analysis of Corporate Financial Information And Decision Making	3.0		
				2018/06/07	2018/06/07	Securities and Futures Development Foundation	Analysis of Practice and Cases for the Crime of Breach of Trust and Special Breach of Trust by Directors and Supervisors	3.0		
				2018/06/12	2018/06/12	Securities and Futures Development Foundation	How directors and supervisors instruct the Company to strengthen internal control and audit systems	3.0		
Independent Direct	Hwang, T Y	2018/06/13	1990/06/23	2018/01/24	2018/01/24	Taiwan Corporate Governance Association	Tutorial on the Governance System of Cathay Financial Holding Co., Ltd.	3.0	6	
				2018/05/17	2018/05/17	Chinese National Association of Industry and Commerce	Response to and Challenges from Prevention of Money Laundering by Enterprises	3.0		

## (IX) Status of Internal Control

### TAIWAN GLASS IND. CORP. Statement of Declaration of Internal Control System

March 18, 2019

The Company hereby declares the following based on its self-assessment result on the internal control system in 2018:

1. The Company acknowledges that the Board and management shall be responsible for establishing, implementing and maintaining the internal control system. The Company has already established the system. The internal control system is intended to provide reasonable assurance on the operating result and efficiency (including profit, performance and safety of assets, et al.), reliability of financial statements and compliance with laws.
2. Notwithstanding, the internal control system is subject to some restrictions. No matter how perfectly it is designed, an effective internal control system is only able to provide reasonable assurance on said three objectives. Besides, the validity of the internal control system might vary subject to changes in environments and circumstances. The Company's internal control system is subject to a self-supervisory mechanism. Any defect will be corrected by the Company immediately upon identification.
3. The audit of the Company dealing operation has been conducted in accordance with the Standards for Public Companies in the Establishment of Internal Control System (the "Standards") for identifying the effectiveness of the internal control system, and determines if the design and enforcement of internal control are effective. The Standards are intended to judge the internal control system by dividing the system into five elements according to the management control process, namely, (1). control over environment, (2). risk assessment, (3). control operation, (4). information and communication, and (5). supervision. Each element consists of certain items. For said items, please refer to the "Standards".
4. The Company has already adopted said criteria to identify the effectiveness of the internal control system and to determine if the design and enforcement thereof are effective.
5. Based on the result referred to in the preceding paragraph, the design and enforcement of the Company's internal control system (including supervision and control over its subsidiaries) on December 31, 2018, including the achievement of operating result and efficiency, reliability of financial statements and compliance with laws, is considered effective and able to provide reasonable assurance on said objectives.
6. The statement constitutes the summary content of the Company's Annual Report of current year and the Offering Prospectus, and shall be disclosed to the public. Any misrepresentation or concealment of the aforementioned disclosures shall be liable to violation of Articles 20, 32, 171 and 174 of the Securities and Exchanges Act and the legal consequences thereof.

TAIWAN GLASS IND. CORP.

Chairman: Lin, P F

President & CEO: Lin, P S

- (X) Punishment for violations of laws and internal control system imposed on the Company and its internal staff, and the major defects and correction thereof from the recent year until the date the Annual Report was printed: N/A.

(X) Stockholders' meeting(s) and significant board resolutions during the most recent year and up to the date of publication of this annual report :			
Meeting	Date		Items
The 22 <sup>nd</sup> meeting of the 18 <sup>th</sup> Board of Directors	2018-03-26	Recognize	1 Motion of HTG dissolved.
			2 Motion of FPG sells land use right.
		Approval	1 Motion for 2017 Business Report.
			2 Motion for parent company only financial statement & consolidated financial statements 2017.
			3 Motion for 2017 earning distribution.
			4 Motion for 2017 Directors and Employee's remuneration distribution.
			5 2017 TG evaluation of the External Auditor's Independence.
			6 2018 TG commissioned Ernst & Young Accounting Firm for audit and public funds certification.
			7 Motion for amendments to the "Accounting System".
			8 Motion for the 2018 operation plan.
			9 Motion for amendments to the "Internal Control System".
			10 Motion for the assessment of effective internal control system and "Statement of Declaration of Internal Control System"
			11 19 <sup>th</sup> Nomination of directors.
			12 Motion for release of the non-competition restrictions of 19 <sup>th</sup> Directors and Representatives of Institutional Directors.
			13 Motion for the general shareholders' meeting 2018.
			14 TG applied for credit of NTS400,000 thousand with Taishin International Bank.
			15 TG applied for the consolidated credit of NTS900,000 thousand with the Export-Import Bank of the Republic of China
			16 TGCH applied for the credit of US\$10,000 thousand with the O-Bank, and asked TG to be the guarantor.
			17 TBF applied for the credit of US\$12,000 thousand with the First Bank, and asked TG to be the guarantor.
18 TXY applied for the credit of US\$15,000 thousand with the Mega International Commercial Bank, and asked TG to be the guarantor.			
19 TYAU applied for the credit of RMB9,000 thousand with the First Bank, and asked TG to be the guarantor.			
The 23 <sup>rd</sup> meeting of the 18 <sup>th</sup> Board of Directors	2018-05-07	Approval	1 TG applied for the consolidated credit with the Shin Kong Commercial Bank Co., Ltd.
			2 TGCH applied for the credit of US\$30,000 thousand with the Mega International Commercial Bank, and asked TG to be the guarantor.
			3 TJG, FPG, and TYSM applied for the credit of US\$15,000 thousand with the Citibank Taiwan, and asked TG to be the
			4 TGCH, TGF, TJG, HNG and TYAU applied for the credit of US\$58,500 thousand with the Taiwan Cooperative Bank, and asked TG to be the guarantor.
			5 TAH and TXY applied for the credit of RMB188,000 thousand with the First Bank, and asked TG to be the guarantor.
			6 FPG applied for the credit of RMB50,000 thousand with the Xiamen Bank, and asked TG to be the guarantor.
2018 shareholders' meeting	2018-06-13	Acknowledgment	1 Motion for final accounts 2017. Implementation Status: Approved by shareholders.
		Approval	1 Motion for allocation of earning 2017. Earnings Distribution Date: 2018-07-08 Implementation Status: 1.Remuneration of Directors NT\$33,604,893. 2.Remuneration of Employee NT\$33,604,893. 3.Dividends of Shareholders NT\$0.5/@per share.
		Elected	1 Motion for election of directors of 19th. Implementation Status: Elected directors please refer P.8.
		Approval	1 Motion for release of the non-competition restrictions of 19 <sup>th</sup> Directors and Representatives of Institutional Directors. 2 Implementation Status: Approved motion for release of the non-competition restrictions of 19 <sup>th</sup> Directors and Representatives of Institutional Directors.
The 1 <sup>st</sup> meeting of the 19 <sup>th</sup> Board of Directors	2018-06-13	Elected	1 Motion for election of the chairman of board.
		Approval	1 Appointment of Managing Director. 2 Motion for release of the non-competition restrictions on the management. 3 Motion for appointment of 4 <sup>th</sup> term Compensation Committee members. 4 Motion for remuneration to compensation committee members. 5 Nomination of Corporate Social Responsibility Committee. 6 Motion for allocation of earning 2018.
The 2 <sup>nd</sup> meeting of the 19 <sup>th</sup> Board of Directors	2018-07-19	Approval	1 Revise motion for the increase of TG/TGCH investment in SCH by US\$46,782 thousand. 2 TG provided the Letter of Support to help SCH apply for the syndicated loan with MICB.
The 3 <sup>rd</sup> meeting of the 19 <sup>th</sup> Board of Directors	2018-08-08	Approval	1 Establishment of the "Procedures for reporting illegal, unethical and dishonest".
			2 Motion for amendments to the "Remuneration to directors and managers".
			3 TG applied for credit of NTS1,000,000 thousand with Taiwan Business Bank.
			4 TG applied for credit of NTS200,000 thousand with the Shanghai Commercial & Saving Bank.
			5 TG applied for credit of NTS800,000 thousand with Chang Hwa Bank.
			6 TG applied for credit of NTS300,000 thousand with First Bank.
			7 TG applied for credit of NTS500,000 thousand with EnTie Bank.
			8 TG applied for credit of NTS3,500,000 thousand with Mega Bills finance Corp, International Bills Finance Corp, China Bills Finance Corp, Grand Bills Finance Corp, Ta Ching Bills Finance Corp, Taiwan Bills Finance Corp and Taiwan Cooperative Bills Finance Corp.
			9 TBF applied for the credit of US\$40,000 thousand with Cathay United Bank, the Shanghai Commercial & Saving Bank, and asked TG to be the guarantor.
			10 TBF applied for the credit of US\$20,000 thousand with the First Bank, and asked TG to be the guarantor.
			11 TCD applied for the credit of RMB80,000 thousand with the First Bank, and asked TG to be the guarantor.
			12 QFG and TJG applied for the credit of US\$20,000 thousand with the Taipei Fubon Bank, and asked TG to be the guarantor.
			13 TYAU applied for the credit of US\$7,000 thousand with the JihSun Bank, and asked TG to be the guarantor.
The 4 <sup>th</sup> meeting of the 19 <sup>th</sup> Board of Directors	2018-11-05	Recognize	1 TQPT applied for the credit of RMB\$50,000 thousand, US\$1,500 thousand with the Qingdao Rural Commercial Bank, and asked QFG to be the guarantor.
		Approval	1 Motion for amendments to the "Subsidiaries' Operating Procedure for Making Endorsements/Guarantees".
			2 Establishment of the "Subsidiaries' Regulations Governing the Acquisition and Disposal of Assets".
			3 Motion for audit plan 2019.
			4 TG applied for the consolidated credit of US\$500,000 thousand with Yuanta Bank.
			5 TG applied for the consolidated credit of US\$60,000 thousand with the Mizuho Bank.
			6 TG applied for credit of NTS500,000 thousand with Bank SinoPac.
			7 TG applied for credit of NTS880,000 thousand with Chang-Hwa Bank.
			8 TG applied for credit of NTS300,000 thousand with Jih Sun International Commercial Bank.
			9 TG and TGCH applied for the credit of NTS800,000 thousand with the KGI Bank.
			10 TGCH applied for the credit of NTS15,000 thousand with the Far Eastn International Bank, and asked TG to be the
			11 TGCH applied for the credit of NTS10,000 thousand with Bank of Kaohsiung, and asked TG to be the guarantor.
			12 TJG applied for the credit of US\$5,000 thousand with the Taishin International Bank, and asked TG to be the guarantor.
			13 TBF applied for the credit of RMB\$50,000 thousand with the First Bank, and asked TG to be the guarantor.
			14 TAY applied for the credit of US\$20,000 thousand with the JihSun Bank, and asked TG to be the guarantor.
15 HNG and TYSM applied for the credit of US\$13,000 thousand with the JihSun Bank, and asked TG to be the guarantor.			

The 5 <sup>th</sup> meeting of the 19 <sup>th</sup> Board of Directors	2019-03-18	Approval	1	Motion for 2018 Business Report.
			2	Motion for parent company only financial statement & consolidated financial statements 2018.
			3	Motion for 2018 earning distribution.
			4	Motion for 2018 Directors and Employee's remuneration distribution.
			5	2018 TG evaluation of the External Auditor's Independence.
			6	2018 TG commissioned Ernst & Young Accounting Firm for audit and public funds certification.
			7	Motion for the 2019 operation plan.
			8	Recognition impairment of assets.
			9	Motion for amendments to the "Regulations Governing the Acquisition and Disposition of Assets".
			10	Motion for amendments to the "Operating Procedure for Financial Derivatives Transactions".
			11	Motion for amendments to the "Operating Procedure for Making Endorsements/Guarantees".
			12	Motion for amendments to the "Operating Procedure for Granting Loans to Others".
			13	Motion for amendments to the "Subsidiaries' "Operating Procedure for Making Endorsements/Guarantees".
			14	Motion for amendments to the "Subsidiaries' Operating Procedure for Granting Loans to Others".
			15	Motion for amendments to the "Subsidiaries' "Regulations Governing the Acquisition and Disposition of Assets".
			16	Motion for amendments to the "Accounting System".
			17	Motion for amendments to the "Internal Control System".
			18	Motion for the assessment of effective internal control system and "Statement of Declaration of Internal Control System"
			19	Establish a standard operational protocol for responding to requests from director.
			20	Appointment of a chief for corporate governance affairs.
			21	Motion for the general shareholders' meeting 2019.
			22	TG applied for credit of NTS400,000 thousand with First Bank.
			23	TG applied for credit of NTS900,000 thousand with China Bills Finance Corporation.
			24	TG applied for credit of NTS500,000 thousand with Bank SinoPac.
			25	TG applied for loan credit of NTS600,000 thousand with Union Bank of Taiwan.
			26	TG applied for credit of NTS400,000 thousand with Taishin International Bank.
			27	TG applied for credit of NTS300,000 thousand with Mega International Commercial Bank
			28	TGCH and TAH applied for the credit of US\$15,000 thousand with Taishin International Bank, and asked TG to be the guarantor.
			29	CFG applied for the credit of RMB20,000 thousand with the Chang-Hwa Bank, and asked TG to be the guarantor.
			30	TXY applied for the credit of US\$15,000 thousand with the Mega International Commercial Bank, and asked TG to be the guarantor.
			31	TGF applied for the credit of US\$12,000 thousand with the Mizuho Bank , and asked TG to be the guarantor.
The 6 <sup>th</sup> meeting of the 19 <sup>th</sup> Board of Directors	2019-05-13	Approval	1	TGCH, invested by TG, TG/TGCH granted the loan of US\$43,000 thousand and RMB 24,000 thousand to TJG. TGCH intended to convert US\$25,000 thousand of the loan into an investment in TJG.
			2	CFG, invested by TG/TGCH , merged with TKG.
			3	TG applied for credit of NTS500,000 thousand with The Bank of East Asia Limited
			4	TG applied for credit of NTS1,000,000 thousand with Taiwan Cooperative Bank.
			5	TG applied for credit of NTS300,000 thousand with Taiwan Cooperative Bills Finance Corporation.
			6	TG applied for credit of NTS300,000 thousand with Ta Ching Bills Finance Corporation.
			7	TG and TGCH applied for credit of NTS800,000 thousand with Land Bank of Taiwan, and asked TG and TGCH to be the guarantor for each other.
			8	TJG applied for the credit of US\$5,000 thousand with the Entie Bankk , and asked TG to be the guarantor.
			9	TGCH, TGF, TJG, HNG and TYAU applied for the loan of US\$50,500 thousand with Taiwan Cooperative Bank, and asked TG to be the guarantor.
			10	TAH, TXY, and TYAU applied for the loan of RMB201,000 thousand with First Bank, and asked TG to be the guarantor.



(XII) Adverse opinion from directors or supervisor over important resolution of the Board from the most recent year until the day the Annual Report was printed with records or written declaration, and the contents of such opinion: None.

(XIII) Information on resignation and termination of parties relating to the financial report from the most recent year until the date the Annual Report was printed: None.

V. Audit fee information :

Accounting Firm	Name of CPA		Audit Period	Remarks
Ernst & Young	Wang, C L	Hsiao, Teresa	2018.01.01~2018.12.31	Internal restructuring
	Hsiao, Teresa	Fuh, Andrew		

Currency Unit: NTD thousand

Amount range		Fee items	Audit fee	Non-Audit fee	Total
1	Less than 2,000 thousand			1,471	1,471
2	2,000 thousand (inclusive therein) ~4,000 thousand				
3	4,000 thousand (inclusive therein) ~6,000 thousand				
4	6,000 thousand (inclusive therein) ~8,000 thousand		7,964		7,964
5	8,000 thousand (inclusive therein) ~10,000 thousand				
6	10,000 thousand above				

Note: Non-Audit fee include transfer pricing and CSR report.

In the event of any of the following circumstances, the Company shall disclose the independent auditor fee information:

(I) Where non-audit fees paid to the independent auditing firm and their affiliates exceeded the audit fees by more than twenty-five percent, the audit and non-audit fees and contents of the non-audit service shall be disclosed:

Currency Unit: NTD thousand

Accounting Firm	Name of CPA	Audit fee	Non-Audit fee					Audit Period	Remark
			System of design	Company registration	Human Resource	Other (Note)	Subtotal		
Ernst & Young	Hsiao, Teresa	7,964	0	0	0	1,471	1,471	2018	Note : Non-audit fee-other include transfer pricing and CSR report NT\$ 1,471 thousand dollars.
	Fuh, Andrew								

(II) In the case of change of independent auditing firm and the audit fees of the year in which the independent auditing firm was changed less than that of the previous year, please disclose the amount of audit fees before and after the change, and reasons of the change: N/A.

(III) In the case of audit fees less than that of the previous year by more than 15%, please disclose the decrease in the audit fees, and proportion and cause thereof: N/A.

VI. Information on the replacement of independent auditors for the most recent two years and afterwards: N/A

VII. Name of auditing firm or its affiliates at which the company's chairman, president, or managers responsible for financial or accounting matters was an employee over the past year, his/her position and employment period: N/A.

VIII. Evaluation of the External Auditor's Independence:

The Audit Committee of the Company has reviewed the independency of audit accountant based on the following criteria and reported the examination results to the Board:

- (1) The Company has acquired Statement of Accountant Independency.
- (2) The Company has checked the independency of audit accountant from the aspects of the financial profit, loans and guarantees, business relations, family and personal contacts, employment status, gifts and special offers, rotation of audit accountant and non-audit business.

IX. Equity changes, transfers, and pledges of directors, supervisors, managers and shareholders who hold more than 10% of the Company's shares in the most recent year and until the date of publication of the Annual Report:

Job Title	Name	2018		Until April 21 in the current year		Remarks
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	
Chairman	Lin, P F	0				
Chairman, President & CEO	Lin, P S	0				
Director	Lin, P C	0				
Director	Yun San Corporation Representative: Chang, P S	0				
Director	Lim, H T	0	(3,769,057)			
Director	Lim Ken Seng Kah Kih Co., Ltd. Representative: Hsu, L L	0				
Director	Tai Hong Investment Co., Ltd. Representative: Su, Y T	0				Major Shareholder
Director	Tai Hong Investment Co., Ltd. Representative: Lin, C H					
Director	Tai Hong Investment Co., Ltd. Representative: Lin, C Y					
Director	Tai Chien Investment Co., Ltd. Representative: Lin, C M	0				
Director	Ho Ho Investment Co., Ltd. Representative: Chen, C C	0				Major Shareholder
Director	Ho Ho Investment Co., Ltd. Representative: Tsai, T M					
Independent Director	Lin, F C	0				
Independent Director	Chen, C C	0				
Independent Director	Hwang, T Y	0				
Vice President	Su, Y T	0				
Vice President	Lin, C H	50,000				
Vice President	Lin, C Y	130,000				
Vice President Financial Officer	Lin, C M	0				
Vice President	Chen, C C	0				
Vice President	Lin, B T	0				
Vice President	Hsu, C C	0				
Manager, Accounting	Huang, Y H	0				

Note 1: The shareholders who hold more than 10% of the Company's shares shall be identified as major shareholders and stated separately.

Note 2: Where the counterparts of shares through transfer and pledged under lien are related parties, it is also necessary to complete the following table.

Information about equity transfer: The trading counterparts are not related parties.

Information about equity pledged under lien: The trading counterparts are not related parties.

## X. Relationship among the Top Ten Shareholders:

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Tai Hong Investment Co., Ltd.	420,137,922	14.45%	0	0	0	0	Tai Cheng	Note 4	
Chairman: Lin, P F	20,603,512	0.71%	2,690,233	0.09%			Ho Ho. Tai Chien. Tai Yu. Tai Chia. Lim Ken Seng Kah Kih. TG Pension Fund Management Committee	Note 5	
Ho Ho Investment Co., Ltd.	402,748,231	13.85%	0	0	0	0	Tai Yu. Lim Ken Seng Kah Kih. TG Pension Fund Management Committee	Note 4	
Chairman: Lin, P S	14,897,934	0.51%	1,403,202	0.05%			Tai Hong. Tai Chien. Tai Cheng. Tai Chia	Note 5	
Tai Chien Investment Co., Ltd.	249,002,246	8.56%	0	0	0	0	Tai Chia	Note 4	
Chairman: Lin, P C	6,181,002	0.21%	4,729,447	0.16%			Tai Hong. Ho Ho. Tai Cheng. Tai Yu. Lim Ken Seng Kah Kih. TG Pension Fund Management Committee	Note 5	
Tai Yu Investment Co., Ltd.	245,538,788	8.44%	0	0	0	0	Ho Ho. Lim Ken Seng Kah Kih. TG Pension Fund Management Committee	Note 4	
Chairman: Lin, P S	14,897,934	0.51%	1,403,202	0.05%			Tai Hong. Tai Chien. Tai Cheng. Tai Chia	Note 5	
Tai Cheng Investment Co., Ltd.	228,213,247	7.85%	0	0	0	0	Tai Hong	Note 4	
Chairman: Lin, P F	20,603,512	0.71%	2,690,233	0.09%			Ho Ho. Tai Chien. Tai Yu. Tai Chia. Lim Ken Seng Kah Kih. TG Pension Fund Management Committee	Note 5	
Tai Chia Investment Co., Ltd.	157,795,282	5.43%	0	0	0	0	Tai Chien	Note 4	
Chairman: Lin, P C	6,181,002	0.21%	4,729,447	0.16%			Tai Hong. Ho Ho. Tai Cheng. Tai Yu. Lim Ken Seng Kah Kih. TG Pension Fund Management Committee	Note 5	
Fubon Life Insurance Co., Ltd.	142,200,558	4.89%	0	0	0	0	—	—	
Chairman: Tsai, M H	0	0	0	0				—	
Lim Ken Seng Kah Kih Co., Ltd.	136,904,500	4.71%	0	0	0	0	Ho Ho. Tai Yu. TG Pension Fund Management Committee	Note 4	
Chairman: Lin, P S	14,897,934	0.51%	1,403,202	0.05%			Tai Hong. Tai Chien. Tai Cheng. Tai Chia	Note 5	
TG Pension Fund Management Committee	39,289,621	1.35%	0	0	0	0	Ho Ho. Tai Yu. Lim Ken Seng Kah Kih	Note 4	
Chairman: Lin, P S	14,897,934	0.51%	1,403,202	0.05%			Tai Hong. Tai Chien. Tai Cheng. Tai Chia	Note 5	
An investment account held in escrow by the Central Bank of Norway on behalf of Citibank Taiwan Chairman: Mo,Z.H	28,835,278	0.99%	0	0	0	0	-	-	
	0	0	0	0				-	

Note 1: The shareholders' names shall be identified separately (in the case of corporate shareholders, the corporate shareholders' names and representatives shall be identified separately).

Note 2: The ratio of shareholding is calculated in terms of own shareholdings, shares held by spouse & children under age or shareholdings under the title of a third party.

Note 3: The shareholders' are including institutional shareholder and natural person. Shareholders' shall be disclosing related to one another under Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Note 4: The representative of the legal entity is the same person.

Note 5: The relations between the representatives of the legal entities are two-degree relatives.

XI. Total shareholding ratio in each invested enterprise invested by the Company, and the Company's directors, supervisors, managers, and enterprises controlled by the Company directly or indirectly, and consolidated shareholdings thereof:

December 31, 2018 Unit: share; %

Investee (Note)	Invested by the Company		Invested by directors, supervisors, managers, and enterprises controlled by the Company directly or indirectly		Combined investment	
	Shares	%	Shares	%	Shares	%
TGUS	4,612	100.00			4,612	100.00
TGCH	1,354,033,322	93.98			1,354,033,322	93.98
TAGC	26,100,000	87.00			26,100,000	87.00
TVIG	43,875,000	65.00			43,875,000	65.00

Note: The Company's long-term equity investment under the equity method

## Four. Status of Capital Planning

### I. Sources of capital stock:

Date	Issuing price	Authorized capital stock		Issued capital stock		Remarks		
		Shares (thousand shares)	Amount (NTD Thousand)	Shares (thousand shares)	Amount (NTD Thousand)	Sources of Capital Stock (NTD Thousand)	Offset by any property other than cash	Others
2018-12	10	3,000,000	30,000,000	2,908,061	29,080,608	Capital NTS150,000 at the time of incorporation Capital increase in cash NT\$5,410,510 Recapitalization of earnings NT\$22,458,098 Recapitalizations of capital reserve NT\$938,365 Capital increase upon merge of TFG: NT123,635	None	None
2019-05	10	3,000,000	30,000,000	2,908,061	29,080,608	Capital NTS150,000 at the time of incorporation Capital increase in cash NT\$5,410,510 Recapitalization of earnings NT\$22,458,098 Recapitalizations of capital reserve NT\$938,365 Capital increase upon merge of TFG: NT123,635	None	None

Stock Type	Authorized capital stock			Remarks
	Outstanding shares	Unissued Shares	Total	
Common stock	2,908,061 thousand shares	91,939 thousand shares	3,000,000 thousand shares	Listed stock

Information about shelf registration system: N/A

### II. Composition of Shareholders:

April 21, 2019

Composition of Shareholders	Government Apparatus	Financial Institution	Other Juridical Person	Individual	Foreign Institution and Foreigner	Total
	No. of Person	4	31	147	46,309	205
Shares	1,715,021	163,488,007	1,981,354,245	550,690,218	210,813,309	2,908,060,800
Proportion	0.06%	5.62%	68.14%	18.94%	7.24%	100%

Note: Primary exchange-listed (or OTC-listed) companies and emerging stock companies shall disclose their shareholding ratios in Mainland China investment, if any. Mainland China investment means the investment by the people, corporations, groups or other institutions in the Mainland China Area or any companies invested by the people, corporations, groups or institutions in a third territories referred to in Article 3 of the Measures Governing Investment Permit to People of the Mainland China Area.

### III. Diversification of Shareholdings:

Par Value at NT\$10 per share April 21, 2019

Range of Shares	No. of Shareholders	Shares held (shares)	Proportion
1 to 999	16,645	3,855,489	0.13%
1,000 to 5,000	18,993	43,189,015	1.49%
5,001 to 10,000	4,723	36,480,639	1.25%
10,001 to 15,000	1,690	21,156,178	0.73%
15,001 to 20,000	1,069	19,672,031	0.68%
20,001 to 30,000	1,104	28,143,164	0.97%
30,001 to 40,000	512	18,279,888	0.63%
40,001 to 50,000	386	17,907,517	0.62%
50,001 to 100,000	772	55,924,457	1.92%
100,001 to 200,000	372	52,969,499	1.82%
200,001 to 400,000	214	60,709,991	2.09%
400,001 to 600,000	65	31,786,779	1.09%
600,001 to 800,000	31	21,525,239	0.74%
800,001 to 1,000,000	17	15,597,352	0.54%
1,000,001 and above	103	2,480,863,562	85.31%
Total	46,696	2,908,060,800	100.00%

Preferential stock: N/A. No preferential stock has been issued by the Company.

### IV. List of Major Shareholders:

Name of major shareholders	Shares held	Proportion
Tai Hong Investment Co., Ltd.	420,137,922	14.45%
Ho Ho Investment Co., Ltd.	402,748,231	13.85%
Tai Chien Investment Co., Ltd.	249,002,246	8.56%
Tai Yu Investment Co., Ltd.	245,538,788	8.44%
Tai Cheng Investment Co., Ltd.	228,213,247	7.85%
Tai Chia Investment Co., Ltd.	157,795,282	5.43%
Fubon Life Insurance Co., Ltd.	142,200,558	4.89%
Lim Ken Seng Kah Kih Co., Ltd.	136,904,500	4.71%
TG Pension Fund Management Committee	39,289,621	1.35%
An investment account held in escrow by the Central Bank of Norway on behalf of Citibank Taiwan	28,835,278	0.99%

**V. Information on market value, net value, earnings and dividends per share during the most recent two years**

Item		Year			
		2017	2018	Until March 31, 2019	
Market Value Per Share (NT\$)	Highest	22.90	23.60	14.15	
	Lowest	12.60	12.75	12.80	
	Average	15.76	16.80	13.40	
Net Value Per Share (NT\$)	Before Distribution	15.83	15.21	15.46	
	After Distribution	—	—	—	
EPS (NT\$)	Weighted average shares	2,908,060,800	2,908,060,800	2,908,060,800	
	EPS	0.73	0.37	(0.10)	
Dividends Per Share (NT\$)	Cash Dividends		0.50	0.30	—
	Stock Dividends	Out of earnings	—	—	—
		Out of additional paid-in capital	—	—	—
	Accumulated unpaid dividends		—	—	—
ROI Analysis	Price-Earnings Ratio		21.59	45.41	—
	Dividend Yield		31.52	56.00	—
	Cash Dividend Yields		3.17	1.79	—

Note 1: Price-Earnings Ratio=Average Closing Price Per Share in current year/Earnings Per Share.

Note 2: Dividend Yield=Average Closing Price Per Share in current year/Cash Dividend Per Share.

Note 3: Cash Dividend Yields=Cash Dividend Per Share/Average Closing Price Per Share in the current year.



## **VI. Dividend policy and implementation:**

### **(I) Dividend Policy**

The Board of the Company passed a resolution on March 28, 2016 to amend the Company Charter, in which the dividend policy has been revised and reinstated as follows:

If there is any profit of annual revenue, the Company shall distribute one point five percent (1.5%) of net profit to the employees as remuneration, and less than one point five percent (1.5%) of net profit to the directors as remuneration. If there is any accumulated deficit, the amount of restitution shall be remained first.

If there is any profit after annual accounting, it shall be distributed with the following order.

1. To restitute deficits.

2. To distribute ten percent (10%) of net profits to a legal reserve. if the legal reserve has reached the amount of Capital, it is no limitation.

3. To distribute special reserve.

4. After distribution of Item 1~3 above mentioned, if there is any net profit remaining, the Board of Directors shall prepare a distribution proposal and submit to the shareholders' meeting for resolution.

For sound financial planning, appropriate dividend strategies shall be made according to the annual actual operating situation, Capital budget of next annual, and the necessary of supporting capital by profits for sustainable operation and development. After deducted Item 1 to 3 above from Income, the dividends and bonuses above mentioned shall not be lower than 50% of the earnings. Only when the dividends and bonuses is lower than 1% of capital, it can be resolved to transfer all of them to retained earnings and not to be distributed. The rate of distributing cash dividends shall not be lower than 20% of total dividends.

### **(II) Allocation of dividends proposed at the shareholders' meeting**

The shareholders' meeting resolved that based on the outstanding common stock totaling 2,908,060,800 shares, the Cash Dividend would be allocated at NT\$0.3 per share and Stock Dividend at NT\$0.0 per share, totaling NT\$0.3 per share.

## **VII. The effects of stock grants proposed at this shareholders' meeting on business performance and EPS: N/A, as no stock dividend was allocated.**

## **VIII. Bonuses to employees and remuneration to directors and supervisors:**

### **(I) Proportion or scope of bonuses to employees and remuneration to directors and supervisors as stated in the Company's Articles of Incorporation:**

If there is any profit of annual revenue, the Company shall distribute one point five percent (1.5%) of net profit to the employees as remuneration, and less than one point five percent (1.5%) of net profit to the directors as remuneration. If there is any accumulated deficit, the amount of restitution shall be remained first.

- (II) The accounting in the case of deviation from the basis for stating remuneration to employees and remuneration to directors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:

Currency Unit: NTD thousand

	<u>Stated as expenditure</u>	<u>Actual allocation</u>	<u>Deviation</u>
Cash dividend to employee	17,194	17,194	-
Stock dividend to employee	-	-	-
Remuneration to directors and supervisors	17,194	17,194	-

Deviation treatment: N/A.

- (III) Information about any proposed allocation of remuneration by the Board of Directors' Meeting:

1. Allocation of cash dividend and stock dividend to employees, and remuneration to directors/supervisors.

Currency Unit: NTD thousand

Cash dividend to employee	17,194
Stock dividend to employee	-
Remuneration to directors and supervisors	17,194

2. Quantity of stock dividends to be allocated to employees, and the proportion thereof to net income, and total of the same and bonuses to employees to net income, for the current period:

No stock dividends have been allocated to employees.

- (IV) The actual allocation of bonuses to employees and remuneration to directors/supervisors in the previous year (including the number, amount and stock price of allocated shares), the deviation between the actual allocation and the estimated figures, if any, and cause and treatment thereof.

Currency Unit: NTD thousand

	<u>Stated as expenditure</u>	<u>Actual allocation</u>	<u>Deviation</u>
Cash dividend to employee	33,605	33,605	-
Stock dividend to employee	-	-	-
Remuneration to directors and supervisors	33,605	33,605	-

Deviation treatment: N/A.

## **IX. Buyback of common stocks: N/A**

## Five. Overview of Operations

### I. Content

#### (I) Scope of Business

- 1 The scope of business covers the following areas:
  - (1) 、 Mining, processing, and sale of glass materials.
  - (2) 、 Manufacturing and sale of flat glass products.
  - (3) 、 Manufacturing and sale of rolled glass products.
  - (4) 、 Manufacturing and sale of wire glass products.
  - (5) 、 Processing and sale of reflective flat glass products.
  - (6) 、 Processing and sale of tempered and laminated glass products.
  - (7) 、 Processing and sale of mirror glass products.
  - (8) 、 Processing and sale of insulating multi-layer glass products.
  - (9) 、 Processing and sale of railcar coach glass products.
  - (10) 、 Processing and sale of tabletop and beveled glass products.
  - (11) 、 Manufacturing and sale of glass container products.
  - (12) 、 Manufacturing and sale of glass tableware products.
  - (13) 、 Manufacturing, processing and sale of high temperature-resistant glass products.
  - (14) 、 Manufacturing, processing and sale of fiberglass reinforced and fabric products.
  - (15) 、 Export of glass manufacturing machinery and technologies.
  - (16) 、 Import and export of glass materials and machinery.
  - (17) 、 Glass installation project engineering.
  - (18) 、 Taiwan Glass may conduct businesses other than the registered categories permitted by the laws and relevant regulations.

#### 2 Current Major Products and Ratio of the Company

Major Products	Ratio
Flat Glass	68.65%
Glass Fiber	23.59%
Glass Container	7.65%
Others	0.11%

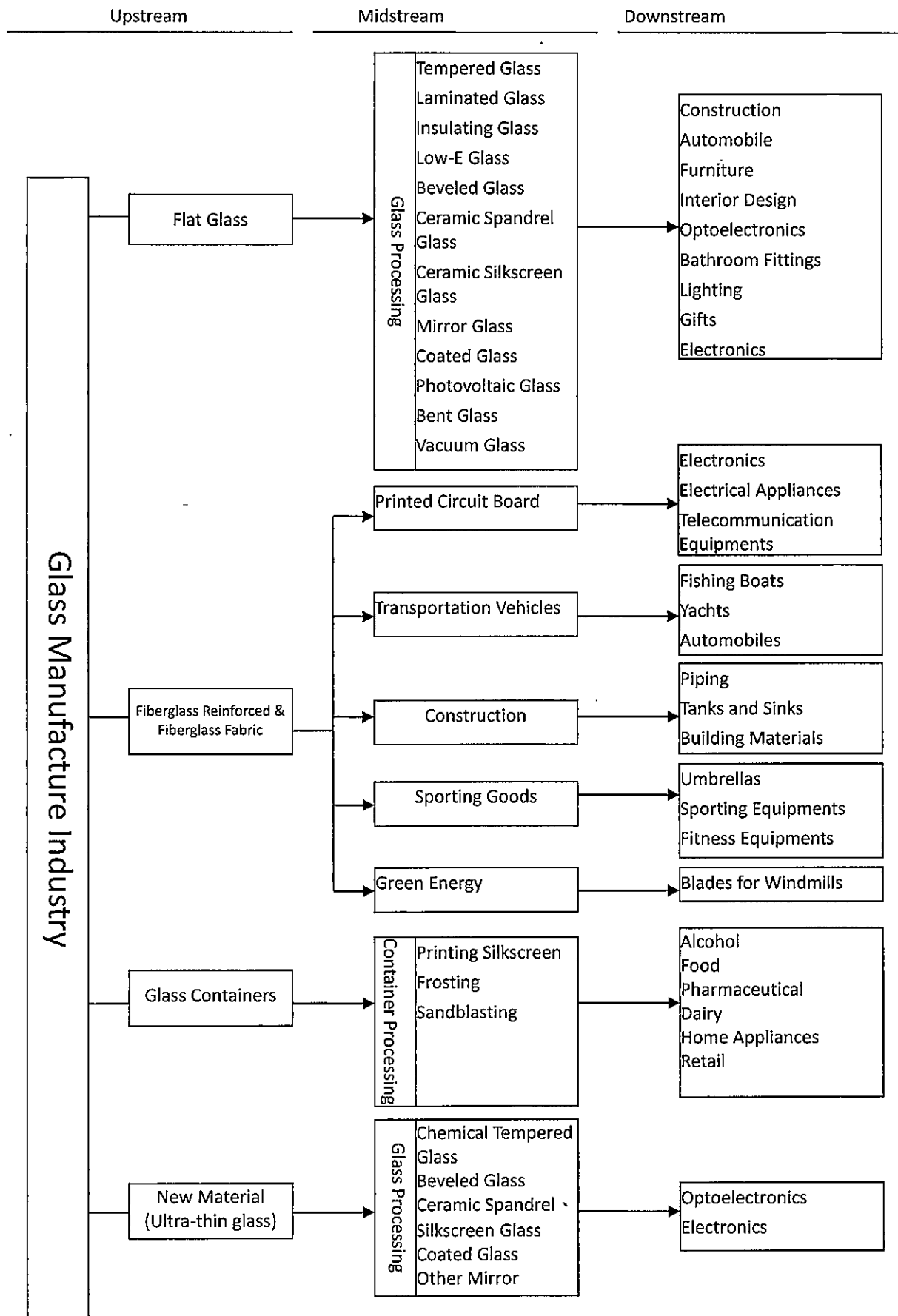
#### 3 Products under Development:

- (1) 、 Super clear glass for photovoltaic batteries has successfully passed trial production in the second half of 2008, and several production lines successively launched into production in 2009, 2010, 2011 and 2012. This high-quality product is around 3 to 19mm and the technology is mature and stable. It is expected to fill the demand from the photovoltaic, construction, and export markets.

- (2) 、 The main facilities at the Changhua Coastal Industrial Park have been completed, and the high-performance Low-E and vacuum glass, as well as a series of other processing facilities, has been successively launched into mass production. The more advanced manufacturing process and diversified products are expected to bring TGI higher market competitiveness.
- (3) 、 The Taiwan Glass Group and factories across the Taiwan Strait continuously seek for advancement in technologies and facilities for TCO glass, ultra-thin glass, and vacuum glass, and are ready to answer and fill the demand in the global market.
- (4) 、 Sophisticated vacuum glass technology enables the production of Low-E vacuum glass by combining Low-E glass.
- (5) 、 Heat resistant milk bottles and laboratory bottles, stable quality and continuous growth.
- (6) 、 The ultra-thin glass has been officially put into production. The thickness is between 1.8mm~0.33mm and the purpose is to serve as a protective cover and protective glass tape for electronic products.
- (7) 、 The official launch of the living utensils under the TG brand in December 2018 has enhanced the added value of the products, and officially provided access to the B2C market.

(II) Overview of the Industry: This section briefly describes the current status and development of this industry, the links between the upper, middle, and lower stream products and the development/market trend and competition in the industry.

Diagram of the Glass Industry



1 Flat Glass:

(1) Current Status and Development:

- A、Taiwan Glass Industrial Co. Ltd. (TGI) responds to the fluctuations in domestic and global demand and the world economy by making timely adjustments to the production lines and the capacity of the processing plants. It also actively seeks business opportunities with a focus on the domestic market and holds an ambition to venture into the export market under the principle of stable costs for maximum competitiveness.
- B、With the advantage of an integrated supply chain and in response to the policy of “Service-oriented Manufacture”, TGI teams up with its partners to confront competition in the domestic and foreign markets and create a market-leading brand.
- C、In response to the development of green architecture and the optoelectronic industry, TGI brought in the newest energy-saving Low-E coated glass technology, and the mass-production processing facilities at the Chuanghua Coastal Industrial Park have also been successively installed and launched into mass production.
- D、To develop more advanced and profitable product lines, TGI is currently planning to set up a manufacture plant for several new technologies, e.g., glass for display panels and vacuum glass.
- E、Under the influence of ECFA, ASEAN treaties and agreements between the US and South Korea, the emerging nations in Asia are expanding their glass production lines and capacities rapidly with upgraded technology; TGI is expected to encounter fierce competition in the market.
- F、Unexpected uncertainties in the global economy, such as a slow recovery in the US, Europe, and Japan and the policies implemented to counter slow economic growth on both sides of the Taiwan Strait, are creating instability.

2 Fiberglass Fabric and Reinforced

- (1) Fiberglass fabric is an upstream material for PCB production; therefore, it is highly sensitive to fluctuations in the electronic market and characterized by a closely-knit network in the industrial supply chain. The final product is developed towards slim, high precision, and high performance, in order to achieve market differentiation.
- (2) Fiberglass reinforced is mainly used for thermal-plastic related applications. It is a green product gradually replacing the thermal-setting manufacturing process; therefore a higher level of quality is demanded. This is beneficial for TGI in the sense that it avoids direct impact from the competition of lower-quality fiberglass manufacturing regions.

### 3 Container

- (1) Capacity: In 2019, the full capacity of the kiln-free furnace, as well as changes to production containers of the TS-6 2 production line have increased the capacity to 160 kilotons, an increase of 15% compared to 2018
- (2) Deepening education and training, equipping new employees with quality, improving quality, reducing workforce.

### 4 Tableware and Kitchenware

- (1) The supply to the domestic market is focused on gift items and vintners. The major competition is glassware imported from China, Europe, US and Turkey.
- (2) The supply for export is mainly focused on the markets in Japan and Korea (combined 37%), and the channels are mainly retail, gift items and vintners.
- (3) When compared with major competitors, Taiwan's glass products are taxable between 8 to 30% when exported to the US, China, EU Nations and ASEAN Nations. This is a major setback in global competitiveness.

### 5 Brand

As the production technology of TAIWAN GLASS for food containers has reached the globally recognized level, the Company has created its own brand TG targeting new groups in pursuit of a high-grade lifestyle, and invited the international design master, Naoto Fukasawa, to incorporate the Taiwanese culture he experienced into design, produce beautiful heat-resistant glassware, and market such products around the world starting from Taiwan.

### 6 New Materials

- (1) Due to the rise of red supply chain, market demand of ultra-thin glass has shifted to mainland China. The sales of ultra-thin glass are constantly made to mainland China and the European/American India and Vietnam markets are also developing.
- (2) Use of new quality checks equipment to ensure the provision of products complying with the quality in the industry for customers from the advanced electronics application products.

## (III) Overview of Technologies and R&D:

1. TGI's flat glass products have the advantage of a long lifecycle. TGI has invested

substantially into the production of flat glass products and the main production technologies were introduced from technologically-advanced nations. TGI's R&D is focused on improvement in technology and quality, and energy-saving production, carbon-reduction and environmentally-friendly products.

2. In addition to the high-performance off-line coating, Low-E energy-saving glass, TGI focuses on the R&D of super clear, TCO, and ultra-thin glass in response to the development of the domestic and overseas photovoltaic and display panel industries.

#### (IV) Short and Long Term Business Development Plan:

1. Flat Glass:

##### Short-term:

As the industry is facing the challenges of shifting global economic blocks and rapid advancement in technologies, through automation and specialized production, TGI aims to lower costs and maximize efficiency. To counter global competition and ensure stable growth in the uncertain outlook of the global economy, TGI will focus on brand positioning, reinforcing customer services, and the development of a wider scope of international customers.

##### Long-term:

Bulk sales of Low-E allow the popularization of Low-E glass, thereby reinforcing the users' energy conservation and environmental awareness.

In response to market demand, TGI will actively develop professional human resources, research/develop new products and procure production facilities for optoelectronic and energy-saving products, aiming to reinforce the industrial cluster advantage in the domestic market as well as to consolidate the TGI plants in Taiwan and China, expand the global marketing channels, and instill a firm foothold for TGI's brands.

2. Fiberglass Fabric and Reinforced:

##### Short-term:

TGI will constantly make adjustments to the product structure in response to market demand, increase the added values and processing level, reinforce customer service, expand the market, and reduce direct exposure to the fluctuations in the market.

##### Long-term:

For the long-term, TGI targets lower costs by upgrading furnace efficiency, reinforcing product performance, developing new products for higher cost efficiency, and periodically reviewing the need to replace old manufacturing facilities to ensure optimal supply versatility, so as to respond quickly to the changes in market demand.



3. Container:

Short-term:

1. Constantly promote lightweight bottles. Quality meets customers' food safety requirements.
2. Effectively plan order fulfillment and production, reduce loss due to form and color distortion, and increase output.

Long-term:

1. Talent cultivation and organizational upgrade.
2. Constantly introduce new technologies to increase the yield rate and expand the limit of production specifications.

4. Tableware and Kitchenware:

Short-term:

1. Increase on-line sales channels and multi-channels to raise shipments and to reduce inventory.
2. Provide customers with more choices by increasing the variety in production and packaging capacity.

Long-term:

1. Improving ODM capacity to remedy retailing and catering channels.
2. Expanding export channels and enhancing visibility.

5. Brand:

Short-term:

Increase brand exposure, and develop cooperation between physical and virtual channels.

Long-term:

Promote branded products globally through the collaboration between physical and virtual channels.

6. New Materials:

Short-term: Actively develop emerging markets such as China and Europe, US, India and increase shipping volume in order to reduce inventory.

Long-term: Collaborate with clients for product development, increase product penetration rate and raise product value.

## II. Overview of Market, Production, and Marketing

### (I) Market Analysis

#### 1. The major markets by product category

- (1) Flat Glass: The domestic market and coop export accounts for 90% and export 10%. The main markets are Asia, Latin America, Australia, Europe, Africa, and North America.
- (2) Fiberglass Fabric and Reinforced: The domestic market accounts for 41% and export 59%. The main markets are Europe, the US, China, Japan, South Korea, Middle East, Southeast Asia, New Zealand, and Australia.
- (3) Container: The domestic market accounts for 52% and export 48%. The main markets are the US, New Zealand, Australia, China, and South Korea.
- (4) Tableware and Kitchenware: For tableware, the domestic market accounts for 75% and export 25%. The main markets are Taiwan, Japan, Korea, Germany, and Australia. For kitchenware, 80% of the export goes to China.
- (5) New Materials: The domestic market accounts for 5% and export 95%.

#### 2. Market Share:

- (1) Flat glass takes up approximately 80% of the domestic market.
- (2) Fiberglass Fabric and Reinforced: Fiberglass fabric takes up approximately 35% and fiberglass reinforced 55% of the domestic market.
- (3) Container takes up approximately 35% of the domestic market.
- (4) Tableware and kitchenware take up approximately 20% of the domestic market.
- (5) New Materials takes up approximately 10% of the China market.

#### 3. Future Supply and Market Growth

##### Flat Glass:

- A、TGI adjusts production lines timely to respond to the changes in the global economy and the demand in the domestic and export market.
- B、The film coating technology and quality of ChangPin Processing Plant have reached international standards, thus setting a brand status in premium green construction materials and reinforcing faith in future competitions.
- C、With the spirit of teamwork, TGI has consolidated the processing facilities and R&D capacities in the entire supply chain and continues to strive for orders with higher prices and vie for international brand exposure.
- D、TGI's flat glass production lines are well distributed in the regions of China.

These production plants are currently sufficient to supply the Chinese market; in addition, we are working towards quality upgrade for the export market, as well as expanding the global marketing network, creating higher product values and competitiveness.

Fiberglass Fabric and Reinforced:

- A、 TGI is working to upgrade production capacity, lower costs, and increase market share.
- B、 The global fiberglass reinforced market is competitive at different levels and it is differentiated by quality. TGI focuses on lowering costs, enhancing product performance and values.

Container: The demand of TGI's domestic customers is stable, and the company is actively developing new customers in the export market.

Tableware and Kitchenware: TGI is actively developing a range of differentiated marketing channels, as well as pursuing higher quality with diverse packaging choices to stabilize the quality of the products, develop competitive products that meet the demand of the consumer market.

New materials: Continuous development of the glass product for ITO and an aim to raise the market share in China from 10-25%.

#### 4. Advantages and Disadvantages in Competitive Niche, Future Development and Contingency Measures

Competitive Niche:

TGI possesses sound financial health, economy of scale and high-efficiency manufacturing process. With comprehensive quality management, mutual supply and marketing chain, TGI's competitive edge lies in our versatility.

Advantages:

Flat Glass

TGI and its plants in China employ a simple, flexible management system to ensure utmost quality. Furthermore, our price and production can be adjusted to quickly adapt to market changes with efficiency and clarity. In the coming years, TGI is planning to expand its production through the new plants and develop photovoltaic glass. This expansion will meet future demand in the construction and energy markets. A subsidiary plant of TGI specialized in glass material processing has been established, which is expected to decrease the cost of materials and increase competitiveness.

## Fiberglass Fabric and Reinforced

TGI supplies 100% of the fiberglass yarn for its own production of fiberglass fabric and fiberglass; therefore the company is somewhat immune to the price, demand and supply fluctuations in the market. The production lines are extremely versatile and the quality of the products has garnered a good reputation for the firm. TGI has a good grasp of market information and the distribution channels also demonstrate a high level of loyalty.

## Container

1. TGI's comprehensive talent cultivation, quality management and efficient services facilitate upgrades in product quality and quantity, in turn endowing TGI with competitive advantage.
2. Continue to optimize online inspection facility and an automated packaging facility. This not only improves TGI's competitiveness but also differentiates it from the competitors in the market.
3. Production of heat-resistant container products has commenced in the second quarter of 2013, and it has Shipping Germany and US, and received positive customer feedback.

## Tableware and Kitchenware

1. Processing and assembly lines for tableware and kitchenware products were set up to manufacture heat-resistant double-layer cups with non-slip handles. This new facility is completed with an assembly line for color boxes and accessories, to provide customers with retail packaging in order to fulfill market needs more closely.
2. Quality recognition from cooperation with leading brands such as Starbucks, 7-ELEVEN, and McDonald's.

## Disadvantages:

### Flat Glass

Since Taiwan became a member of the WTO, global competition has gradually emerged. Under the influence of emerging countries and expanded regional trade treaties between the Asian nations, especially ECFA, if Taiwan continues to increase the import of glass products from China, the cheap products with inconsistent quality will no doubt impact upon the domestic market. Uncertainties in the global market have not been clarified as expected; therefore, demand in the domestic construction, photovoltaic and car industries is not expected to increase significantly. Affected by cheap Chinese imports, the price of domestically produced products will remain low.

### Fiberglass Fabric and Reinforced

The electronics market is highly volatile, therefore the actual trends often differ from the forecasts. Since Taiwan is adjacent to China, the market is facing fierce competition from vigorous production expansion and price wars.

### Container

Competitions from glass bottle manufacturers in China and appreciation of the New Taiwan Dollar impacted the unit price at home and abroad.

### Tableware and Kitchenware

1. With increased production costs and a lack of product variety, the distribution channels are concentrated on a small number of clients.
2. The demand in the domestic market is shrinking due to the price competition from China and ASEAN nations.
3. The competitiveness in the export market is weak due to the slow economic recovery and inequality in tariffs.

### New Materials

1. The selling price of ultra-thin glass is constrained by the local suppliers in China because of their early development, higher production capacity, and the local advantages.
2. The growth of Smartphone has been modified to a lower rate. The product has passed into the maturity stage and the demand becomes stagnant.

### Contingency Measures:

#### Flat Glass

TGI will reinforce specialized human resources and technologies, develop new products, update facilities with automated systems, upgrade product added-value and develop an international brand. TGI intends to cultivate professional marketing channels in order to develop diversified and innovative products to ensure our global competitiveness.

### Fiberglass Fabric and Reinforced

TGI will cut down on costs, reinforce R&D and technology upgrades, devise flexible pricing strategies, secure domestic market share and fulfill our customers' demands regarding specifications, packaging, and delivery. The company aims to provide flexible services, avoid engaging in price wars and ensure good product quality.

### Container

TGI intends to cut down on costs by maximizing production efficiency, implementing energy-saving measures and striving to maintain a high standard of quality and services. We expect to stay ahead in global competition through

differentiation.

**Tableware and Kitchenware**

1. TGI aims to create higher added value and offer the customer more diverse choices through diversified production capacity and color box packaging.
2. TGI plans to upgrade product quality and production efficiency.

**New Materials**

Develop customer for car product and car mirrors. Maintain the supply of the progressing market of protective glass.

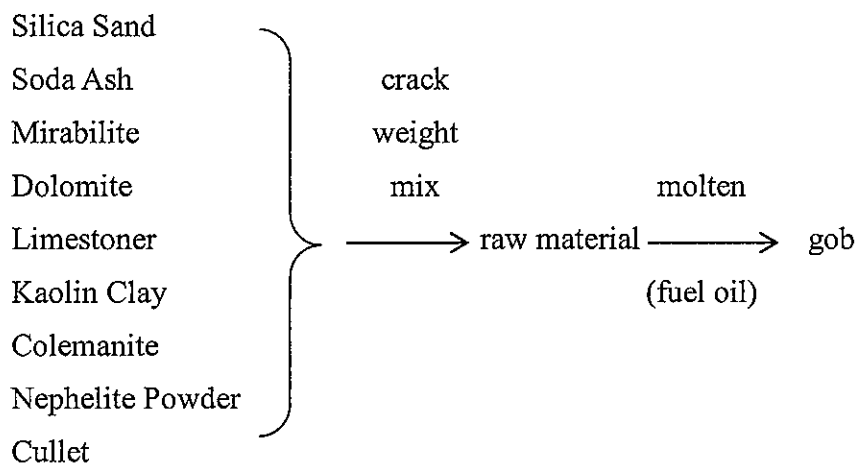
**(II) Applications of the Major Products and the Production Process**

**1. Applications of the Major Products**

Product	Application
Flat Glass	Building construction, furniture, home decoration, mirrors, automotives and boats, photovoltaic covers, touch screen and gifts
Fiberglass Fabric	Electronic and information products
Fiberglass Reinforced	Reinforcement for yachts, building material, industries, engineering, sports goods
Glass Container	Food, beverages, spirits, medical packaging, storage, and airtight containers
Tableware	Beverage, food, gift, home decoration, and signboards
Kitchenware	Kitchen utensils, tea makers, glass coffee pot
Ultra-thin Glass	Materials for electronic/photoelectric industry, protective glass/tape for tablet surface

**2. Production Processes**

Materials



(1) Flat Glass

Gob → (sheet) → (slow cooling) → (cutting) → (inlay) → (Recycle) cullet  
→ tinted or clear → (processing) → (packaging) → processed glass

(2) Rolled Glass

Gob → (rolling) → (slow cooling) → (cutting) → (inlay) → (Recycle) cullet  
→ tinted or clear → (processing) → (packaging) → processed glass

(3) Container

Gob → (forming) → (slow cooling) → (inspection) → glass container → (Recycle) cullet  
→ (printing) → printed product  
↳ (Recycle) shattered glass

(4) Tableware and Kitchenware

Gob → (forming) → (slow cooling) → (inspection) → product of tableware and kitchenware → (Recycle) cullet  
→ (printing) → printed product

(5) Fiberglass Fabric

Gob → (drawing) → (winding) → bobbin → (spinning) → fiberglass yarn  
→ (warping) → (sizing) → (healding) → (weaving) → (desizing)  
→ (finishing) → fiberglass fabric

(6) FRP Fiberglass Reinforced

Gob → (drawing) → (winding) → bobbin → direct roving → Chopped strand  
→ Woven roving  
→ Conventional roving  
→ Chopped strand mat

(III) Supply of the Major Materials

The glass industry uses several major materials, including silica sand, soda ash, kaolin clay, colemanite, fluorite, nephelite, dolomite, and limestone. Dolomite and limestone are produced in abundance domestically. Silica sand is imported from Australia through the Japanese Mitsubishi Trading Co., and soda ash is imported from the US Company ANSAC. Kaolin clay is imported from the US Wakinson Co., through US trading company AMI. Colemanite is imported from the Turkish company ETI through Detai trading company. Overall, TGI has a stable source of materials from domestic and foreign suppliers.



**(IV) Customers accounting for 10% or more of the Company's total purchase (sales) amount in either of the most recent two years, the amounts brought from (sold to) each, and the percentage of total procurement (sales) accounted for by each, and the cause for increase/decrease thereof.**

1. Sales: There was no customer accounting for 10% or more the Company's total sales in either of the most recent two years.

2. Purchase

The information about major suppliers in the most recent two years

Item	2017				2018			
	Company Name	Amount (Thousand)	Percentage of total net purchase [%]	Affiliation with issuer	Company Name	Amount (Thousand)	Percentage of total net purchase [%]	Affiliation with issuer
1	SCJ	2,413,729	11.39	Associate	SCJ	2,273,841	9.96	Associate
2	Others	18,779,603	88.61	None	Others	20,558,662	90.04	None
	Net purchase	21,193,332	100.00		Net purchase	22,832,503	100.00	

Note: No material change in the purchase in the most recent two years. Explanation: omitted

Item	Q1 of 2019			
	Company	Amount (Thousand)	Percentage of total net purchase [%]	Affiliation with issuer
1	SCJ	483,411	7.00	Associate
2	Others	6,421,254	93.00	None
	Net purchase	6,904,665	100.00	

## (V) Output volume for the most recent two years:

Unit: Quantity: Ton  
Value: Thousand

Output Major product	2017			2018		
	Productivity	Output	Output Value	Productivity	Output	Output Value
Flat glass	3,763,000	3,130,754	26,317,566	3,769,480	3,214,340	28,562,443
Fiberglass	157,000	120,585	7,492,664	186,000	134,979	8,089,875
Glass Containers	180,000	143,866	2,697,245	180,000	141,563	2,764,494
Total	4,100,000	3,395,205	36,507,475	4,135,480	3,490,882	39,416,812

## (VI) Sale volume for the most recent two years:

Unit: Quantity: Ton  
Value: Thousand

Output Major product	2017			2018				
	Domestic Market Volume	Domestic Market Value	Export Volume	Export Value	Domestic Market Volume	Domestic Market Value	Export Volume	Export Value
Flat glass	2,953,235	27,372,624	203,655	2,278,042	3,033,543	29,140,808	193,356	2,499,613
Fiberglass	82,925	7,645,234	57,307	3,970,967	86,867	7,338,391	48,118	3,532,616
Glass Containers	72,306	1,762,320	69,497	1,748,525	80,667	1,869,367	64,071	1,657,704
Other		91,869		0		52,995		0
Total	3,108,466	36,872,047	330,459	7,997,534	3,201,077	38,401,561	305,545	7,689,933

### III. Employee information for the most recent two years up to the publication of this Annual Report:

Year		2017	2018	Until March 31, 2019
Employee No.	Staff	3,997	3,859	3,904
	Employee	10,937	10,483	11,080
	Total	14,934	14,342	14,984
Average age		37	37	37
Average seniority		10.1	10.3	10.5
Education Background %	Doctoral	0.1	0.1	0.1
	Master's	3.3%	3.7%	3.7%
	University	38.0%	38.6%	38.9%
	College	21.2%	21.8%	21.7%
	Senior High Schools	32.2%	31.2%	31%
	Below Senior High Schools	5.2%	4.6%	4.6%

### IV. Environment protection measures:

- (I) Loss and penalty suffered from environmental pollution from the most recent year until the date the Annual Report was printed: N/A
- (II) Countermeasures and potential expenses:  
The expenditure on environmental protection in 2018: NT\$888,706 thousand.  
The estimated expenditure on environmental protection in 2019: NT\$846,576 thousand.
- (III) Information about RoHS:  
The Company has complied with RoHS, without prejudicing the Company's finance and business.

### V. Labor Relations:

- (I) The Company's employee fringe benefits, continuing education, training, retirement system and implementation thereof, and various labor-management agreements and measures on protection of employees' interest and right:

1. Employee welfare:

With the aim to take care of and ensure the employees' living conditions, TGI offers basic welfare measures according to the applicable laws and also provides or sponsors the development of various benefit plans, including establishing the employee welfare committee to manage any and all matters related to the welfare of its employees, and to plan and execute the benefit plans. The current welfare measures are as follows:

Gift/Fee Support	Annual trips, birthday/wedding/funeral money, monetary gifts for the three major holidays, childbirth money and gifts, allowances for club activities.
Accommodation facilities	Factory dorms and restaurants, providing the employees an economical, safe and convenient option for accommodation and dining.
Meal allowances	Encourage employees to participate in company meal plans with 50% subsidy.
Excellent Insurance	Complete insurance system. In addition to labor insurance and

	<p>health insurance required by the laws, employees are enrolled in group insurance and enjoy a better coverage as well as protection.</p>
Staff Health Management	<p>Periodic medical examination, including general and special checks. The Company also follows up with employees whose examination results appear to be abnormal.</p> <p>On-site health services, staff health consultation and occupational safety education, health grading management and follow-up care provided by physicians and nurses at regular intervals.</p>
Comprehensive Employee Care	<p>TGI considers employees as the most valuable assets of the Company and the indispensable elements for continued growth and sustainable development. By virtue of “work and family balance,” an employee may apply for leave of absence to take care of family member if there is a family crisis, and they may apply for parental leave to take care of children. An employee’s family member may also get the accident insurance coverage like a company employee at the person’s own expenses. An employee’s family life is also what the Company cares about.</p> <p>Shall any family member of our employees requires personal care by our employee due to mishaps, our employee can apply and take a 2 year leave without salary after the company approves.</p> <p>Employee family care consultation service (employee care program).</p>
Mother-Friendly Workplace	<p>Our facilities are also equipped with breastfeeding rooms with the Certification Mark of Excellent Nursery Rooms. The breastfeeding room looks warm and welcoming. The soft colors can create the most relaxing and comfortable atmosphere. TG has formulated and put in place a guideline on breastfeeding rooms. The rooms come with locking doors, comfortable couches and breastfeeding pillows, breast milk refrigerator, pure water baby wipes, bottle sterilizer and glass bottles. All the breastfeeding rooms are cleaned everyday and the temperatures of the refrigerators are also monitored. All in all, TG strives to provide the friendliest workplace for mothers.</p> <p>For pregnant women and women within one year after giving birth, we conduct risk assessment of their work environment and categorize and manage their health conditions. Doctor visits are arranged to provide appropriate assessment and advice. We follow up regularly with mother employees and provide them health education information based on their stages of pregnancy. Their workload/duties can be adjusted accordingly to ensure their work safety.</p> <p>Arrangements have been made with the adjacent childcare centers for employee childcare benefits.</p>
Retirement &	<p>TGI adopts relevant pension plans and, if an employee dies or is</p>

Pension	injured on job, the Company offers bereavement compensation to keep the employee and his family away from the menace of losing their living basics.
Scholarship for Employee's Children	Yearly scholarships for employees' children. The Company encourages those who have outstanding academic performance to apply and maintain a proactive attitude towards learning.

2. Continued education and training:

In order to have the employees learn skills or to meet business needs, the Company selected active and excellent employees to observe and study, practice work and attend training programs abroad, organized various seminars and on-the-job training programs to meet various professional needs, and also commissioned professional training organizations to hold the training programs, in order to upgrade the HR quality and enhance their competence.

Education and Training System for Taiwan Glass Employees	
New employee orientation and education	<ol style="list-style-type: none"> <li>1. Common courses (including corporate culture, history, system regulations, etc.)</li> <li>2. Professional courses (including professional document reading, factory internship, etc.)</li> </ol>
On-the-job education and training	<p>Annual education and training plan: All units and departments report the needs for the courses at the end of the year to determine the planning and schedules of the courses for the following year.</p> <p>Implementation and Content including:</p> <ol style="list-style-type: none"> <li>1. Professional courses: Internal training/external training.</li> <li>2. On-the-job training programs: Internal training/external training.</li> </ol> <p>Depending on the needs of each department, employees will be selected to participate in the external training to strengthen professional knowledge.</p>
Skill training	To cultivate talents with professional skills, staff with excellent performance will be selected to go abroad for observation, practice and training.

In response to the needs of future high-tech markets, TGI has actively cultivated glass professionals, such as, optoelectronics, energy conservation, and touch panel to enhance the competitiveness of enterprises and, at the same time, to activate and optimize the quality and quantity of talents. The Company's training and education covers the work standardization of the employees and the quality of the supervisory management; also, continues to carry out occupational safety and health education and advocacy, subtly affects the safety and security concepts and habits of the staff in order to provide employees with a safe work environment that allow them to continuously to learn and to grow.

To develop professional talents, provide diverse learning opportunities and pass down the company's mission, vision and core values, TGI has established a well-rounded staff training policy and procedure for the company's sustainability. The company provides staff orientations, common courses, professional courses, management courses, self-development

courses and an array of diverse options. Each year TGI plans training courses based on the company's strategy, needs of various departments and a survey on staff for their training needs. These courses, combined with continuous process improvements, will help this company reach sustainability. The "Recharge Takeoff Plan" was arranged in 2018; also, the related courses, such as, "KPI Establishment and Action Plan, Integration of Big Data and Business Intelligence". In order to encourage employees to continue learning, improve competitiveness in the workplace, and facilitate career development, the Company continues to promote the Employee Training and Development Program through courses, such as "Japanese Conversation Beginner", "Business English", etc., in which the employees have actively participated. The course completion certificates will be issued by lecturers to those who have passed examination. Those who have performed well throughout the year will be encouraged and rewarded by the Company with certificates of merit and bonuses.

### 3. Retirement System:

The Company has defined the employee retirement plan, and established the Pension Fund Management Committee in 1980, and contributed 8% of the total salaries as the pension fund on a monthly basis. As of January 1, 1987, the contribution of pension fund was made at the specific percentage of the total salaries on a monthly basis pursuant to the "Labor Standard Act". As of January 1, 1995, the contribution rate was 15%. As of September 1, 2004, the contribution rate was 9.27%. As of May 1, 2005, the contribution rate was 6%.

According to the Labor Standard Act, a worker may apply for voluntary retirement at the age of fifty-five and has worked for fifteen years, or has worked for more than twenty-five years, or attains the age of sixty and has worked for ten years. Meanwhile, the Company's work rules provided the retirement conditions superior than those provided in the Labor Standard Act, namely, a worker who attains the age of forty-nine and has worked for more than fifteen years, or who has worked for more than nineteen years may retire earlier upon approval. The pension is awarded subject to the worker's service seniority. Namely, the worker whose seniority attains one year would be awarded with two months' unit, and one month's unit per year for seniority as of 16<sup>th</sup> year.

As of July 1, 2005, in order to cope with the enforcement of "Labor Pension Act" by the Government, the Company contributed 6% of the monthly salary of a worker who may apply the Act to the Labor Insurance Bureau accordingly.

TGI, based on Labor Standards Act and Labor Pension Act, has formulated a retirement policy. Employees that joined the company before June 30, 2005, will enjoy pensions calculated based on the old labor pension system. If an employee chooses the new pension system, he/she can enjoy the new system's seniority. The old pension fund is with an amount equivalent to 6% of the monthly salary appropriated for each employee subject to the old retirement plan and deposited in the pension reserve account at the Central Trust of China. The new pension fund, in addition to an amount equivalent to 6% of the monthly salary appropriated by the employer to the employee's personal pension account, the employees can also choose to appropriate an amount equivalent to 0%~6% of the monthly salary discretionally. All employees have participated in the retirement plan. In addition to

appropriating pension to the respective accounts regularly, TGI has a professional accounting consultant that precisely calculates the pension to ensure that the company appropriates enough pensions every month so that our employees can receive pension after retirement.

TGI's retirement policy not only guarantees the employees their pensions in the future, but the clear rules regarding employee retirement can be implemented precisely and help our employees plan their retirement. In 2018, 41 employees retired, with an average of 28 years of service. Senior supervisors were presented with medals from the chairman/president as a token of appreciation for their service over the years.

#### 4. Work environment and personal safety protection measures

##### (1) Health Monitoring-ups (pre-employment physical examinations and regular employee physical examination):

New employees must complete a physical examination before starting working at TG. The company uses the examination report to assign new employees to a suitable position, place them in the correct category for management, provide health education and keep track of the employee's health. Our formal employees receive a health checkup every two years. For those in hazardous positions, they receive sanitation and health education four times a year and a special physical examination. The results are submitted to the company's nurse practitioners stationed at each factory who analyze and preserve the reports to understand the employees' health. Nurse practitioners will provide health education to those at high health risk and arrange them for repeat doctor visits to keep track of their health condition and help them receive treatment if necessary. The nurse practitioners will follow up with employees' health conditions and evaluate whether or not they are fit for their current positions. When needed, they will help employees get reassigned to other positions. Health-promoting activities are planned based on the staff's health conditions.

To enhance our employees' work safety and sanitation knowledge, Taiwan Glass provides occupational safety and health training, emergency response and fire drills and off-site professional training for new employees. In addition, this company holds environmental safety and health training sessions for employees monthly.

Depending on the season and current epidemics, Taiwan Glass provides related health information in the company's regular announcements and company's electronic bulletin board to help our employees prevent themselves from getting the disease. For our high risk employees, we recommend that they receive a vaccine. The company also provides information for family care for our employees.

In addition, the health room at factory is equipped with electronic sphygmomano meters, body weight and composition analyzers, and body scanners (for measurement of body weight, body fat, body age, basal metabolic rate, visceral fat, and subcutaneous fat ratio and skeletal muscle rate of the whole body, arms, body, and feet) for employees to manage health and lose weight.

(2) Ergonomic Injury Prevention

Taiwan Glass collects data on the employees' nature of work and analyzes it to divide employees into different categories for management. Then this company offers suggestions to help employees improve their work condition, recover from any muscle/bone injuries and prevent them from repeated muscle/bone injuries by creating a better, safer and more ergonomic working environment.

(3) Plan to Prevent Disease Caused by Unusual Workload :

Taiwan Glass keeps track and evaluate risks of our employees' health conditions, nature of work (shifts, night shifts, long work hours and unusual workload) and work hours. For employees with potential health risks, Taiwan Glass arranges doctors to provide them with health education or refers them to seek medical assistance. The company also helps such workers adjust their workload and shares with them about health-promoting activities. All the measures aim to prevent brain and cardiovascular diseases among our employees and reduce their mental load to be healthy both physically and mentally.

(4) A preventive plan for duty implementation subject to illicit violation

Taiwan Glass clearly declares the principle of "Zero Tolerance" in workplace violence. It specifies relevant disciplinary regulations in the work rules of employees, and announces relevant safety and health measures policies, establishes complaints, notification channels and follow-up processing mechanisms, and implements and advocates them in public places, such as, new recruits reporting to duty and with education and training provided, so that all employees and interested parties understand clearly, and then to achieve a workplace culture of safety, dignity, non-discrimination, mutual respect, tolerance, and equal opportunities, and ensure the physical and mental health of employees.

(5) Occupational Safety Management

The objective of the disaster management is starting point of the zero disaster target and as an indicator to enhance the safety activities of the factories. The accident management system of TG requires the unit/supervisor of the injured person to complete and file "Employee Injury Report" and "Employ to/from Work Injury Report". This practice ensures that all accidents are reported and investigated and improvement measures are taken accordingly. Taiwan Glass also regularly compiles the occupational injury/ accident numbers to understand the causes and make them the first thing to prevent in the facilities. The company notifies all units of the results and preventive measures to prevent the same types of injuries or lower the severity of such injuries.

5. Benefits for occupational accidents:

The Company has also defined the benefit plan for employees who are injured or deceased in the performance of job duty. For example, if any employee strives to rescue any co-worker or job at risk of his own life, or still performs his job fearless of any danger, or still performs his job at a dangerous location or during a dangerous period, he would be paid the wages in full, in addition to the special benefits equivalent to the salary of 6-24 months, pursuant to the reimbursement clauses for occupation accident, subject to the circumstances.



The employee who dies in the performance of job duty would be granted the benefit in full subject to his seniority. Additionally, the funeral subsidy equivalent to the salary of five months or two months would be also granted for the injury or death on duty. The employee who leaves without pay upon expiration of the sick leave and dies of the sickness within one year after the leave without pay shall be deemed deceased on duty and granted the benefit as required.

6. Labor-Management Consensus and Measures of Protecting Employees' Rights:
  - (1) TGI maintains a constant policy of pension allocation and payment and retain professional accounting consultant each year to provide actuary services and ensure that the amount allocated is sufficient to uphold the retirement rights.
  - (2) To ensure the business integrity, TGI establishes accounting and internal control procedures to check the compliance of each department with applicable laws, such as Company Act, Securities and Exchange Act, regulations governing public companies and rules regulating commercial conduct, during their daily performance while pursuing the Company's growth. At the same time, in order to implement the provisions of Article 20 of the Ethical Corporate Management Best Practice Principles, the Guidelines for Whistleblowing on Illegal, Immoral or Unethical Conduct adopted by the Board of Directors on August 8, 2018 clearly disclose the accepting units, reporting channels, procedures for investigation and other rules. The Company has published an announcement about the designated email address and reporting line on its internal site , and the e-mail communication channel on the external web page may be used for appeal and putting forward recommendations. Employees may report and suggest about management policy or any unfair treatment (such as sexual harassment, workplace violence) under confidentiality.
  - (3) The Company holds labor management meetings, and the industry union also organizes committees on a regular basis. The Company will appoint representatives to attend such committee meetings and respond to any suggestion or proposal that has been made to the Company, including clarifying related matters. To maintain the harmony of labor-management relationship, a channel to participate shall be freely opened to the worker.
  - (4) In order to fulfill corporate social responsibility, and safeguard the basic human rights of all colleagues, customers and stakeholders, Taiwan Glass adheres to the principles disclosed in the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Global Compact, and by the UN International Labor Organization, respects internationally recognized fundamental human rights, including freedom of association, care for vulnerable groups, ban on child labor, and elimination of all forms of forced labor and employment discrimination, and abides by the labor-related regulations of the place where the Company is located. The Company's human rights policy applies to units at all levels affiliated with the Company, with particular emphasis on the following human rights issues, and continuous promotion of

the quality of human rights: diversity and inclusion, equal opportunities/reasonable working hours/health and safe workplace/freedom of association/labor negotiation/privacy protection. The relevant human rights policy has been disclosed in the Company's internal announcements and external websites, and education thereon has been provided to new hires

(5) The Company's business performance or results are appropriately reflected in the employee remuneration. Therefore, if there is any profit in the year specified in Article 26 of the Articles of Association, 1.5% of the profits will be set aside to pay employee remuneration.

(II) The losses suffered from any labor-management dispute from the most recent year until the date the Annual Report was printed, and the estimate of losses and countermeasures present available and potentially available in the future:

The Company's various management systems and regulations are defined based on the related laws and regulations including Labor Standard Law. Each officer is dedicated to helping colleagues with due diligence by taking care of their work and also life. The labor-management relations are fair.

**VI. Major contracts:**

Nature of contracts	Contracting Parties	Term of Contracts	Summary Content	Limitation Article
Supply contracts	Sibelco	From January 1, 2018 until December 31, 2019	Supply of nephelite powder	None
	Ansac	From January 1, 2019 until December 31, 2019	Sodium carbonate	None
	Mitsubishi Trading Co.,	From January 1, 2017 until December 31, 2019	Supply of silica sand	None
Technical cooperation contracts	None	None	None	None
Construction project contracts	None	None	None	None
Sale contracts	None	None	None	None
Long-term loan contracts	Shin Kong Bank	From June 27, 2018 until August 06, 2020	Loan	Yes
	Other unrestricted long-term loan contracts , please refer to annual report 2018 .			
Other contracts	None	None	None	None

## Six. Financial Status

### I. Most recent 5-year concise financial information:

#### 1.1. Condensed balance sheet-Consolidated

Unit: NTD thousand

Item	Year	Financial information in the most recent five years (Note 1 & Note 3)					Financial information until March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		29,410,927	25,243,735	23,736,248	25,148,319	26,225,853	29,061,049
Noncurrent assets		76,559,614	70,785,988	61,947,460	58,878,242	58,842,542	59,766,640
Total assets		105,970,541	96,029,723	85,683,708	84,026,561	85,068,395	88,827,689
Current liabilities	Before Distribution	32,420,418	32,807,140	25,072,512	21,602,960	23,251,960	24,665,845
	After Distribution	32,420,418	32,807,140	25,072,512	23,056,990	Note 2	Note 2
Noncurrent liabilities		21,033,316	15,937,046	13,353,871	12,809,639	14,084,070	15,695,129
Total liabilities	Before Distribution	53,453,734	48,744,186	38,426,383	34,412,599	37,336,030	40,360,974
	After Distribution	53,453,734	48,744,186	38,426,383	35,866,629	Note 2	Note 2
Capital		23,780,608	25,080,608	29,080,608	29,080,608	29,080,608	29,080,608
Additional paid-in capital		370,850	754,472	1,918,910	1,921,575	1,925,218	1,925,218
Retained earnings	Before Distribution	21,315,004	16,164,761	14,507,014	16,766,110	15,905,632	15,614,001
	After Distribution	21,315,004	16,164,761	14,507,014	15,312,080	Note 2	Note 2
Other components of equity		3,033,602	1,856,600	(1,409,868)	(1,729,033)	(2,665,978)	(1,663,935)
Equity attributable to stockholders of the parent		48,500,064	43,856,441	44,096,664	46,039,260	44,245,480	44,955,892
Non-controlling interests		4,016,743	3,429,096	3,160,661	3,574,702	3,486,885	3,510,823
Total equity	Before Distribution	52,516,807	47,285,537	47,257,325	49,613,962	47,732,365	48,466,715
	After Distribution	52,516,807	47,285,537	47,257,325	48,159,932	Note 2	Note 2

Note 1: Said accounting reports were audited, certified or reviewed by a CPA.

Note 2: The shareholders' meeting 2018 has not yet been called, and the figures after distribution were omitted accordingly.

Note 3: The Company has adopted the IFRS as of 2013.

#### 1.2. Condensed Income Statement-Consolidated

Unit: NTD thousand

Item	Year	Financial information in the most recent five years (Note 1 & Note 2)					Financial information until March 31, 2019
		2014	2015	2016	2017	2018	
Operating revenues		41,570,020	41,286,161	43,097,625	44,869,581	46,091,494	8,878,501
Gross profit		2,784,639	2,250,021	5,973,165	7,638,003	7,336,446	739,641
Operating income or loss		(2,497,115)	(3,017,817)	730,184	2,640,535	2,323,574	(434,323)
Non-operating income and expenses		2,330,734	(1,890,092)	(2,480,608)	(249,740)	(768,909)	126,169
Income or loss from continuing operations before income tax		(166,381)	(4,907,909)	(1,750,424)	2,390,795	1,554,665	(308,154)
Net income or loss from continuing operations		(323,792)	(5,225,450)	(1,903,381)	2,175,745	1,031,980	(349,113)
Other comprehensive income (loss)		2,233,005	(1,749,099)	(3,568,835)	(163,974)	(1,299,323)	1,081,448
Total comprehensive income (loss)		1,909,213	(6,974,549)	(5,472,216)	2,011,771	(267,343)	732,335
Net income (loss) attributable to stockholders of the parent		153,261	(4,687,597)	(1,641,685)	2,123,773	1,066,286	(293,659)
Net income (loss) attributable to non-controlling interests		(477,053)	(537,853)	(261,696)	51,972	(34,306)	(55,454)
Comprehensive income (loss) attributable to stockholders of the parent		2,169,520	(6,336,046)	(4,939,352)	1,988,440	(159,249)	708,384
Comprehensive income (loss) attributable to non-controlling interests		(260,307)	(638,503)	(532,864)	23,331	(108,094)	23,951
EPS (NT\$) (adjusted retroactively)		0.06	(1.97)	(0.62)	0.73	0.37	(0.10)

Note 1: Said accounting reports were audited, certified or reviewed by a CPA.

Note 2: The Company has adopted the IFRS as of 2013. 80

## 1.3. Condensed balance sheet-Parent company only

Unit: NTD thousand

Item	Year	Financial information in the most recent five years (Note 1 & Note 3)				
		2014	2015	2016	2017	2018
Current assets		8,371,101	6,974,610	6,897,140	6,069,269	5,889,965
Noncurrent assets		58,827,997	53,999,270	52,347,492	56,235,957	58,059,739
Total assets		67,199,098	60,973,880	59,244,632	62,305,226	63,949,704
Current liabilities	Before Distribution	10,338,679	9,695,004	6,935,663	6,851,660	12,762,688
	After Distribution	10,338,679	9,695,004	6,935,663	8,305,690	Note 2
Noncurrent liabilities		8,360,355	7,422,435	8,212,305	9,414,306	6,941,536
Total liabilities	Before Distribution	18,699,034	17,117,439	15,147,968	16,265,966	19,704,224
	After Distribution	18,699,034	17,117,439	15,147,968	17,719,996	Note 2
Capital		23,780,608	25,080,608	29,080,608	29,080,608	29,080,608
Additional paid-in capital		370,850	754,472	1,918,910	1,921,575	1,925,218
Retained earnings	Before Distribution	21,315,004	16,164,761	14,507,014	16,766,110	15,905,632
	After Distribution	21,315,004	16,164,761	14,507,014	15,312,080	Note 2
Other components of equity		3,033,602	1,856,600	(1,409,868)	(1,729,033)	(2,665,978)
Total equity	Before Distribution	48,500,064	43,856,441	44,096,664	46,039,260	44,245,480
	After Distribution	48,500,064	43,856,441	44,096,664	44,585,230	Note 2

Note 1: Said accounting reports were audited and certified by a CPA.

Note 2: The shareholders' meeting 2018 has not yet been called, and the figures after distribution were omitted accordingly.

Note 3: The Company has adopted the IFRS as of 2013.

## 1.4. Condensed Income Statement-Parent company only

Unit: NTD thousand

Item	Year	Financial information in the most recent five years (Note 1 & Note 2)				
		2014	2015	2016	2017	2018
Operating revenues		14,159,321	13,073,437	12,952,715	13,173,276	12,561,584
Gross profit		2,164,409	2,105,080	2,584,734	2,395,520	1,782,469
Operating income or loss		19,518	122,200	585,312	375,998	(242,532)
Non-operating income and expenses		170,689	(4,778,584)	(2,168,231)	1,797,118	1,354,431
Income or loss from continuing operations before income tax		190,207	(4,656,384)	(1,582,919)	2,173,116	1,111,899
Net income or loss from continuing operations		153,261	(4,687,597)	(1,641,685)	2,123,773	1,066,286
Other comprehensive income (loss)		2,016,259	(1,648,449)	(3,297,667)	(135,333)	(1,225,535)
Total comprehensive income (loss)		2,169,520	(6,336,046)	(4,939,352)	1,988,440	(159,249)
EPS (NT\$)						
(adjusted retroactively)		0.06	(1.97)	(0.62)	0.73	0.37

Note 1: Said accounting reports were audited and certified by a CPA.

Note 2: The Company has adopted the IFRS as of 2013.

## 2.1. Condensed balance sheet-GAAP in the R.O.C.

Unit: NTD thousand

Item	Year	Financial information in the most recent five years (Note 1 & Note 2)				
		2014	2015	2016	2017	2018
Current assets						
Fund and long-term investment						
Property, plant and equipment						
Intangible assets						
Other assets						
Total assets						
Current liabilities	Before Distribution					
	After Distribution					
Non-current liabilities and reserves						
Other liabilities						
Total liabilities	Before Distribution					
	After Distribution					
Capital						
Capital reserve						
Retained earnings	Before Distribution					
	After Distribution					
Unrealized gain or loss on financial instruments						
Unrealized loss from long-term equity investment price declination						
Unrealized incremental value from assets revaluation						
Cumulative translation adjustment						
Total stockholders' equity	Before Distribution					
	After Distribution					

N/A

Note 1: Said accounting reports were audited and certified by a CPA.

Note 2: The Company has adopted the IFRS as of 2013.

## 2.2. Condensed Income Statement-GAAP in the R.O.C.

Unit: NTD thousand

Item	Year	Financial information in the most recent five years (Note 1 & Note 2)				
		2014	2015	2016	2017	2018
Operating revenues						
Net gross profit						
Operating income or loss						
Non-operating income						
Non-operating expenses						
Income before income tax						
Net Income						
EPS (NT\$)						
(adjusted retroactively)						

N/A

Note 1: Said accounting reports were audited and certified by a CPA.

Note 2: The Company has adopted the IFRS as of 2013.

3. CPAs and their audit opinions for most recent 5-year:

Year	Independent Auditing Firm	Name of Independent Auditor	Audit opinions
2014	Ernst & Young	Wang, C L Liang, Y C	Unqualified opinions
2015	Ernst & Young	Wang, C L Liang, Y C	Unqualified opinions
2016	Ernst & Young	Wang, C L Hsiao, Teresa	Unqualified opinions
2017	Ernst & Young	Hsiao, Teresa Fuh, Andrew	Unqualified opinions
2018	Ernst & Young	Hsiao, Teresa Fuh, Andrew	Unqualified opinions

## II.(1) Financial analysis: Consolidated

Item of analysis	Year	Financial analysis for the most recent five years					Remarks	Financial information until March 31, 2019	
		2014	2015	2016	2017	2018			
Financial structure	Ratio of liabilities to total assets (%)	50.44	50.76	44.85	40.95	43.89		45.44	
	Ratio of long-term fund to property, plant and equipment (%)	108.56	99.13	109.13	120.20	121.61		125.91	
Solvency	Current Ratio (%)	90.72	76.95	94.67	116.41	112.79		117.82	
	Quick Ratio (%)	50.19	39.00	56.85	73.93	66.68		66.58	
	Multiple of interest protection	0.78	-4.99	-1.12	4.16	3.17	Note 1	-0.55	
Utility	Receivables turnover (time)	5.94	5.40	5.34	4.85	4.68		3.60	
	Average number of days receivables outstanding	61	68	68	75	78		101	
	Inventory turnover (time)	3.32	3.45	3.63	4.15	3.97		2.92	
	Payables turnover (time)	9.69	7.89	8.07	9.67	11.71	Note 2	7.18	
	Average number of days of sales	110	106	101	88	92		125	
	Property, plant and equipment turnover (time)	0.64	0.63	0.72	0.83	0.90		0.68	
	Total assets turnover (time)	0.40	0.41	0.47	0.53	0.55		0.41	
Profitability	ROA (%)	0.29	-4.50	-1.34	3.30	1.90	Note 1	-0.88	
	ROE (%)	-0.63	-10.47	-4.03	4.49	2.12	Note 1	-2.80	
	Percentage in paid-in capital (%)	Operating income	-10.50	-12.03	2.51	9.08	7.99		-1.49
		Income before income tax	-0.70	-19.57	-6.02	8.22	5.35	Note 1	-1.06
	Profit margin (%)	-0.78	-12.66	-4.42	4.85	2.24	Note 1	-3.93	
	EPS (adjusted retroactively)(NT\$)	0.06	-1.97	-0.62	0.73	0.37	Note 1	-0.10	
Cash flows	Cash flow ratio (%)	10.79	8.50	24.91	27.88	18.26	Note 3	0.56	
	Cash flow adequacy ratio (%)	31.56	23.62	38.36	80.26	104.13	Note 3	80.27	
	Cash flow reinvestment ratio (%)	2.66	2.39	5.35	4.91	2.21	Note 3	0.11	
Leverage	Operating leverage	-2.01	-1.68	11.93	3.68	4.03		-3.24	
	Financial leverage	0.77	0.79	-7.77	1.40	1.45		0.69	

The causes resulting in changes in financial rates in the most recent two years (not necessary if the changes are less than 20%):

Note 1: Due to recognize loss on impairment of financial asset and exchange loss, resulting in decrease in income after income tax.

Note 2: Due to fuel cost were increased, resulting in short Payables day.

Note 3: Due to inventory were increased, resulting in decrease in net cash from operating activities.

Note: The equation of said items:

### 1. Financial structure

- (1) Ratio of liabilities to total assets = total liabilities / total assets
- (2) Ratio of long-term fund to property, plant and equipment = (total shareholders' equity + non-current liabilities) / net property, plant and equipment

### 2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets - inventory - prepayment) / current liabilities
- (3) Multiple of interest protection = income tax and interest expenses net income before income tax / interest expenses in the current period

### 3. Utility

- (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)
- (2) Average number of days receivable outstanding = 365 / accounts receivable turnover
- (3) Inventory turnover = sale cost / average inventory (gross)
- (4) Payables (including accounts payable and notes payable resulting from operation) turnover = sale cost / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation)
- (5) Average number of days of sales = 365 / inventory turnover
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment
- (7) Total assets turnover rate = net sales / average total assets.

### 4. Profitability

- (1) ROA = [(income after income tax + interest expenses) \* (1 - tax rate)] / average total assets.
- (2) ROE = income after income tax / average net shareholders' equity.
- (3) Profit margin = income after income tax / net sales
- (4) Earnings per share = (income attributable to the owners of the parent company - dividends from preferred shares) / weighed average quantity of outstanding shares.

### 5. Cash flow

- (1) Cash flow ratio = net cash from operating activities / current liabilities
- (2) Net cash flow adequacy ratio = net cash flow from operating activities in the most recent five years / (capital spending + increase in inventory + cash dividends) in the most recent five years
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross of property, plant and equipment + long-term investment + other non-current assets + operating funds)

### 6. Leverage

- (1) Operating leverage = (net operating revenue - changed operating costs and expenses) / operating income
- (2) Financial leverage = operating income / (operating income - interest expenses)



## II.(1) Financial analysis: Parent company only

Item of analysis	Year	Financial analysis for the most recent five years					Remarks	
		2014	2015	2016	2017	2018		
Financial structure	Ratio of liabilities to total assets (%)	27.83	28.07	25.57	26.11	30.81		
	Ratio of long-term fund to property, plant and equipment (%)	364.72	321.83	339.78	366.54	339.61		
Solvency	Current Ratio (%)	80.97	71.94	99.44	88.58	46.15	Note 1	
	Quick Ratio (%)	52.55	42.76	59.57	43.61	16.57	Note 1	
	Multiple of interest protection	1.61	-20.15	-5.52	10.49	5.61	Note 2	
Utility	Receivables turnover (time)	7.89	7.73	9.22	8.88	8.71		
	Average number of days receivables outstanding	46	47	40	41	42		
	Inventory turnover (time)	2.95	3.18	2.93	3.12	2.81		
	Payables turnover (time)	11.04	9.47	10.84	12.28	13.41		
	Average number of days of sales	124	115	125	117	130		
	Property, plant and equipment turnover (time)	0.94	0.83	0.83	0.86	0.83		
	Total assets turnover (time)	0.21	0.20	0.22	0.22	0.20		
Profitability	ROA (%)	0.62	-7.03	-2.40	3.81	1.99	Note 2	
	ROE (%)	0.32	-10.15	-3.73	4.71	2.36	Note 2	
	Percentage in paid-in capital (%)	Operating income	0.08	0.49	2.01	1.29	-0.83	Note 2
		Income before income tax	0.80	-18.57	-5.44	7.47	3.82	Note 2
	Profit margin (%)	1.08	-35.86	-12.67	16.12	8.49	Note 2	
EPS (adjusted retroactively)(NT\$)	0.06	-1.97	-0.62	0.73	0.37	Note 2		
Cash flows	Cash flow ratio (%)	19.27	14.58	27.52	27.16	2.20	Note 3	
	Cash flow adequacy ratio (%)	53.20	44.93	67.54	121.34	89.34	Note 3	
	Cash flow reinvestment ratio (%)	2.38	2.05	2.69	2.47	-1.63	Note 3	
Leverage	Operating leverage	71.72	11.44	-0.42	-1.33	4.63	Note 2	
	Financial leverage	-0.07	-1.25	1.71	2.56	0.50	Note 2	

The causes resulting in changes in financial rates in the most recent two years (not necessary if the changes are less than 20%):  
 Note 1: Due to Cash and cash equivalents were reduced, resulting in decrease in current assets.  
 Note 2: Due to investment incomes of recognized equity method were decreased in this year, resulting in decrease in net income.  
 Note 3: Due to Income before income tax were reduced in this year, resulting in decrease in cashflow from operating activities.

Note: The equation of said items:

### 1. Financial structure

(1) Ratio of liabilities to total assets = total liabilities / total assets

(2) Ratio of long-term fund to property, plant and equipment = (total shareholders' equity + non-current liabilities) / net property, plant and equipment

### 2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets - inventory - prepayment) / current liabilities

(3) Multiple of interest protection = income tax and interest expenses net income before income tax / interest expenses in the current period

### 3. Utility

(1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)

(2) Average number of days receivable outstanding = 365 / accounts receivable turnover

(3) Inventory turnover = sale cost / average inventory (gross)

(4) Payables (including accounts payable and notes payable resulting from operation) turnover = sale cost / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation)

(5) Average number of days of sales = 365 / inventory turnover

(6) Property, plant and equipment turnover = net sales / average net property, plant and equipment

(7) Total assets turnover rate = net sales / average total assets.

### 4. Profitability

(1) ROA = [(income after income tax + interest expenses) \* (1 - tax rate)] / average total assets.

(2) ROE = income after income tax / average net shareholders' equity.

(3) Profit margin = income after income tax / net sales

(4) Earnings per share = (income attributable to the owners of the parent company - dividends from preferred shares) / weighed average quantity of outstanding shares.

### 5. Cash flow

(1) Cash flow ratio = net cash from operating activities / current liabilities

(2) Net cash flow adequacy ratio = net cash flow from operating activities in the most recent five years / (capital spending + increase in inventory + cash dividends) in the most recent five years

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross of property, plant and equipment + long-term investment + other non-current assets + operating funds)

### 6. Leverage

(1) Operating leverage = (net operating revenue - changed operating costs and expenses) / operating income

(2) Financial leverage = operating income / (operating income - interest expenses)

II.(2) Financial analysis-GAAP in the R.O.C.

Item of analysis		Financial analysis for the most recent five years					Changes in financial rates in the most recent two years (%)	Remarks	
		2014	2015	2016	2017	2018			
Financial structure	Ratio of liabilities to total assets (%)	N/A					--		
	Ratio of long-term fund to fixed assets (%)						-		
Solvency	Current Ratio (%)						-		
	Quick Ratio (%)						-		
	Multiple of interest protection						-		
Utility	Receivables turnover (time)						-		
	Average number of days receivables outstanding						-		
	Inventory turnover (time)						-		
	Payables turnover (time)						-		
	Average number of days of sales						-		
	Fixed assets turnover (time)						-		
	Total assets turnover (time)						-		
Profitability	ROA (%)						-		
	ROE (%)						-		
	Percentage in paid-in capital (%)						Operating income	-	
							Income before income tax	-	
	Profit margin (%)						-		
EPS (adjusted retroactively) (NT\$)	-								
Cash flows	Cash flow ratio (%)						-		
	Cash flow adequacy ratio (%)						-		
	Cash flow reinvestment ratio (%)	-							
Leverage	Operating leverage	-							
	Financial leverage	-							

Note: The equation of said items:

1. Financial structure
  - (1) Ratio of liabilities to total assets = total liabilities / total assets
  - (2) Ratio of long-term fund to fixed assets = (total shareholders' equity + non-current liabilities) / net fixed assets
2. Solvency
  - (1) Current ratio = current assets / current liabilities
  - (2) Quick ratio = (current assets - inventory - prepayment) / current liabilities
  - (3) Multiple of interest protection = income tax and interest expenses net income before income tax / interest expenses in the current period
3. Utility
  - (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)
  - (2) Average number of days receivable outstanding = 365 / accounts receivable turnover
  - (3) Inventory turnover = sale cost / average inventory (gross)
  - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = sale cost / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation)
  - (5) Average number of days of sales = 365 / inventory turnover
  - (6) Fixed assets turnover = net sales / average net fixed assets
  - (7) Total assets turnover rate = net sales / average total assets.
4. Profitability
  - (1) ROA = [(income after income tax + interest expenses) \* (1 - tax rate)] / average total assets.
  - (2) ROE = income after income tax / average net shareholders' equity.
  - (3) Profit margin = income after income tax / net sales
  - (4) Earnings per share = (income attributable to the owners of the parent company - dividends from preferred shares) / weighed average quantity of outstanding shares.
5. Cash flow
  - (1) Cash flow ratio = net cash from operating activities / current liabilities
  - (2) Net cash flow adequacy ratio = net cash flow from operating activities in the most recent five years / (capital spending + increase in inventory + cash dividends) in the most recent five years
  - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross of fixed assets + long-term investment + other non-current assets + working fund)
6. Leverage
  - (1) Operating leverage = (net operating revenue - changed operating costs and expenses) / operating income
  - (2) Financial leverage = operating income / (operating income - interest expenses)

### III. Audit Committee's Review Report

The Audit Committee hereby approves the 2018 Financial Report, which is proposed by the Board of Directors by resolution and is verified by Ernest & Young, an accounting firm appointed by the Board and by whom the Audit Report is issued.

Furthermore, the Committee receives and considers the 2018 Operating Report and Earning Distribution Plans prepared by the Board in conformity with relevant rules stipulated in the Company Act and hereby presents results as stated above in accordance with Article 219 of Company Act for your kind review.

To:

TGI General Shareholders' Meeting 2019

Convener of the Audit Committee : Lin, F C

March 18, 2019

**IV. Parent company only financial statements of TGI as of and for the years ended December 31, 2018 with CPA's report**

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**TAIWAN GLASS INDUSTRIAL CORPORATION  
PARENT COMPANY ONLY FINANCIAL  
STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017**

Address: 11<sup>th</sup> Floor, No. 261, Sec. 3, Nanjing E. Rd., Taipei, Taiwan, R.O.C.  
Telephone: 886-2-2713-0333

*The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.*

## Independent Auditors' Report Translated from Chinese

To Taiwan Glass Industrial Corporation

### Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and their financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2018 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of Inventories

As of December 31, 2018, the Company's net inventories amounted to NT\$3,143,647 thousand, which is relatively material for the financial statements. The Company is engaged in the manufacturing, processing and sale of various glasses which have a wide range of applications in various sectors such as construction, electronics and consumer products industries. Considering the fact that identification of slow-moving inventories and the assessment of the amount of inventory write-downs require significant management judgement based on market demands, we determined this a key audit matter.

Our audit procedures included, but not limited to, assessing the appropriateness of the accounting policies of evaluating slow-moving and obsolete inventories, including analyzing the ratio of allowance of inventory valuation and obsolescence losses and the net realizable value used; understanding and testing the internal controls established by management with respect to the valuation of inventories, including the calculation of net realizable value; sample testing the accuracy of net realizable value used by management; vouching samples to verify accuracy of inventory aging.

We also assessed the adequacy of disclosures of inventories. Please refer to Notes 5 and 6 to the Company's financial statements.

### Revenue Recognition

The operating revenues recognized by the Company amounted to NT\$12,561,584 thousand for the year ended December 31, 2018. Reflecting different market demands, trade terms of different contracts varied, along with the fact that some of the sales orders included delivery services, management needed to review the sales orders or contracts to determine the performance obligations and the time of their satisfaction, there is a significant risk in revenue recognition. Therefore, we considered this a key audit matter.

Our audit procedures included, but not limited to, assessing the appropriateness of the accounting policy of revenue recognition; evaluating and testing the operating effectiveness of internal controls with respect to revenue recognition; selecting samples to perform tests of details and reviewing significant terms and conditions of contracts to verify reasonableness of the timing of revenue recognition; confirming significant account receivable balance by sending confirmation letters; selecting samples of transactions from either side of balance sheet date, vouching them to supporting evidences and reviewing significant subsequent sales return or discounts transactions to ensure the reasonableness of the timing of revenue recognition.

We also assessed the adequacy of disclosures of operating revenues. Please refer to Notes 4 and 6 to the Company's financial statements.

### **Emphasis of Matter – Applying for New Accounting Standards**

As stated in Note 3 of the Company’s financial statements, the Company adopted the International Financial Reporting Standard 9, “Financial Instruments” and 15, “Revenue from Contracts with Customers” on January 1, 2018 and elected not to restate the Company’s financial statements for prior periods.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

### **Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

As part of an audit in accordance with 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 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 internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the accompanying notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 2018 financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsiao, Tsui-Hui  
Fuh, Wen-Fang

Ernst & Young, Taiwan  
March 18, 2019

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.*

*Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.*

English Translation of Financial Statements Originally Issued in Chinese  
 TAIWAN GLASS INDUSTRIAL CORPORATION  
 PARENT COMPANY ONLY BALANCE SHEETS  
 December 31, 2018 and 2017  
 (Expressed in Thousands of New Taiwan Dollars)

	ASSETS		NOTE	LIABILITIES AND EQUITY		As of December 31,	
	2018	2017		2018	2017	2018	2017
<b>Current assets</b>							
Cash and cash equivalents	\$584,331	\$1,087,997	4, 6(1)			\$1,900,000	\$300,000
Notes receivable, net	167,377	205,728	4, 6(2)			3,295,570	2,196,039
Accounts receivable, net	1,145,522	1,363,733	4, 6(3), 7			722,780	-
Other receivables, net	204,986	321,556	4, 6(4), 7			803,267	803,993
Current income tax assets	8,371	8,371	4			705,131	756,533
Inventories, net	3,143,647	2,393,525	4, 6(5)			65,043	-
Prepayments	631,172	687,563	7			1,453	846,625
Other current assets	4,559	796				5,251,607	1,866,027
<b>Total current assets</b>	<b>5,889,965</b>	<b>6,069,269</b>				<b>17,837</b>	<b>82,443</b>
						<b>12,762,688</b>	<b>6,851,660</b>
<b>Non-current assets</b>							
Financial assets at fair value through other comprehensive income - non-current	263,332	-	4, 6(6)			6,233,333	9,092,273
Available-for-sale financial assets - non-current	-	264,232	4, 6(7)			294,147	280,653
Investments accounted for using the equity method	42,340,992	40,606,960	4, 6(8)			413,265	40,577
Property, plant and equipment	15,072,246	15,129,080	4, 6(9), 7			791	803
Deferred tax assets	344,928	204,869	4, 6(23)			6,941,536	9,414,306
Other non-current assets	38,241	30,816	6(10), 7			19,704,224	16,265,966
<b>Total non-current assets</b>	<b>58,059,739</b>	<b>56,235,957</b>				<b>29,080,608</b>	<b>29,080,608</b>
						<b>1,925,218</b>	<b>1,921,575</b>
<b>Retained earnings</b>						<b>5,829,135</b>	<b>5,616,758</b>
Legal reserve						<b>5,102,550</b>	<b>5,102,550</b>
Special reserve						<b>4,973,947</b>	<b>6,046,802</b>
Unappropriated retained earnings						<b>15,905,632</b>	<b>16,766,110</b>
<b>Total retained earnings</b>						<b>(2,551,354)</b>	<b>(1,615,309)</b>
<b>Other components of equity</b>						<b>(114,624)</b>	<b>-</b>
Exchange differences on translation of foreign operations							<b>(113,724)</b>
Unrealized gains and losses on financial assets at fair value through other comprehensive income							<b>(2,665,978)</b>
Unrealized gains or losses on available-for-sale financial assets							<b>44,245,480</b>
<b>Total other components of equity</b>							<b>46,039,260</b>
<b>Total equity</b>	<b>\$63,949,704</b>	<b>\$62,305,226</b>					<b>\$63,949,704</b>
<b>Total liabilities and equity</b>							<b>\$62,305,226</b>

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Financial Statements Originally Issued in Chinese  
**TAIWAN GLASS INDUSTRIAL CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars Except Earnings Per Share Information)

	Note	For the years ended December 31,	
		2018	2017
<b>Operating revenues</b>	4, 6(16), 7	\$12,561,584	\$13,173,276
<b>Operating costs</b>	6(5), 6(20), 7	(10,811,575)	(10,780,253)
<b>Gross profit</b>		1,750,009	2,393,023
Unrealized intercompany profit		24,547	(7,913)
Realized intercompany profit		7,913	10,410
<b>Net gross profit</b>		1,782,469	2,395,520
<b>Operating expenses</b>	6(17), 6(19), 6(20), 7		
Selling and marketing expenses		(1,684,256)	(1,715,112)
General and administrative expenses		(273,636)	(250,769)
Research and development expenses		(92,818)	(90,601)
Expected credit losses and gain		292	-
Subtotal		(2,050,418)	(2,056,482)
Net amount of other revenues and gains and expenses and losses	6(18)	25,417	36,960
<b>Operating (losses) income</b>		(242,532)	375,998
<b>Non-operating income and expenses</b>			
Other income	6(21), 7	226,266	221,102
Other gains and losses	6(21), 7	(14,110)	(210,412)
Financial costs	4, 6(21)	(241,207)	(228,907)
Share of income of subsidiaries, associates and joint ventures for under equity method	4	1,383,482	2,015,335
Subtotal		1,354,431	1,797,118
<b>Income from continuing operations before income tax</b>		1,111,899	2,173,116
<b>Income tax expenses</b>	4, 6(23)	(45,613)	(49,343)
<b>Net income from continuing operations</b>		1,066,286	2,123,773
<b>Other comprehensive income</b>	4, 6(22), 6(23)		
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurement of defined benefit obligation		(390,304)	220,241
Unrealized gain on valuation of investments in equity instruments measured at fair value through other comprehensive income		(900)	-
Share of other comprehensive loss of subsidiaries, associates and joint ventures for under equity method		(3,358)	(3,928)
Income tax related to items that will not be reclassified subsequently to profit or loss		101,650	(37,441)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Unrealized gain on available-for-sale financial assets		-	54,855
Share of other comprehensive loss of subsidiaries, associates and joint ventures for under equity method		(932,623)	(369,060)
Income tax related to items that may be reclassified subsequently to profit or loss		-	-
<b>Total other comprehensive income, net of tax</b>		(1,225,535)	(135,333)
<b>Total comprehensive income</b>		\$(159,249)	\$1,988,440
<b>Earnings per share( NTS)</b>	6(24)		
Earnings per share-basic		\$0.37	\$0.73
Diluted earnings per share		\$0.37	\$0.73

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Financial Statements Originally Issued in Chinese  
TAIWAN GLASS INDUSTRIAL CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

	Capital	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains or Losses on Available-for-sale Financial Assets	Total Equity
Balance as of January 1, 2017	\$29,080,608	\$1,918,910	\$5,616,758	\$5,102,550	\$3,787,706	\$(1,241,289)	\$-	\$(168,579)	\$44,096,664
Net income in 2017					2,123,773				2,123,773
Other comprehensive income, net of tax in 2017					178,872	(369,060)		54,855	(135,333)
Total comprehensive income					2,302,645	(369,060)		54,855	1,988,440
Increase (decrease) through changes in ownership interests in subsidiaries		2,665				(4,960)			(2,295)
Decrease through changes in associates accounted for using equity method					(43,549)				(43,549)
Balance as of December 31, 2017	29,080,608	1,921,575	5,616,758	5,102,550	6,046,802	(1,615,309)	(113,724)	(113,724)	46,039,260
Effects of retrospective application and retrospective restatement							(113,724)	113,724	
Adjusted balance as of January 1, 2018	29,080,608	1,921,575	5,616,758	5,102,550	6,046,802	(1,615,309)	(113,724)	-	46,039,260
Appropriations and distributions of 2017 earnings:									
Legal reserve			212,377		(212,377)				-
Cash dividends					(1,454,030)				(1,454,030)
Net income in 2018					1,066,286				1,066,286
Other comprehensive income, net of tax in 2018					(292,012)	(932,623)	(900)		(1,225,535)
Total comprehensive income					774,274	(932,623)	(900)		(159,249)
Issuance of common stock									
Increase (decrease) through changes in ownership interests in subsidiaries		3,643				(3,422)			221
Decrease through changes in associates accounted for using equity method					(180,722)				(180,722)
Balance as of December 31, 2018	\$29,080,608	\$1,925,218	\$5,829,135	\$5,102,550	\$4,973,947	\$(2,551,354)	\$(114,624)	\$-	\$44,245,480

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Financial Statements Originally Issued in Chinese  
**TAIWAN GLASS INDUSTRIAL CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net income before tax	\$1,111,899	\$2,173,116
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation (including investment property)	1,188,429	1,178,256
Amortization	3,391	157
Expected credit losses and gains	(292)	-
Interest expenses	241,207	228,907
Interest income	(2,594)	(11,874)
Dividend income	(13,998)	(11,829)
Share of income of subsidiaries, associates and joint ventures	(1,383,482)	(2,015,335)
Gains on disposal of property, plant and equipment	(25,417)	(36,960)
Loss on disposal of investment	86	-
Loss on impairment of financial assets	-	8,250
Unrealized intercompany (losses) profit	(24,547)	7,913
Realized intercompany profit	(7,913)	(10,410)
Changes in assets and liabilities:		
Notes receivable	38,351	(13,264)
Accounts receivable	218,503	(161,737)
Other receivable	116,570	916,622
Inventories	(750,122)	31,909
Prepayments	56,391	(347,337)
Other current assets	(3,763)	1,563
Contract liabilities	(188,352)	-
Accounts payable	(726)	(147,693)
Other payables	(54,110)	66,669
Advanced receipts	(1,343)	225,143
Other current liabilities	2,697	5,550
Net defined benefit liability	(17,616)	(12,597)
Cash generated from operations	<u>503,249</u>	<u>2,075,019</u>
Interests received	2,594	16,889
Dividends received	21,998	15,829
Interests paid	(241,258)	(229,657)
Income tax paid	(5,485)	(17,225)
Net cash provided by operating activities	<u>281,098</u>	<u>1,860,855</u>
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	-	1,381
Acquisition of investments accounted for using the equity method	(1,434,796)	(2,068,072)
Proceeds from disposal of subsidiaries	18,172	-
Acquisition of property, plant and equipment, excluding capitalized borrowing costs	(1,136,432)	(863,470)
Capitalized borrowing costs from self-constructed assets	(12,388)	(6,941)
Proceeds from disposal of property, plant and equipment	13,569	3,587
Increase in refundable deposits	(2,274)	(1,143)
Acquisition of intangible assets	(3,276)	(500)
Net cash used in investing activities	<u>(2,557,425)</u>	<u>(2,935,158)</u>
Cash flows from financing activities:		
Increase in short-term loans	1,600,000	-
Decrease in short-term loans	-	(300,000)
Increase in short-term bills payable	11,250,000	11,200,000
Decrease in short-term bills payable	(10,150,000)	(10,350,000)
Proceeds from long-term loans	3,810,000	3,850,000
Repayments of long-term loans	(3,283,360)	(3,243,360)
Decrease in deposits-in	(12)	(642)
Cash dividends	(1,453,967)	(817)
Net cash provided by financing activities	<u>1,772,661</u>	<u>1,155,181</u>
Net (decrease) increase in cash and cash equivalents	(503,666)	80,878
Cash and cash equivalents, at beginning of the year	<u>1,087,997</u>	<u>1,007,119</u>
Cash and cash equivalents, at end of the year	<u>\$584,331</u>	<u>\$1,087,997</u>

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Financial Statements Originally Issued in Chinese  
TAIWAN GLASS INDUSTRIAL CORPORATION  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
For the Years Ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

Taiwan Glass Industrial Corporation (“the Company”) was incorporated on September 5, 1964 and commenced operations in 1967. The main activities of the Company are manufacturing, processing and selling of various glass products. The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in July 1973. The Company’s registered office and the main business location is at 11F, No. 261, Section 3, Nanjing E. Rd., Taipei, Republic of China (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The parent company only financial statements of the Company for the years ended December 31, 2018 and 2017 were authorized for issue by the Board of Directors on March 18, 2019.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2018. Apart from the impact of the standards and interpretations which is described below, all other standards and interpretations have no material impact on the Company’s financial position and performance.

A. *IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)*

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Company's principal activities consist of the sale of goods. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows:

- a. Please refer to Note 4 for the accounting policies before or after January 1, 2018.
- b. Before January 1, 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from January 1, 2018, in accordance with IFRS 15, the Company recognized revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company's revenue recognition from sale of goods.
- c. Before January 1, 2018, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. Before January 1, 2018, the Company recognized the consideration received in advance from customers under advance receipts and other current liabilities. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from advance receipts and other current liabilities to contracts liabilities of the Company as at the date of initial application was NT\$911,132 thousand. In addition, compared with the requirements of IAS 18, advance receipts and other current liabilities decreased by NT\$722,780 thousand and the contract liabilities increased by NT\$722,780 thousand as of December 31, 2018.
- d. Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

#### B. IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Company elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company:

- a. The Company adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.
- b. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as of January 1, 2018. The classifications of financial assets and its carrying amounts as of January 1, 2018 are as follows:

IAS 39			IFRS 9		
Measurement categories	Carrying amounts	Classification adjustments	Measurement categories	Carrying amounts	Notes
Available-for-sale financial assets	\$264,232	(264,232)	-	\$-	
		264,232	Equity instruments measured at fair value through other comprehensive income	264,232	(a)
Subtotal	<u>264,232</u>				
Loans and receivables			Financial assets measured at amortized cost		(b)
Cash and cash equivalents	1,087,817		Cash and cash equivalents	1,087,817	
Notes receivables	205,728		Notes receivables	205,728	
Accounts receivables	1,363,733		Accounts receivables	1,363,733	
Other receivables	321,556		Other receivables	321,556	
Refundable deposit	9,243		Refundable deposit	9,243	
Subtotal	<u>2,988,077</u>				
Total	<u>\$3,252,309</u>		Total	<u>\$3,252,309</u>	
Equity items					
Unrealized gains or losses on available-for-sale financial assets	(113,724)	113,724	-	-	
		(113,724)	Unrealized gains and losses on financial assets at fair value through other comprehensive income	(113,724)	(a)

Notes:

- (a) In accordance with of IAS 39, the Company's available-for-sale financial assets included investments in stocks of listed and unlisted companies. The Company assessed the facts and circumstances existed as of January 1, 2018, and determined these stocks were not held-for-trading; therefore, the Company elected to designate them as financial assets measured at fair value through other comprehensive income. As of January 1, 2018, the Company reclassified available-for-sale financial assets to financial assets measured at fair value through other comprehensive income in the amount of NT\$264,232 thousand. As of January 1, 2018, this adjustment did not result in any differences in the carrying amounts of assets, but reclassified within equity accounts. The Company reclassified unrealized gains or losses on available-for-sale financial assets in the amount of NT\$(113,724) thousand to unrealized gains and losses on financial assets measured at fair value through other comprehensive income.



- (b) In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as of January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arisen from the assessment of impairment losses for the aforementioned assets as of January 1, 2018.
- c. Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

*C. Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:*

The Company required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note 12(6) for more details.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 16 “Leases”	January 1, 2019
B	IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019
C	IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28	January 1, 2019
D	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
E	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
F	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

*A. IFRS 16 “Leases”*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors’ classification remains unchanged as operating or finance leases, but additional disclosure information is required.

B. IFRIC 23 “*Uncertainty Over Income Tax Treatments*”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

C. IAS 28 “*Investment in Associates and Joint Ventures*” — *Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

D. *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

E. *Improvements to International Financial Reporting Standards (2015-2017 cycle)*:

*IFRS 3 “Business Combinations”*

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

*IFRS 11 “Joint Arrangements”*

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

*IAS 12 “Income Taxes”*

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

*IAS 23 “Borrowing Costs”*

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

F. *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. Apart from item A explained below, the remaining standards and interpretations have no material impact on the Company.

*A. IFRS 16 “Leases”*

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Company are summarized as follows:

- a. For the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application (January 1, 2019) in accordance with the transition provision in IFRS 16. Instead, the Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

*Leases classified as operating leases*

For leases that were classified as operating leases applying IAS 17, the Company expects to measure and recognize those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019 and; the Company chooses, on a lease-by-lease basis, to measure the right-of-use asset at:

- i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate on January 1, 2019.

The Company expects the right-of-use asset will increase by NT\$120,519 thousand and the lease liability will increase by NT\$118,371 thousand on January 1, 2019. The difference will be adjusted as retained earnings of NT\$2,148 thousand.

- b. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Company’s financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 “Insurance Contracts”	January 1, 2021
C	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
D	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

*A. IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

*B. IFRS 17 “Insurance Contracts”*

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- a. estimates of future cash flows;
- b. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- c. a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

#### C. *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

#### D. *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under A, it is not practicable to estimate their impact on the Company at this point in time. Another has no material impact on the Company.

#### 4. Summary of significant accounting policies

##### (1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

##### (2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

##### (3) Foreign currency transactions

The Company’s parent company only financial statements are presented in NT dollars, which is also the Company’s functional currency.

Transactions in foreign currencies are initially recorded by the Company at its respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 *Financial Instruments* (Before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

Each foreign operations of the Company determines its own functional currency and items included in the financial statements of each foreign operations are measured using that functional currency. The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

- A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. The Company holds the asset primarily for the purpose of trading;
- C. The Company expects to realize the asset within twelve months after the reporting period;  
or
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Company expects to settle the liability in its normal operating cycle;
- B. The Company holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value (include fixed-term deposits that have maturities of 3 months from the date of acquisition).

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* (Before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.



## A. Financial instruments: Recognition and Measurement

### **The accounting policy from January 1, 2018 as follows:**

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- a. the Company's business model for managing the financial assets and
- b. the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, accounts receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- b. 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- a. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b. 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- a. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

**The accounting policy before January 1, 2018 as follows:**

The Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Company are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading.

A financial asset is classified as held for trading if:

- a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- b. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

#### Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

#### Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

#### B. Impairment of financial assets

##### **The accounting policy from January 1, 2018 as follows:**

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- a. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- b. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- c. For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

**The accounting policy before January 1, 2018 as follows:**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- a. significant financial difficulty of the issuer or obligor; or
- b. a breach of contract, such as a default or delinquency in interest or principal payments;  
or
- c. it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- d. the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

## C. Derecognition of financial assets

A financial asset is derecognized when:

- a. The rights to receive cash flows from the asset have expired
- b. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- c. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

## D. Financial liabilities and equity

### Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

### Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

### Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.



### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### (8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials – Purchase cost on a weighted average cost basis.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 “Consolidated and Separate Financial Statements” and the different IFRSs adopted from different reporting entity’s perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associate or a joint venture. After the interest in the associate or a joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or a joint venture are eliminated to the extent of the Company’s related interest in the associate.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture in proportion.

When the Company subscribes for additional associate or a joint venture's new shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate or a joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to paid-in capital and the investment under equity method. When the investment percentage decreases, reclassify the account which recognized to comprehensive income before to the gain or loss and suitable account in proportion.

The financial statements of the associate or a joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*). If there is any objective evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or a joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in the scope of IAS 36 *Impairment of Assets*. If the recoverable amount is under the investment value in use, the Company uses the following measurements to determine the relevant value:

- A. The Company's right on the estimated future cash flow from its associate or a joint venture includes associate or a joint venture's cash flow from operation and the capital gain on the final settlement. Or
- B. The Company's expected present value of the dividend from the investment and the capital gain on the final settlement.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line method basis over the estimated economic lives of the following assets:

Buildings	5~55 years
Machinery and equipment	2~20 years
Transportation equipment	5~10 years
Office equipment	3~30 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

## (12) Leases

### Company as a lessee

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

## (13) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(14) Revenue recognition

**The accounting policy from January 1, 2018 as follows:**

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follows:

The Company manufactures and sells products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is glass product, including glass, fiber glass and container, and revenue is recognized based on the consideration stated in the contract. Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. The Company estimates the discounts using the most likely value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's sale of goods is from 5 to 165 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For other services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as advance receipts or temporary receipts.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component exists.

**The accounting policy before January 1, 2018 as follows:**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

### Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: the significant risks and rewards of ownership of the goods have passed to the buyer; neither continuing managerial involvement nor effective control over the goods sold have been retained; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred in respect of the transaction can be measured reliably.

### Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

### Dividends

Revenue is recognized when the Company's right to receive the payment is established.

### (15) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### (16) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

#### (17) Income taxes

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

##### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Stockholders' meeting.

##### Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 5. Significant accounting judgments, estimates and assumptions

The preparation of the Company's parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### (1) Judgment

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

## De facto control without a majority of the voting rights in subsidiaries

The Company does not have majority of the voting rights in certain subsidiaries. However, after taking into consideration factors such as absolute size of the Company's holding, the Company reached the conclusion that it has de facto control over these subsidiaries. Please refer to Consolidated Financial Statement Note 4 for further details.

### (2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

#### B. Inventories

The Company estimates the net realizable value of inventory for damage, obsolescence and price decline. The net realizable value of the inventory is mainly determined based on reliable evidence of expected cash flow. Please refer to Note 6.

#### C. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and expected rate of salary increases.

#### D. Revenue recognition – sales returns and allowance

##### Starting from January 1, 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6 for more details.

##### Before January 1, 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

## E. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred tax assets.

## 6. Contents of significant accounts

### (1) Cash and cash equivalents

	As of December 31,	
	2018	2017
Cash on hand	\$190	\$180
Checking and savings accounts	502,914	1,087,817
Cash equivalents	81,227	-
Total	<u>\$584,331</u>	<u>\$1,087,997</u>

### (2) Notes receivables, net

	As of December 31,	
	2018	2017
Notes receivables arising from operating activities	\$167,377	\$205,728
Less: loss allowance	-	-
Total	<u>\$167,377</u>	<u>\$205,728</u>

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6. (17). In addition, please refer to Note 12 for more details on credit risk.

(3) Accounts receivable, net

	As of December 31,	
	2018	2017
Accounts receivable	\$1,070,118	\$1,293,298
Less: loss allowance	(145)	(437)
allowance for sales returns	-	(1,623)
Subtotal	1,069,973	1,291,238
Accounts receivable from related parties	75,549	72,495
Less: loss allowance	-	-
Subtotal	75,549	72,495
Total	\$1,145,522	\$1,363,733

Accounts receivable were not pledged.

Please refer to Note 12. (11) for disclosure on information of accounts receivable transfer.

Accounts receivables are generally on 5-180 day terms. The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6. (17) for more details on loss allowance from January 1, 2018 to December 31, 2018. The Company adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of accounts receivables and accounts receivables-related parties and ageing analysis from January 1, 2017 to December 31, 2017 are as follows (Please refer to Note 12 for more details on credit risk management.):

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	\$334	\$1,024	\$1,358
Reversal for the current period	(334)	(587)	(921)
As of December 31, 2017	\$-	\$437	\$437

Impairment loss that was individually determined ended December 31, 2017, arose due to the fact that the counterparty was in financial difficulties. The amount of impairment loss recognized was the difference between the carrying amount of the trade receivable and the present value of its expected recoverable amount. The Company does not hold any collateral for such accounts receivables.

Ageing analysis of accounts receivable and accounts receivable from related parties that are past due as at the end of the reporting period is as follows:

As of	Neither past due nor impaired	Past due but not impaired			Total
		1~90 days	91~365 days	>366 days	
December 31, 2017	\$1,321,547	\$42,186	\$-	\$-	\$1,363,733

(4) Other receivables, net

	As of December 31,	
	2018	2017
Other receivables	\$204,986	\$321,556
Less: allowance for doubtful debts	-	-
Total	\$204,986	\$321,556

The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6. (17).

Ageing analysis of other receivable that past due as at the end of the reporting period is as follows:

	Neither past due nor impaired	Past due but not impaired $\geq 366$ days	Total
As of December 31, 2017	\$165,411	\$156,145	\$321,556

(5) Inventories, net

	As of December 31,	
	2018	2017
Raw materials	\$619,754	\$539,574
Supplies	46,509	46,467
Work in progress	171,877	132,652
Finished goods	2,305,507	1,674,832
Total	\$3,143,647	\$2,393,525

The cost of inventories recognized in expenses amounted to NT\$10,811,575 thousand and NT\$10,780,253 thousand for the years ended December 31, 2018 and 2017, respectively, including:

	For the years ended December 31	
	2018	2017
Losses (gains) for market price decline of inventories	\$158,793	\$(107,046)
Losses (gains) on physical inventory	13	(3)
Unallocated fixed costs	70,004	63,668
Revenue from sale of scraps	(85,380)	(70,128)
Additions (less) to operating costs	\$143,430	\$(113,509)

The circumstances that caused the net realizable value of inventory to be lower than its cost no longer exist. As a result, the Company recognized gains from price recovery of inventories for the year ended December 31, 2017.

No inventories were pledged.

(6) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2018	2017(Note)
Debt instrument investments measured at fair value through other comprehensive income – Non-current:		
Stocks of listed companies	\$210,750	
Stocks of unlisted companies	52,582	
Total	<u>\$263,332</u>	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

No financial assets at fair value through other comprehensive income were pledged.

(7) Available-for-sale financial assets

	As of December 31,	
	2018(Note)	2017
Stocks:		
China Development Financial Holdings Corp.		\$220,066
Chi-Ye Chemical Corp.		44,159
Chang Hwa Commercial Bank, Ltd.		5
Hua Nan Financial Holdings Co., Ltd.		2
Total		<u>\$264,232</u>

	As of December 31,	
	2018(Note)	2017
Current		\$-
Non-current		264,232
Total		<u>\$264,232</u>

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before January 1, 2018 and classified certain financial assets as available-for-sale financial assets, and there were no pledged.

(8) Investments accounted for using the equity method

Investees	As of December 31,			
	2018		2017	
	Carrying amount	Percentage of Ownership	Carrying amount	Percentage of Ownership
Taiwan Glass USA Sales Corp.	\$370,351	100.00%	\$317,497	100.00%
Taiwan Glass China Holding Ltd.	41,520,343	93.98%	39,740,085	93.78%
Taiwan Autoglass Ind. Corp.	256,946	87.00%	302,193	87.00%
TG Teco Vacuum Insulated Glass Corp.	193,352	65.00%	222,059	65.00%
Hario TG Glass Corp.	(Note)		25,126	50.00%
Total	<u>\$42,340,992</u>		<u>\$40,606,960</u>	

Note: The subsidiary has been liquidated in May 2018.

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments on the parent company only financial statements.

No investment accounted for using the equity method was pledged.

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
<b>Cost:</b>							
As of January 1, 2017	\$3,796,048	\$8,217,278	\$20,868,684	\$250,915	\$379,089	\$517,215	\$34,029,229
Additions	-	25,360	154,672	3	24,072	481,802	685,909
Disposals	-	(2,549)	(40,297)	-	(15,318)	-	(58,164)
Transfers	-	68,232	749,346	191	670	(818,439)	-
Other changes	-	-	(27,423)	8,094	(8,046)	241,000	213,625
As of December 31, 2017	3,796,048	8,308,321	21,704,982	259,203	380,467	421,578	34,870,599
Additions	-	15,077	77,551	3,899	8,799	557,386	662,712
Disposals	-	-	(247,373)	(1,894)	(9,696)	-	(258,963)
Transfers	-	27,553	509,239	920	-	(537,712)	-
Other changes	-	-	4,597	7,056	-	471,215	482,868
As of December 31, 2018	<u>\$3,796,048</u>	<u>\$8,350,951</u>	<u>\$22,048,996</u>	<u>\$269,184</u>	<u>\$379,570</u>	<u>\$912,467</u>	<u>\$35,757,216</u>
<b>Depreciation and impairment:</b>							
As of January 1, 2017	\$-	\$5,098,526	\$13,094,933	\$218,854	\$222,061	\$-	\$18,634,374
Depreciation	-	281,826	852,002	14,835	29,380	-	1,178,043
Disposals	-	(2,550)	(35,637)	-	(15,163)	-	(53,350)
Transfers	-	-	-	-	-	-	-
Other changes	-	-	(12,593)	-	(4,955)	-	(17,548)
As of December 31, 2017	-	5,377,802	13,898,705	233,689	231,323	-	19,741,519
Depreciation	-	284,803	865,343	9,758	28,324	-	1,188,228
Disposals	-	-	(233,207)	(1,874)	(9,696)	-	(244,777)
Transfers	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
As of December 31, 2018	<u>\$-</u>	<u>\$5,662,605</u>	<u>\$14,530,841</u>	<u>\$241,573</u>	<u>\$249,951</u>	<u>\$-</u>	<u>\$20,684,970</u>
<b>Net carrying amount as of:</b>							
December 31, 2018	<u>\$3,796,048</u>	<u>\$2,688,346</u>	<u>\$7,518,155</u>	<u>\$27,611</u>	<u>\$129,619</u>	<u>\$912,467</u>	<u>\$15,072,246</u>
December 31, 2017	<u>\$3,796,048</u>	<u>\$2,930,519</u>	<u>\$7,806,277</u>	<u>\$25,514</u>	<u>\$149,144</u>	<u>\$421,578</u>	<u>\$15,129,080</u>

Capitalized borrowing costs of property, plant and equipment are as follows:

Item	For the years ended December 31,	
	2018	2017
Construction in progress	\$12,388	\$6,941
Capitalization rate of borrowing costs	1.529%~1.748%	1.553%~1.809%

Components of machinery and equipment that have different useful lives are furnace and platinum, which are depreciated over 12 years and 20 years, respectively.

No property, plant and equipment was pledged.

(10) Other non-current assets

	As of December 31,	
	2018	2017
Investment property	\$17,938	\$18,139
Intangible assets	8,786	3,434
Overdue receivables	772,210	793,103
Less: loss allowance	(772,210)	(793,103)
Overdue receivables, net	-	-
Refundable deposits	11,517	9,243
Net	\$38,241	\$30,816

No investment property was pledged.

Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties is NT\$172,543 thousand and NT\$170,914 thousand, as of December 31, 2018 and 2017, respectively. The fair value has been determined based on valuations performed by an independent appraiser. The valuation method used is direct capitalized method and market approach, and the inputs used are as follows:

Direct capitalization method:

	As of December 31,	
	2018	2017
Income capitalization rate	1.42%~2.24%	1.43%~2.24%

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December 31,	
	2018	2017
Operating costs	\$428	\$36
General and administrative expense	2,963	121
Total	\$3,391	\$157



(11) Short-term loans

	As of December 31,	
	2018	2017
Unsecured bank loans	\$1,900,000	\$300,000
Unsecured interest rates	1%~1.34%	1.49%

The Company's unused short-term lines of credits amounted to NT\$300,000 thousand and NT\$1,200,000 thousand as of December 31, 2018 and 2017, respectively.

(12) Short-term bills payable

	As of December 31,	
	2018	2017
Short-term bills payable	\$3,300,000	\$2,200,000
Less: unamortized discount	(4,430)	(3,961)
Net	\$3,295,570	\$2,196,039
Interest rates	1.388%~1.400%	1.398%~1.468%

(13) Long-term loans

Details of long-term loans as of December 31, 2018 and 2017 are as follows:

Lenders	Terms	Credit Line	Interest Rate	As of December 31,		Redemption
				2018	2017	
Chang-Hwa Bank	2015.09.01- 2020.09.01	NTD1,200,000	Floating interest rate	\$400,000	\$600,000	8 equal installments of the principal made every 6 months from the sixth year after borrowing date
Hua-Nan Bank	2015.12.23- 2022.12.29	NTD3,000,000	"	2,400,000	3,000,000	Repayable semiannually from June 23, 2018.
King's Town Bank	2016.03.30- 2023.03.30	NTD1,100,000	"	900,000	1,100,000	Repayable semiannually from March 30, 2018
Taiwan Cooperative Bank	2016.04.25- 2019.04.25	NTD500,000	"	-	500,000	12 equal installments of principal and interest from two years after borrowing date
COTA Commercial Bank	2016.09.05- 2019.09.05	NTD100,000	"	24,940	58,300	12 quarter installments of principal and interest from December 5, 2016

Lenders	Terms	Credit Line	Interest Rate	As of December 31,		Redemption
				2018	2017	
KGI Bank	2017.01.05- 2019.01.05	NTD300,000	"	\$260,000	\$260,000	Principal repaid at maturity
EnTie Commercial Bank	2016.08.23- 2018.08.23	NTD500,000	"	-	500,000	Principal repaid at maturity
Bank of China	2017.02.01- 2019.01.31	NTD400,000	"	-	400,000	Principal repaid at maturity
O-Bank	2016.12.06- 2019.12.06	NTD1,000,000	"	1,000,000	1,000,000	Principal repaid at maturity
Mega International Commercial Bank	2016.04.26- 2019.04.26	NTD500,000	"	-	350,000	Principal repaid at maturity
Taichung Commercial Bank	2017.12.20- 2020.12.20	NTD500,000	"	-	500,000	Principal repaid at maturity
JihSun Bank	2017.12.25- 2019.12.25	NTD300,000	"	300,000	90,000	Principal repaid at maturity
Far Eastern International Bank	2017.12.07- 2019.12.07	NTD500,000	"	500,000	500,000	Principal repaid at maturity
Bank of PanShin	2017.12.14- 2019.12.14	NTD200,000	"	200,000	200,000	Principal repaid at maturity
Bank of Kaohsiung	2017.12.14- 2019.12.14	NTD300,000	"	300,000	300,000	Principal repaid at maturity
Hua-Nan Bank	2017.05.26- 2019.05.26	NTD1,000,000	"	1,000,000	1,000,000	Principal repaid at maturity
Union Bank of Taiwan	2017.09.07- 2019.03.07	NTD600,000	"	600,000	600,000	Principal repaid at maturity
Taiwan Cooperative Bank	2018.06.25- 2021.06.25	NTD500,000	"	500,000	-	12 equal installments of principal and interest from June 25, 2020.
Shin Kong Commercial Bank	2018.06.27- 2020.08.06	NTD300,000	"	300,000	-	Principal repaid at maturity
The Export-Import Bank of the Republic of China	2018.08.01- 2023.08.01	NTD600,000	"	600,000	-	9 equal installments of the principal made every 6 months from August 1, 2019.
EnTie Commercial Bank	2018.08.20- 2020.08.20	NTD500,000	"	500,000	-	Principal repaid at maturity
Shanghai Commercial & Savings Bank	2018.09.05- 2021.09.05	NTD200,000	"	200,000	-	Principal repaid at maturity

Lenders	Terms	Credit Line	Interest Rate	As of December 31,		Redemption
				2018	2017	
Taiwan Business Bank	2018.10.18- 2025.10.18	NTD1,000,000	"	\$1,000,000	\$-	11 equal installments of the principal made every 6 months from October 18, 2020.
Chang Hwa Bank	2018.12.21- 2021.12.21	NTD500,000	"	500,000	-	4 equal installments of the principal made every 6 months from June 21, 2020.
Subtotal				11,484,940	10,958,300	
Less: current portion of long-term loans				(5,251,607)	(1,866,027)	
Total				\$6,233,333	\$9,092,273	

Note: As of December 31, 2018, part of long-term loans contained covenants that required the Company to maintain certain financial ratios such as the current ratio, the ratio of the total liabilities to the net tangible assets, the ratio of EBITDA to interest expense and the tangible assets net worth amount.

#### (14) Post-employment benefits

##### Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT\$94,371 thousand and NT\$89,460 thousand, respectively.

##### Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is managed in-house or under a mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$56,954 thousand to its defined benefit plan during the 12 months beginning after December 31, 2018.

Apart from the above-mentioned pension funds, the Company has another fund managed by the pension fund management committee, and the plan is categorized as follows:

	As of December 31,	
	2018	2017
Investments with quoted prices in an active market		
Equity instruments— domestic	96%	100%
Debt instruments— domestic	4%	0%
Other	0%	0%

As of December 31, 2018 and 2017, the Company's defined benefits plan obligations are expected to mature in 2024 and 2025, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2018 and 2017:

	For the years ended December 31,	
	2018	2017
Current period service costs	\$39,054	\$40,428
Interest income or expense	284	3,281
Past service cost	-	-
Payments from the plan	-	-
Total	\$39,338	\$43,709

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2018	December 31, 2017	January 1, 2017
Defined benefit obligation at January 1	\$2,120,550	\$2,084,920	\$1,958,632
Plan assets at fair value	(1,707,285)	(2,044,343)	(1,685,217)
Other non-current liabilities - Accrued pension liabilities recognized on the balance sheets	\$413,265	\$40,577	\$273,415

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2017	\$1,958,632	\$1,685,217	\$273,415
Current period service costs	40,428	-	40,428
Net interest expense (income)	23,504	20,223	3,281
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	2,022,564	1,705,440	317,124
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	28	-	28
Actuarial gains and losses arising from changes in financial assumptions	33,469	-	33,469
Experience adjustments	122,589	-	122,589
Return on plan assets	-	376,327	(376,327)
Subtotal	156,086	376,327	(220,241)
Payments from the plan	(93,730)	(93,730)	-
Contributions by employer	-	56,306	(56,306)
Effect of changes in foreign exchange rates	-	-	-
As of December 31, 2017	2,084,920	2,044,343	40,577
Current period service costs	39,054	-	39,054
Net interest expense (income)	14,594	14,310	284
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	2,138,568	2,058,653	79,915
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(946)	-	(946)
Actuarial gains and losses arising from changes in financial assumptions	(4,778)	-	(4,778)
Experience adjustments	77,904	-	77,904
Return on plan assets	-	(318,124)	318,124
Subtotal	72,180	(318,124)	390,304
Payments from the plan	(90,198)	(90,198)	-
Contributions by employer	-	56,954	(56,954)
Effect of changes in foreign exchange rates	-	-	-
As of December 31, 2018	\$2,120,550	\$1,707,285	\$413,265

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2018	2017
Discount rate	0.78%	0.70%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption as of December 31, 2018 and 2017 is as shown below:

	Effect on the defined benefit obligation			
	2018		2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$(27,753)	\$-	\$(33,480)	\$-
Discount rate decrease by 0.5%	-	98,820	-	128,545
Future salary increase by 0.5%	-	97,637	-	127,155
Future salary decrease by 0.5%	(27,826)	-	(33,543)	-

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

## (15) Equities

### A. Common stock

The Company's authorized capital were both NT\$30,000,000 thousand as of December 31, 2018 and 2017. The Company's issued capital were both NT\$29,080,608 thousand as of December 31, 2018 and 2017, each at a par value of NT\$10. The Company has issued both 2,908,061 thousand common shares as of December 31, 2018 and 2017. Each share has one voting right and a right to receive dividends.

## B. Capital surplus

	As of December 31,	
	2018	2017
Additional paid-in capital	\$1,540,300	\$1,540,300
Increase through changes in ownership interests in subsidiaries	258,091	254,448
Expired employee stock warrants	23,661	23,661
Gains on disposal of assets	103,166	103,166
Total	<u>\$1,925,218</u>	<u>\$1,921,575</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its stockholders in proportion to the number of shares being held by each of them.

## C. Rained earnings and dividend policies

According to the Company's Articles of Incorporation, the Company's annual earnings, if any, shall first set aside 1.5% as employee bonuses and no higher than 1.5% as directors and supervisor's remunerations. Nevertheless, the Company shall first make up for losses if there are accumulated losses. The Company shall make distributions from its net income (less any deficit) in the following order:

- a. Offset an accumulated deficit.
- b. Set aside 10% as legal reserve.
- c. Set aside or reverse special reserve.
- d. Following distributions of items "a" to "c" indicated above, the remaining amount, if any, shall be proposed by the board of directors at a board meeting to be distributed as shareholders dividends and bonuses.

Based on the Company's plan to achieve healthy financial standing, whether to distribute the beginning undistributed earnings should consider the actual operation of the year and the budget planning for the following year, to evaluate the necessity of providing funding via earnings distribution so as to determine the most appropriate dividend policy for sustainable business development. The said shareholders dividend and bonus distribution shall not be less than 50% of the distributable earnings after deducting the above items "a" to "c" from current net income. The Company's Articles of Incorporation further provide that no more than 1% of the dividends to shareholders, if any, could be paid in the form of share dividends. At least 20% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the stockholders.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed. The special reserves booked from first-time adoption of International Financial Reporting Standards were both NT\$3,232,749 thousand as of December 31, 2018 and 2017, respectively. The Company did not reverse special reserve to retained earnings for using, disposing of or reclassifying relevant assets in 2018 and 2017.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved by Board of Directors' meeting on March 18, 2019 and by the stockholders' meeting on June 13, 2018, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$106,629	\$212,377	\$-	\$-
Common stock -cash dividend	872,418	1,454,030	0.3	0.5
Common stock-stock dividend	-	-	-	-

Please refer to Note 6. (20) for further details on employees' compensation and remuneration to directors.



(16) Operating revenue

	For the years ended December 31,	
	2018(Note)	2017
Sale of goods	\$12,561,584	\$13,238,285
Less: sales returns, discounts and allowances	-	(65,009)
Total	<u>\$12,561,584</u>	<u>\$13,173,276</u>

Note: The Company has adopted IFRS 15 from January 1, 2018 for processing revenue from contracts with customers. The Company elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018).

The Company has adopted IFRS 15 from January 1, 2018 for processing revenue from contracts with customers. Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue:

	Flat glass	Container	Fiber glass	Other	Total
Sale of goods	<u>\$4,038,056</u>	<u>\$3,467,797</u>	<u>\$4,890,268</u>	<u>\$165,463</u>	<u>\$12,561,584</u>

The timing of revenue recognition was at a point in time.

B. Contract balances

Contract liabilities - current

	Beginning balance	Ending balance	Difference
Sales of goods	<u>\$911,132</u>	<u>\$722,780</u>	<u>\$(188,352)</u>

During the period, NT\$911,132 thousand included in the contract liability balance at the beginning of the period was recognized as revenue as performance obligations were satisfied. In addition, contract liabilities increased as part of the consideration was received from customers upon signing the contracts and performance obligations were not satisfied.

C. Assets recognized from costs to obtain or fulfil a contract: None.

(17) Expected credit losses/ (gains)

	For the years ended December 31,	
	2018	2017(Note)
Operating expenses – Expected credit losses/(gains)		
Accounts receivables	<u>\$(292)</u>	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and accounts receivables (including note receivables, accounts receivables and other receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2018 is as follows:

The Company considered the grouping of accounts receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

Group 1	Not yet due	Overdue			Total
		31-90 days	91-365 days	>=366 days	
Gross carrying amount	\$-	\$-	\$-	\$772,210	\$772,210
Loss ratio	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	(772,210)	(772,210)
Subtotal	-	-	-	-	-
Group 2	Not yet due	Overdue			Total
		31-90 days	91-365 days	>=366 days	
Gross carrying amount	\$1,055,590	\$14,528	\$-	\$-	\$1,070,118
Loss ratio	0%	1%	0%	0%	
Lifetime expected credit losses	-	(145)	-	-	(145)
Subtotal	1,055,590	14,383	-	-	1,069,973
Group 3	Not yet due	Overdue			Total
		31-90 days	91-365 days	>=366 days	
Gross carrying amount	\$447,912	\$-	\$-	\$-	\$447,912
Loss ratio	0%	0%	0%	0%	
Lifetime expected credit losses	-	-	-	-	-
Subtotal	447,912	-	-	-	447,912
Carrying amount					<u>\$1,517,885</u>

Group 1: The Company has exercised recourse or taken legal action against the individual assessment of accounts receivables, other receivables and overdue receivables.

Group 2: The Company's accounts receivables are overdue but not for more than one year.

Group 3: The Company's notes receivables, accounts receivables- related parties and other receivables are not yet due.

The movement in the provision for impairment of note receivables, accounts receivables, other receivables and overdue receivables during 2018 was as follows:

	Accounts receivables	Other receivables	Overdue receivables
Beginning balance	\$437	\$-	\$793,103
Reversal for the current period	(292)	-	-
Write off	-	-	(20,893)
Ending balance	<u>\$145</u>	<u>\$-</u>	<u>\$772,210</u>

(18) Net amount of other revenues and gains and expenses and losses

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Gains on disposal of property, plant, and equipment	<u>\$25,417</u>	<u>\$36,960</u>

(19) Operating leases

Operating lease commitments – Company as lessee

The Company has entered into commercial leases on certain offices and plants. These leases have an average life of three to five years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2018 and 2017 were as follows:

	<u>As of December 31,</u>	
	<u>2018</u>	<u>2017</u>
Not later than one year	\$26,611	\$37,874
Later than one year and not later than five years	74,286	-
Total	<u>\$100,897</u>	<u>\$37,874</u>

Operating lease expenses recognized were as follows:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Minimum lease payments	<u>\$38,888</u>	<u>\$39,311</u>

(20) Summary statement of employee benefits, depreciation and amortization expenses by function:

	<u>For the years ended December 31,</u>					
	<u>2018</u>			<u>2017</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefits expense						
Salaries	\$2,325,641	\$376,203	\$2,701,844	\$2,203,723	\$314,400	\$2,518,123
Labor and health insurance	258,169	17,150	275,319	247,124	15,752	262,876
Pension	99,871	33,838	133,709	100,581	32,588	133,169
Directors' remuneration	-	25,199	25,199	-	41,514	41,514
Other employee benefits expense	93,828	14,360	108,188	94,282	14,043	108,325
Depreciation(Note)	1,163,359	24,869	1,188,228	1,153,888	24,155	1,178,043
Amortization	428	2,963	3,391	36	121	157

The number of employees as of December 31, 2018 and 2017 was 4,748 and 4,674, including 7 non-employee directors, respectively.

Note: The differences between the amount stated above and the depreciation stated in the Parent Company Only Statements of Cash Flows was recognized in other gains and losses.

According to the Company's Articles of Incorporation, when there is profit of the current year, the Company shall distribute 1.5% of profit of the current year as employees' compensation and no higher than 1.5% of profit of the current year as remuneration to directors. However, the Company's accumulated losses shall have been covered. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit for the current year, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2018 both at 1.5% of profit of the current year, recognized as salaries expense. As such, employees' compensation and remuneration to directors for the year ended December 31, 2018 amounted to NT\$17,194 thousand, respectively. Employees' compensation and remuneration to directors for the year ended December 31, 2017 amounted to both NT\$30,605 thousand, recognized as salaries expense.

A resolution was approved at the board meeting held on March 26, 2018 to distribute NT\$33,605 thousand in cash as employees' compensation and remuneration to directors of 2017. No material differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2017.

(21) Non-operating income and expenses

A. Other income

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Interest income	(Note)	\$11,874
Financial assets measured at amortized cost	\$2,594	-
Rental income	37,229	38,017
Dividend income	13,998	11,829
Others	172,445	159,382
Total	<u>\$226,266</u>	<u>\$221,102</u>

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

B. Other gains and losses

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Foreign exchange gains (losses), net	\$57,321	\$(121,609)
Loss on disposal of investment	(86)	-
Loss on impairment of financial assets	-	(8,250)
Others	(71,345)	(80,553)
Total	<u>\$(14,110)</u>	<u>\$(210,412)</u>

C. Finance costs

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Interest on borrowings from bank	\$237,236	\$224,534
Interest on factoring of accounts receivable	3,971	4,373
Total	<u>\$241,207</u>	<u>\$228,907</u>

(22) Components of other comprehensive income

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(390,304)	-	\$(390,304)	\$101,650	\$(288,654)
Unrealized losses from equity instruments investments measured at fair value through other comprehensive income	(900)	-	(900)	-	(900)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(3,358)	-	(3,358)	-	(3,358)
To be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(932,623)	-	(932,623)	-	(932,623)
<b>Total of other comprehensive income</b>	<b>\$(1,327,185)</b>	<b>\$-</b>	<b>\$(1,327,185)</b>	<b>\$101,650</b>	<b>\$(1,225,535)</b>

For the year ended December 31, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$220,241	\$-	\$220,241	\$(37,441)	\$182,800
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(3,928)	-	(3,928)	-	(3,928)
To be reclassified to profit or loss in subsequent periods:					
Unrealized (losses) gains from available-for-sale financial assets	46,605	8,250	54,855	-	54,855
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(369,060)	-	(369,060)	-	(369,060)
<b>Total of other comprehensive income</b>	<b>\$(106,142)</b>	<b>\$8,250</b>	<b>\$(97,892)</b>	<b>\$(37,441)</b>	<b>\$(135,333)</b>

(23) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (benefit) are as follows:

Income tax expense (benefit) recognized in profit or loss

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Current income tax expense (benefit):		
Current income tax charge	\$68,866	\$8,213
Adjustments in respect of current income tax of prior periods	1,662	(2,545)
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(25,852)	43,675
Deferred income tax related to changes in tax rates	937	-
Total income tax expense	<u>\$45,613</u>	<u>\$49,343</u>

Income tax relating to components of other comprehensive income

	<u>For the years ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Deferred tax benefit:		
Deferred income tax related to changes in tax rates	\$(23,589)	\$-
Remeasurements of defined benefit plans	(78,061)	37,441
Total	<u>\$(101,650)</u>	<u>\$37,441</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Accounting profit before tax from continuing operations	<u>\$1,111,899</u>	<u>\$2,173,116</u>
Tax at the domestic rates applicable to profits in the country concerned	222,380	369,430
Net investment income accounted for using the equity method	(276,696)	(342,607)
Tax effect of revenues exempt from taxation	(2,728)	(2,423)
Tax effect of expenses not deductible for tax purposes	2,434	3,718
Non-deductible offshore tax	5,242	8,213
Corporate income surtax on undistributed retained earnings	63,624	-
Tax effect of deferred tax assets/liabilities	28,758	15,557
Adjustments in respect of current income tax of prior periods	1,662	(2,545)
Deferred income tax related to changes in tax rates	937	-
Total income tax expense recognized in profit or loss	<u>\$45,613</u>	<u>\$49,343</u>

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31, 2018
Temporary differences				
Depreciation difference	\$(60,627)	\$(7,133)	\$-	\$(67,760)
Allowance for bad debt	929	(929)	-	-
Net defined benefit liability - noncurrent	6,898	(25,895)	101,650	82,653
Employee benefits	5,381	(1,170)	-	4,211
Unrealized loss due to market price decline of inventories	168,549	61,503	-	230,052
Capitalization of interest	4,691	(373)	-	4,318
Provisions of employee benefit obligations	16,591	5,447	-	22,038
Unrealized gain on foreign exchange	(15,881)	(6,361)	-	(22,242)
Others	1,830	(174)	-	1,656
Land value increment tax	(204,145)	-	-	(204,145)
Deferred tax income/ (expense)		\$24,915	\$101,650	
Net deferred tax assets/(liabilities)	<u>\$(75,784)</u>			<u>\$50,781</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$204,869</u>			<u>\$344,928</u>
Deferred tax liabilities	<u>\$(280,653)</u>			<u>\$(294,147)</u>

For the year ended December 31, 2017

	Beginning balance as of January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31, 2017
Temporary differences				
Depreciation difference	\$(61,975)	\$1,348	\$-	\$(60,627)
Revaluations of available-for-sale financial assets to fair value	2,561	(2,561)	-	-
Reserve for furnace cold repair	829	(829)	-	-
Allowance for bad debt	1,379	(450)	-	929
Net defined benefit liability - noncurrent	46,480	(2,141)	(37,441)	6,898
Employee benefits	7,502	(2,121)	-	5,381
Unrealized loss due to market price decline of inventories	186,747	(18,198)	-	168,549
Capitalization of interest	5,712	(1,021)	-	4,691
Provisions of employee benefit obligations	14,296	2,295	-	16,591
Unrealized gain on foreign exchange	(13,025)	(2,856)	-	(15,881)
Unrealized loss on foreign sales	16,409	(16,409)	-	-
Other	2,562	(732)	-	1,830
Land value increment tax	(204,145)	-	-	(204,145)
Deferred tax income/ (expense)		\$43,675	\$(37,441)	
Net deferred tax assets/(liabilities)	<u>\$5,332</u>			<u>\$(75,784)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$284,477</u>			<u>\$204,869</u>
Deferred tax liabilities	<u>\$(279,145)</u>			<u>\$(280,653)</u>



### Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amount to NT\$252,621 thousand and NT\$194,613 thousand, respectively.

### Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2018 and 2017, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liability has not been recognized, aggregated to NT\$2,341,393 thousand and NT\$1,056,866 thousand, respectively.

### The assessment of income tax returns

As of December 31, 2018, the assessment of the income tax returns of the Company is to 2016.

### (24) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	<u>\$1,066,286</u>	<u>\$2,123,773</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>2,908,061</u>	<u>2,908,061</u>
Basic earnings per share (NT\$)	<u>\$0.37</u>	<u>\$0.73</u>

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	<u>\$1,066,286</u>	<u>\$2,123,773</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	2,908,061	2,908,061
Effect of dilution:		
Employees' compensation	<u>1,333</u>	<u>1,504</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>2,909,394</u>	<u>2,909,565</u>
Diluted earnings per share (NT\$)	<u>\$0.37</u>	<u>\$0.73</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

#### (25) Changes in parent's interest in subsidiaries

##### Acquisition of new shares in a subsidiary not in proportionate to ownership interest

During the years ended December 31, 2018 and 2017, the Company paid additional cash to acquire TGCH's new shares issued in the amount of UD\$46,782 thousand (NT\$1,434,797 thousand) and UD\$78,278 thousand (NT\$2,372,323 thousand), respectively, and consequently the ownership interest in TGCH was increased to 93.98% and 93.78%, respectively. The difference between the cash paid and the decrease in the non-controlling interests was NT\$221 thousand and NT\$(2,295) thousand, respectively, and was recognized in equity.

#### 7. Related party transactions

The significant transactions for 2018 and 2017 are summarized below:

##### Name and relationship of related parties

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Taiwan Autoglass Ind. Corp. (TAG)	Subsidiaries
TG Teco Vacuum Insulated Glass Corp. (TVIG)	//
Hario TG Glass Corp. (HTG) (Note)	//
Taiwan Glass USA Sales Corp. (TGUS)	//
Taiwan Glass China Holding Ltd. (TGCH)	//
TG Qingdao Glass Co., Ltd. (QFG)	//
TG Changjiang Glass Co., Ltd. (CFG)	//
TG Donghai Glass Co., Ltd. (DHG)	//

Name of related parties	Relationship with the Company
TG Chengdu Glass Co., Ltd. (CDG)	Subsidiaries
TG Huanan Glass Co., Ltd. (HNG)	//
TG Tianjin Glass Co., Ltd. (TJG)	//
TG Fujian Photovoltaic Glass Co., Ltd. (FPG)	//
Taichia Glass Fiber Co., Ltd. (TGF)	//
TG Fengyang Silica Sand Co., Ltd. (FYSS)	//
TG Xianyang Glass Co., Ltd. (TXY)	//
TG Taicang Architectural Glass Co., Ltd. (TTAR)	//
TG Yueda Autoglass Co., Ltd. (TYAU)	//
TG Anhui Glass Co., Ltd. (TAH)	//
TG Wuhan Architectural Glass Co., Ltd. (TWAR)	//
TG Yueda Solar Glass Co., Ltd. (TYSM)	//
Taichia Chengdu Glass Fiber Co., Ltd. (TCD)	//
Taichia Bengbu Glass Fiber Co., Ltd. (TBF)	//
Shihlien Chemical Industrial (Jiangsu) Co., Ltd. (SCJ)	Associate
Tai Fong Investment Co., Ltd.	Other related parties
Tai Cheng Investment Co., Ltd.	//
Tai Yu Investment Co., Ltd.	//
Tai Fong Golf Club	//
Shihlien International Investment Co., Ltd.	//
Shihlien Fine Chemical Co., Ltd.	//
TECO Nanotech Co., Ltd.	//
TECO Electric & Machinery Co., Ltd.	//
Information Technology Total Services Corp.	//
Xue Xue Institute	//
Xue Xue Foundation	//
HARIO Co., Ltd. (Note)	//

Note: Since May 31, 2018, it was not the Company's related party.

#### Significant transactions with related parties

##### (1) Sales

	For the years ended December 31,	
	2018	2017
Subsidiaries	\$635,003	\$529,564
Other related parties	2,010	6,253
Total	<u>\$637,013</u>	<u>\$535,817</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for related parties was month-end 90 days. The outstanding balance at December 31, 2018 and 2017 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(2) Purchases

	For the years ended December 31,	
	2018	2017
Subsidiaries	\$94,830	\$105,506
Associate	7,074	7,285
Other related parties	304	2,142
Total	<u>\$102,208</u>	<u>\$114,933</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are paid on delivery.

(3) Other income (Guarantee income and technical service etc.)

	For the years ended December 31,	
	2018	2017
Subsidiaries	\$103,502	\$113,690
Associate	890	1,987
Other related parties	5,968	5,902
Total	<u>\$110,360</u>	<u>\$121,579</u>

(4) Other income (rental income)

	For the years ended December 31,	
	2018	2017
Subsidiaries	<u>\$28,391</u>	<u>\$29,744</u>

The rental income is due to a lease of plant and warehouse and the rents were based on local market price.

(5) Manufacture expense – rental expense

	For the years ended December 31,	
	2018	2017
Subsidiaries	\$15,360	\$15,360
Other related parties	25,575	25,622
Total	<u>\$40,935</u>	<u>\$40,982</u>

The Company has leased plant, offices, warehouse and land and the rent were based on local market price and prepaid for 1 year.

(6) Accounts receivable

	As of December 31,	
	2018	2017
Subsidiaries	\$75,515	\$72,484
Other related parties	34	11
Total	75,549	72,495
Less: loss allowance	-	-
Net	<u>\$75,549</u>	<u>\$72,495</u>

(7) Other receivables

A. Guarantee and technical service receivable

	As of December 31,	
	2018	2017
Subsidiaries		
TCD	\$37,278	\$27,149
TGF	25,182	22,059
TBF	24,550	3,795
CFG	22,064	15,931
TGCH	16,425	164,125
Others	48,146	55,468
Subtotal	<u>173,645</u>	<u>288,527</u>
Associate	915	1,955
Other related parties	12	11
Total	<u>\$174,572</u>	<u>\$290,493</u>

B. Financing

2018: None

For the years ended December 31, 2017

	Maximum Balance	Ending Balance	Rate	Interest Income	Interest Receivable
Subsidiaries	\$1,271,996	<u>\$-</u>	-	<u>\$9,302</u>	<u>\$13,742</u>

(USD 15,000 thousand and  
JYP 2,902,772 thousand)

(8) Accounts payable – related parties

	As of December 31,	
	2018	2017
Subsidiaries	\$1,201	\$17,595
Other related parties	86	187
Total	<u>\$1,287</u>	<u>\$17,782</u>

(9) Contract liabilities/ advance receipts

	As of December 31,	
	2018	2017
Subsidiaries		
TYAU	\$245,814	\$240,185
Others	44	-
Total	<u>\$245,858</u>	<u>\$240,185</u>

(10) Others

The Company's other transactions with subsidiaries and other related parties is as follows:

	As of December 31,	
	2018	2017
Other current assets		
Subsidiaries	\$3	\$-
Other related parties	-	24,762
Total	<u>\$3</u>	<u>\$24,762</u>

	As of December 31,	
	2018	2017
Other current liabilities		
Subsidiaries	\$5,154	\$14,001
Other related parties	2,352	26,135
Total	<u>\$7,506</u>	<u>\$40,136</u>

	As of December 31,	
	2018	2017
Other non-current liabilities		
Subsidiaries	\$-	\$9

	For the years ended December 31,	
	2018	2017
Operating expenses		
Subsidiaries	\$172	\$211
Other related parties	6,328	10,314
Total	<u>\$6,500</u>	<u>\$10,525</u>

(11) The payment term to related parties has no significant difference to other third parties. The outstanding balance at December 31, 2018 and 2017 was unsecured, non-interest bearing and must be settled in cash. The receivables from and the payables to the related parties were not guaranteed.

(12) The Company purchased the intangible assets and property, plant and equipment from the other related parties in the amount of NT\$1,632 thousand in 2018; the Company purchased the intangible assets and construction in progress from the other related parties in the amount of NT\$3,282 thousand in 2017. The Company sold property, plant and equipment to the subsidiaries in the amount of NT\$ 23,977 thousand and recognized unrealized gain in the amount of NT\$6,642 thousand in 2018. No such transactions occurred in 2017.

(13) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$50,891	\$65,856
Post-employment benefits	1,952	1,998
Total	<u>\$52,843</u>	<u>\$67,854</u>

8. Assets pledged as security

None.

9. Commitments and contingencies

As of December 31, 2018, the contingency and off balance sheet commitments are as follows:

(1) As of December 31, 2018, the outstanding promissory notes signed for business needs, including importing equipment, purchase of equipment, performance bond, and loan guarantee, totaled NT\$17,160,470 thousand.

(2) Commodity tax and export tariff were NT\$19,581 thousand.

(3) Unsecured balance of letters of credit is as follows:

<u>Currency</u>	<u>Unused Balance (in thousands)</u>
USD	\$9,716
JPY	72,652
EUR	2,089
SEK	1,647
GBP	20
RMB	3,664

(4) Significant contracts of construction in progress and equipment are as follows:

Items	Contract amount	Amount paid	Amount unpaid
Taoyuan factory	\$194,459	\$71,200	\$123,259
Lukang factory	219,838	114,916	104,922
Others	283,683	175,823	107,860
Total	\$697,980	\$361,939	\$336,041

The above amount paid was recognized as construction in progress under property, plant and equipment and prepayment for equipment under noncurrent assets.

(5) The Company signed the promissory notes in amount of NT\$750,000 thousand, US\$389,000 thousand and RMB486,000 thousand for its subsidiaries' secured loans.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

Financial Instruments

(1) Categories of financial instruments

<u>Financial assets</u>	As of December 31,	
	2018	2017
Financial assets at fair value through other comprehensive income	\$263,232	(Note)
Available-for-sale financial assets	(Note)	\$264,232
Financial assets measured at amortized cost		
Cash and cash equivalents (excluding cash on hand)	584,141	(Note)
Receivables	1,517,885	(Note)
Refundable deposits	11,517	(Note)
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	(Note)	1,087,817
Receivables	(Note)	1,891,017
Refundable deposit	(Note)	9,243
Subtotal	2,113,543	2,988,077
Total	\$2,376,775	\$3,252,309



<u>Financial liabilities</u>	As of December 31,	
	2018	2017
Financial liabilities at amortized cost:		
Short-term loans	\$1,900,000	\$300,000
Short-term bills payable	3,295,570	2,196,039
Payables	1,508,398	1,560,526
Long-term loans (including current portion)	11,484,940	10,958,300
Deposits-in	791	803
Total	<u>\$18,189,699</u>	<u>\$15,015,668</u>

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and equity risk.

In practice, it is rarely the case that a single risk variable changes independently from other risk variables, there are usually interdependencies between risk variables. The sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for US dollars. The information of the sensitivity analysis is as follows:

When NTD weakens/strengthens against US dollars by 1%, the profit for the years ended of December 31, 2018 and 2017 is decreased/increased by NT\$7,782 thousand and NT\$11,434 thousand, respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2018 and 2017 to be decreased/increased by NT\$8,510 thousand and NT\$7,704 thousand, respectively.

#### Equity price risk

The fair value of the Company's listed and unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under available-for-sale financial assets. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

The amount of the investment in the unlisted equity securities is not significant. Therefore, a change in the overall earnings stream of the valuations performed on the invested company would not have a significant impact on the income nor equity attributable to the Company for the years ended December 31, 2018 and 2017.

As of December 31, 2018, a change of 10% in the price of the listed companies' stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$21,075 on the equity attributable to the Company.

As of December 31, 2017, a decrease of 10% in the price of the listed equity securities classified as available-for-sale could have an impact of NT\$22,007 thousand on the income or equity attributable to the Company. An increase of 10% in the value of the listed securities would only result in an impact of NT\$22,007 thousand on equity but would not have an effect on profit.

#### (4) Credit risk management

Credit risk is the risk that a counter party will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to The Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2018 and 2017, accounts receivables from top ten customers represented amounts less than 10% of the total accounts receivables of the Company. The credit concentration risk of accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses since January 1, 2018. The loss allowance of accounts receivables is measured at lifetime expected credit losses. In addition, financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than				
	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>As of December 31, 2018</u>					
Short-term loans	\$1,904,589	\$-	\$-	\$-	\$1,904,589
Short-term bills payable	3,300,000	-	-	-	3,300,000
Payables	1,508,398	-	-	-	1,508,398
Long-term loans	5,427,836	4,501,206	1,568,170	370,115	11,867,327
<u>As of December 31, 2017</u>					
Short-term bills payable	\$300,294	\$-	\$-	\$-	\$300,294
Payables	2,200,000	-	-	-	2,200,000
Corporate bonds payable	1,560,526	-	-	-	1,560,526
Long-term loans	2,041,750	7,561,385	1,640,855	100,522	11,344,512

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities during 2018:

	Short-term notes			Total liabilities from financing activities
	Short-term loans	payables	Long-term loans	
As of January 1, 2018	\$300,000	\$2,200,000	\$10,958,300	\$13,458,300
Cash flows	1,600,000	1,100,000	526,640	3,226,640
As of December 31, 2018	\$1,900,000	\$3,300,000	\$11,484,940	\$16,684,940

Reconciliation of liabilities during 2017: Not applicable.

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, receivables, payables, refundable deposit and deposits-in approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- c. Fair value of equity instruments without market quotations (including private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- d. Fair value of debt instruments without market quotations and bank loans are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial instruments measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12. (8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	\$210,750	\$-	\$52,582	\$263,332

As of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Available-for-sale financial assets				
Equity securities	\$220,073	\$-	\$44,159	\$264,232

During the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy is as follows:

	<u>Assets</u>
	<u>Equity instrument measured at fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balances As of January 1, 2017	\$44,250
Total gains and losses recognized for the year ended December 31, 2017:	
Amount recognized in profit or loss	(8,250)
Amount recognized in OCI	8,159
Ending balances as of December 31, 2017	44,159
Total gains and losses recognized for the year ended December 31, 2018:	
Amount recognized in profit or loss	-
Amount recognized in OCI	8,423
Ending balances as of December 31, 2018	<u>\$52,582</u>

Total gains and losses recognized for the years ended December 31, 2018 and 2017 contained gains and losses related to the such assets on hand as of December 31, 2018 and 2017 in the amount of NT\$8,423 thousand and NT\$(91) thousand, respectively.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Disclose assets of fair value:				
Investment Property (Note 6. (10))	\$-	\$-	\$172,543	\$172,543

As of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Disclose assets of fair value:				
Investment Property (Note 6. (10))	\$-	\$-	\$170,914	\$170,914

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

(in thousands)

	As of December 31, 2018		
	<u>Foreign currencies</u>	<u>Foreign exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
Monetary items:			
USD	\$25,342	30.715	\$778,383
Non-Monetary items:			
USD	12,058	30.715	370,351

	As of December 31, 2017		
	<u>Foreign currencies</u>	<u>Foreign exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
Monetary items:			
USD	\$38,422	29.76	\$1,143,429
Non-Monetary items:			
USD	10,669	29.76	317,496

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Since there were various transaction currencies used, the Company was unable to disclose foreign exchange gains (losses) towards each foreign currency with significant impact. The realized and unrealized foreign exchange gains (losses) were NT\$57,321 thousand and NT\$(121,609) thousand for the years ended December 31, 2018 and 2017, respectively.

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stockholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, The Company may adjust dividend payment to stockholders, return capital to stockholders or issue new shares.



(11) Information of finance assets transfer

Transferred financial assets that are partially-derecognized in their entirety

The Company entered into a factoring agreement with a financial institution, which is partly with recourse and partly non-recourse. The Company has transferred the right on those non-recourse factoring, and in accordance with the contract, the Company shall not be liable for the credit risks associated with uncollectable receivables (except for commercial disputes), which met the requirements for derecognizing financial assets. The related information is as follows:

As of December 31, 2018:

<u>Transferee</u>	<u>Amount transferred</u>	<u>Amount</u>	<u>Advanced amount</u>	<u>Interest rate range</u>	<u>Credit</u>
O-Bank	<u>\$438,775</u>	<u>\$394,898</u>	<u>\$397,010</u>	1.07%~1.08%	<u>\$800,000</u>

As of December 31, 2017:

<u>Transferee</u>	<u>Amount transferred</u>	<u>Amount</u>	<u>Advanced amount</u>	<u>Interest rate range</u>	<u>Credit</u>
O-Bank	<u>\$468,512</u>	<u>\$421,661</u>	<u>\$422,877</u>	0.99%~1.08%	<u>\$800,000</u>

(12) Others

As of December 31, 2018, there was liquidity risk that the Company's current liabilities exceeded current assets. However, the Company has scheduled other financing plans to counter the risk. The Company considers that the measures mentioned above could reduce the liquidity risk as of December 31, 2018 significantly.

13. Other disclosure

(1) Information at significant transactions

- A. Lending fund to others: Please refer to Attachment 1.
- B. Endorsement/guarantee provided to others: Please refer to Attachment 2.
- C. Securities held at the end of the period: Please refer to Attachment 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20 percent of the capital stock or more: Please refer to Attachment 4.
- E. Acquisition of real estate with amount exceeding NT\$300 million or 20 percent of the capital stock or more: None.

- F. Disposal of real estate with amount exceeding NT\$300 million or 20 percent of the capital stock or more: None.
- G. Related party transactions for purchases and sales amounts exceeding NT\$100 million or 20 percent of the capital stock or more: Please refer to Attachment 5.
- H. Receivables from related parties with amounts exceeding NT\$100 million or 20 percent of capital stock or more: Please refer to Attachment 6.
- I. Financial instruments and derivative transactions: None.
- J. Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between them: Please refer to Attachment 7.

(2) Information on investees

Information of the investees in which the Company directly or indirectly has significant influence or control: Please refer to Attachment 8.

(3) Information on investments in Mainland China

- A. Investee's name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income or loss, carrying value of the investments, inward remittance of earnings and limits on investments in Mainland China: Please refer to Attachment 9.
- B. Directly or indirectly significant transactions through other regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition are disclosed as follows:
  - a. Accumulated amount and percentage of purchase and related payables at the end of the period: Please refer to Note 7 and Attachment 5.
  - b. Accumulated amount and percentage of sales and related receivables at the end of the period: Please refer to Note 7 and Attachment 5.
  - c. Amount of property transaction and related gain or loss: Note 7.
  - d. Endorsement/guarantee provided to others at the end of the period: Please refer to Attachment 2.
  - e. Financing provided to others at the end of the period: Note 7.
  - f. Other significant transactions, such as service provided or received: Please refer to Note 7.

Financing provided to others for the year ended December 31, 2018

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period	Ending Balance (in Thousands) (Note 8)	Actual Amount provided	Interest Rate	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Financing (Note 6)	Allowance for Bad Debt	Collateral		Amount for Individual Counterparty (Note 7)	Financial Amount for Financing Company (Note 7)
													Item	Value		
1	TGCH	TXY	Other receivables	Yes	\$185,730	\$-	\$-	-	2	\$-	Need for operating	\$-	-	-	44,199,411 × 40% = 17,679,764 (in thousand)	44,199,411 × 40% = 17,679,764 (in thousand)
1	TGCH	HNG	"	Yes	364,125	-	-	-	2	-	Need for operating	-	-	-	"	"
1	TGCH	TBF	"	Yes	826,335	-	-	-	2	-	Need for operating	-	-	-	"	"
1	TGCH	CFG	"	Yes	609,200	307,150	307,150	4.41%	2	-	Need for operating	-	-	-	"	"
1	TGCH	PPG	"	Yes	1,057,784	545,989	545,989	4.00%-4.35%	2	-	Need for operating	-	-	-	"	"
1	TGCH	TJG	"	Yes	1,840,419	1,182,433	1,121,003	4.00%-4.88%	2	-	Need for operating	-	-	-	"	"
1	TGCH	TAH	"	Yes	2,907,475	1,842,900	1,228,600	4.45%-4.64%	2	-	Need for operating	-	-	-	"	"
1	TGCH	TCD	"	Yes	4,212,450	1,996,475	1,382,175	4.29%-4.81%	2	-	Need for operating	-	-	-	"	"
2	CFG	TTAR	"	Yes	280,204	-	-	-	2	-	Need for operating	-	-	-	1,905,569 × 40% = 762,228 (in thousand)	1,905,569 × 60% = 1,143,341 (in thousand)
2	CFG	TWAR	"	Yes	23,420	23,318	23,318	-	2	-	Need for operating	-	-	-	"	"
3	CDG	TYAU	"	Yes	214,782	-	-	-	2	-	Need for operating	-	-	-	7,421,535 × 40% = 2,968,614 (in thousand)	7,421,535 × 60% = 4,452,921 (in thousand)
3	CDG	CFG	"	Yes	636,998	-	-	-	2	-	Need for operating	-	-	-	"	"
3	CDG	TYSM	"	Yes	175,480	84,986	84,986	5.60%	2	-	Need for operating	-	-	-	"	"
3	CDG	HZSS	"	Yes	148,041	145,086	145,086	0.35%	2	-	Need for operating	-	-	-	"	"
3	CDG	TTAR	"	Yes	513,610	492,285	492,285	4.13%	2	-	Need for operating	-	-	-	"	"
3	CDG	TXY	"	Yes	1,131,228	1,083,027	993,521	0.35%-4.42%	2	-	Need for operating	-	-	-	"	"
3	CDG	TWAR	"	Yes	1,794,602	1,794,602	1,257,564	0.35%-4.13%	2	-	Need for operating	-	-	-	"	"
4	QFG	QRG	"	Yes	311,158	179,013	148,497	-	2	-	Need for operating	-	-	-	1,533,708 × 40% = 613,483 (in thousand)	1,533,708 × 60% = 920,225 (in thousand)

## Financing provided to others for the year ended December 31, 2017 (Continue)

No.	Financing Company (Note 1)	Counterparty	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (in Thousands) (Note 8)	Actual Amount provided	Interest Rate	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Financing (Note 6)	Allowance for Bad Debt	Collateral		Amount for Individual Counterparty (Note 7)	Financial Amount for Financing Company (Note 7)
													Item	Value		
5	HNG	ZZSS	Other receivables	Yes	\$74,721	\$49,672	42,840	-	2	-	Need for operating	-	-	-	3,337,770 × 40% = 1,335,108 (in thousand)	3,337,770 × 60% = 2,002,662 (in thousand)
6	TGF	TBF	"	Yes	466,918	447,532	268,519	5.51%	2	-	Need for operating	-	-	-	6,456,718 × 40% = 2,582,687 (in thousand)	6,456,718 × 60% = 3,874,031 (in thousand)
6	TGF	TCID	"	Yes	1,401,022	1,342,595	1,253,089	4.35%–5.51%	2	-	Need for operating	-	-	-	"	"
7	DHG	QFG	"	Yes	106,670	53,704	50,079	4.00%	2	-	Need for operating	-	-	-	5,201,706 × 40% = 2,080,682 (in thousand)	5,201,706 × 60% = 3,121,024 (in thousand)
7	DHG	FFG	"	Yes	1,746,608	1,673,769	1,673,769	4.00%	2	-	Need for operating	-	-	-	"	"
8	TAH	FYSS	"	Yes	53,704	53,704	53,704	2.00%	2	-	Need for operating	-	-	-	1,976,227 × 40% = 790,491 (in thousand)	1,976,227 × 60% = 1,185,736 (in thousand)
9	HZSS	TXY	"	Yes	25,066	25,066	25,066	-	2	-	Need for operating	-	-	-	165,811 × 40% = 66,324 (in thousand)	165,811 × 60% = 99,487 (in thousand)
10	TXY	TWAR	"	Yes	7,081	7,081	7,081	-	2	-	Need for operating	-	-	-	2,546,635 × 40% = 1,018,654 (in thousand)	2,546,635 × 60% = 1,527,981 (in thousand)
Total							\$11,404,321									

Note 1: The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".

2. The subsidiaries are coded starting from "1" in numerical order.

Note 2: If the economic substance of transactions are financing to others, regardless of which component they recognized as in the financial statements, certain transactions are included therein.

Note 3: Maximum balance of the Company and its subsidiaries' financing to others for the year ended December 31, 2017

Note 4: Nature of financing is coded as follows:

1. The financing occurred due to business transactions

2. The financing occurred due to short-term financing

Note 5: Total amount of the financing is disclosed herein if the financing was related to business transactions. The amount shall mean the transaction amount between the lending entity and the borrower within the most recent year.

Note 6: The reasons and counterparties of the financing are addressed herein as the financing associated with short-term capital needs.

Note 7: The process of providing finance to others, the limits to individual counterparties and the total financing limit for the company should be noted, as well as the computations.

Note 8: If a listed company brings the financing proposal to the board of directors according to Paragraph 1, Article 1 of the Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies, the company still needs to disclose the resolution amount of the board in the balance to disclose the risk, even if the funds are not appropriated yet.

With the return of the funds afterward, the company should disclose the amount returned to reflect the adjusted risk.

If a listed company authorizes the chairman of the board of directors to appropriate or use certain limits of the funds several times in the period of a year according to Paragraph 2, Article 14 of Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies, the company still needs to disclose the amount approved by the board.

Attachment 2		Endorsement/Guarantees provided to others for the year ended December 31, 2018		Limits of Endorsement/Guarantee Amount for		Actual Amount provided		Ending Balance (Note 5)		Maximum Balance		Amount of Endorsement/Guarantee		Percentage of Accumulated Endorsement/Guarantee to Net		Limits on the Endorsement/Guarantee Amount (Note 3)		Parent Company Endorsed or Guaranteed for		Subsidiaries Endorsed or Guaranteed for		Endorsed or Guaranteed for	
No. (Note 1)	Beneficiary	Company Name	Relationship	Company Name	Relationship	Guarantee Amount	Balance	Ending Balance (Note 5)	Actual Amount provided	Amount of Endorsement/Guarantee	Percentage of Accumulated Endorsement/Guarantee to Net	Limit on the Endorsement/Guarantee Amount (Note 3)	Parent Company Endorsed or Guaranteed for	Subsidiaries Endorsed or Guaranteed for	Endorsed or Guaranteed for	Subsidiaries Endorsed or Guaranteed for	Endorsed or Guaranteed for						
0	TGI	TGCH	2	\$22,122,740	"	\$9,190,575	\$4,219,240	\$4,219,240	\$4,219,240	\$-	10%	1. In accordance with the Article 4 of the Procedures for Endorsement and Guarantee, the Company may provide endorsement/guarantee to others but shall not exceed 120% of its net assets. For endorsement/guarantee to individual entity, the amount is limited to 50% of the Company's net assets.	Y		Y		Y						
0	TGI	CDG	2	"	"	655,982	-	-	-	-	0%	2. Subsidiaries may provide endorsement/guarantee to others but shall not exceed 100% of their net assets. For endorsement/guarantee to individual entity, the amount is limited to 60% of the subsidiary's net assets.	Y		Y		Y						
0	TGI	TWAR	2	"	"	754,130	-	-	-	-	0%	3. TGI : 44,245,480*120%= 53,094,576(in thousand)	Y		Y		Y						
0	TGI	CFG	2	"	"	97,680	89,550	-	-	-	0%	4. TGF : 6,456,718*100%= 6,456,718(in thousand)	Y		Y		Y						
0	TGI	TVSM	2	"	"	763,795	237,295	88,620	-	-	1%	5. CFG : 1,905,569 (in thousand)*100%= 1,905,569(in thousand)	Y		Y		Y						
0	TGI	QFG	2	"	"	606,950	300,700	300,700	300,700	-	1%	6. DHG : 5,201,706*100%= 5,201,706(in thousand)	Y		Y		Y						
0	TGI	TGF	2	"	"	591,055	413,810	413,810	413,810	-	1%	7. TGCH : 44,199,411*100%= 44,199,411(in thousand)	Y		Y		Y						
0	TGI	HNG	2	"	"	754,300	446,750	151,550	151,550	-	1%	8. TCD : 2,773,572*100%= 2,773,572(in thousand)	Y		Y		Y						
0	TGI	TYAU	2	"	"	753,006	501,493	501,493	501,493	-	1%	9. QFG : 1,533,708*100%= 1,533,708(in thousand)	Y		Y		Y						
0	TGI	PPG	2	"	"	847,136	613,627	613,627	-	-	2%		Y		Y		Y						
0	TGI	TIG	2	"	"	907,175	754,550	754,550	605,875	-	2%		Y		Y		Y						
0	TGI	TCD	2	"	"	853,922	853,922	853,922	853,922	-	2%		Y		Y		Y						
0	TGI	TXY	2	"	"	2,142,503	862,874	862,874	862,874	-	2%		Y		Y		Y						
0	TGI	TAH	2	"	"	1,408,625	1,408,625	1,408,625	1,408,625	-	3%		Y		Y		Y						
0	TGI	TBF	2	"	"	4,205,700	4,054,425	4,054,425	3,230,685	-	9%		Y		Y		Y						
1	TGF	CFG	4	3,874,031	"	138,107	134,259	134,259	-	-	2%		Y		Y		Y						
1	TGF	TCD	4	"	"	1,203,431	895,064	895,064	640,382	-	14%		Y		Y		Y						
2	CFG	TAR	4	1,143,342	"	373,606	268,519	268,519	223,766	-	14%		Y		Y		Y						
2	CFG	TGF	4	"	"	513,708	492,285	492,285	366,226	-	26%		Y		Y		Y						
3	DHG	QFG	4	3,121,024	"	720,101	716,051	716,051	447,532	-	14%		Y		Y		Y						
4	TGCH	TGI	3	26,519,647	"	50,000	50,000	50,000	50,000	-	0%		Y		Y		Y						
5	TGD	TGF	4	1,664,143	"	233,504	-	-	-	-	0%		Y		Y		Y						
6	QFG	TQPT	2	920,225	"	271,105	269,839	269,839	223,766	-	18%		Y		Y		Y						

Note 1: The Company and its subsidiaries are coded as follows:

- The Company is coded "0".
- The subsidiaries are coded starting from "1" in numerical order.

Note 2: Receiving parties are disclosed as one of the following:

- An investee that has a business relationship with the Company
- A subsidiary in which the Company holds directly over 50% of equity interest.
- An investee in which the Company holds directly or indirectly over 50% of equity interest.
- An investee in which the Company holds directly or indirectly over 50% of equity interest.
- A company which needs mutual insurance basing on the construction agreement.

Note 3: The process of providing finance to others, the limits to individual counterparties and the total financing limit for the company should be noted, as well as the counterparties.

Note 4: The maximum amount of the Company and its subsidiaries' endorsement/guarantee to others for the year ended December 31, 2017

Note 5: The Company bears the responsibility of endorsement/guarantee as long as the ceilings on the amount of guarantee or endorsement are approved by banks. Other occurrences related to endorsement/guarantee shall be included in the balance.

Note 6: Fill in the actual amount drawn from the balance.

Note 7: Fill in "Y" if it belongs to "Parent Company Endorsement or Guarantee for the Subsidiaries", "Subsidiaries Endorsement or Guarantee for the Parent Company", or "Endorsement or Guarantee for Entities in China".

## Attachment 3

Securities held as of December 31, 2018

(Dollar amount expressed in thousands of NTD unless otherwise specified)

Company	Type and Name of the Securities (Note 1)	Relationship (Note 2)	Financial Statement Account	As of December 31, 2018			Remark (Note-4)
				Shares	Carrying Value (Note 3)	Percentage of Ownership	
TGI	Securities: China Development Financial Holdings Chi-Ye Chemical Corp. Chang Hwa Commercial Bank, Ltd. Hua Nan Financial Holdings Co., Ltd. Total	- - - -	Available - for - sale financial assets - non - current " " "	21,681,340 659,000 308 141	\$210,743 52,582 5 2 <u>\$263,332</u>	0.14% 3.30% 0.00% 0.00%	\$210,743 52,582 5 2
CDG	Financial products -- Bank of Communications, Qingbaijiang Branch	-	Financial assets at fair value through profit or loss - current	-	<u>\$478,859</u>	-	\$478,859

Note 1: The securities herein shall refer to stocks, bonds, beneficiary certificates and other marketable securities derived from the above items in the scope of IFRS 9-Financial Instruments.

Note 2: Securities issued by non-related parties are not required to fill in this column.

Note 3: For items measured at fair value, the carrying value is the balance of the book value adjusted by fair value valuation deducting accumulated impairment.

Note 4: Securities with restrictions because of being provided for security, as pledge or under other covenants should state the number of shares or dollar amount provided for security or pledge and the restriction terms.

Attachment 4

Individual securities acquired or disposed of with accumulated amount exceeding

NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2018

(Dollar amount expressed in thousands of NTD unless otherwise specified)

Company	Type and Name of the Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)		Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Selling Amount	Carrying Value	Gain or Loss on Disposal	Shares
TGI	Securities TGCH	Investments accounted for using the equity method	TGCH	Parent- Subsidiary	1,307,251,564	\$39,740,085	46,781,758	\$1,434,796 (Notes) 345,462 (Note6)	-	\$-	\$-	1,354,033,322	\$41,520,343
TGCH	SCH	Investments accounted for using the equity method	SCH	Associate	1,448,323,842	3,001,820	456,122,144	1,434,796 (Notes) (313,657) (Note6)	-	-	-	1,904,445,986	4,122,959
CDG	Financial products -- Bank of Communications, Qinghaijiang Branch	Financial assets at fair value through profit or loss - current	-	-	-	-	-	556,305 (Note7)	68,485	68,398	87	-	478,859

Note 1: The securities herein shall refer to stocks, bonds, beneficiary certificates and other securities derived from the above items.

Note 2: These columns are filled only if securities are investments accounted for using the equity method.

Note 3: Accumulated amount of securities purchased or sold are calculated at market value to determine whether they exceed NT\$300 million or 20% of the capital stock.

Note 4: Paid-in Capital shall refer to the paid-in capital of parent company.

Note 5: The amount includes cash injection.

Note 6: The amount includes share of losses of subsidiaries, share of other comprehensive income, and increase through changes in ownership interests in subsidiaries, and other changes in stockholders' equity of equity investees.

Note 7: The amount includes foreign exchange adjustments.

## Attachment 5

Related party transactions for purchases and sales amounts exceeding NT\$100 million or 20 percent of capital stock as of for the year ended December 31, 2018

(Dollar amount expressed in thousands of NTD unless otherwise specified)												
Company	Counterparty	Relationship	Transaction Details				Details Different from Non-arm's Length Transactions (Note 1)			Notes and Accounts Receivable (Payable)		Remark (Note 2)
			Sale/Purchase	Amount	Percentage of Total Sales or Purchases	Term	Unit Price	Terms	Balance	Percentage of Total Receivable (Payable)		
TGI	TAG	Parent-subsubsidiary	Sales	\$(104,822)	(1)%	3 months	\$-	-	\$13,190	1%		
TGI	QFG	Parent-subsubsidiary	Sales	(355,640)	(3)%	3 months	-	-	61,945	5%		
TGI	TGF	Parent-subsubsidiary	Sales	(105,341)	(1)%	3 months	-	-	380	0%		
CFG	TKG	Affiliate Company	Sales	(498,240)	(12)%	3 months	-	-	-	-		
TAH	CFG	Affiliate Company	Sales	(390,904)	(14)%	3 months	-	-	120,717	19%		
TAH	TTAR	Affiliate Company	Sales	(294,892)	(11)%	3 months	-	-	183,105	30%		
TAH	TWAR	Affiliate Company	Sales	(257,329)	(10)%	3 months	-	-	121,573	20%		
TCD	TGF	Affiliate Company	Sales	(212,648)	(10)%	3 months	-	-	22,440	4%		
QFG	TGUS	Affiliate Company	Sales	(261,913)	(12)%	3 months	-	-	25,357	23%		
QFG	TPMT	Other related party	Sales	(140,824)	(7)%	3 months	-	-	-	-		
TJG	TGUS	Affiliate Company	Sales	(241,800)	(14)%	3 months	-	-	13,727	6%		
TXY	XYES	Parent-subsubsidiary	Sales	(139,193)	(4)%	3 months	-	-	32,666	6%		
TXY	CDG	Affiliate Company	Sales	(138,235)	(4)%	3 months	-	-	111,303	22%		
TYAU	DYK	Other related party	Sales	(268,149)	(55)%	3 months	-	-	94,847	64%		
TAG	TGI	Parent-subsubsidiary	Purchases	104,822	42 %	3 months	-	-	(13,190)	(38)%		
QFG	TGI	Parent-subsubsidiary	Purchases	355,640	21 %	3 months	-	-	(61,945)	(29)%		
TKG	CFG	Affiliate Company	Purchases	498,240	49 %	3 months	-	-	-	-		



## Attachment 5

Related party transactions for purchases and sales amounts exceeding NT\$100 million or 20 percent of capital stock as of for the year ended December 31, 2018(Continue)

Company	Counterparty	Relationship	Transaction Details				Details Different from Non-arm's Length Transactions (Note 1)			Notes and Accounts Receivable (Payable)		Remark (Note 2)
			Sale/Purchase	Amount	Percentage of Total Sales or Purchases	Term	Unit Price	Terms	Balance	Percentage of Total Receivable (Payable)		
CFG	TAH	Affiliate Company	Purchases	\$390,904	13 %	3 months	\$-	-	\$(120,717)	(12)%		
TTAR	TAH	Affiliate Company	Purchases	294,892	48 %	3 months	-	-	(183,105)	(74)%		
TWAR	TAH	Affiliate Company	Purchases	257,329	34 %	3 months	-	-	(121,573)	(63)%		
TGF	TGI	Parent-subsiidiary	Purchases	105,341	4 %	3 months	-	-	(380)	-		
TGF	TCD	Affiliate Company	Purchases	212,648	9 %	3 months	-	-	(22,440)	(24)%		
TGUS	QFG	Affiliate Company	Purchases	261,913	32 %	3 months	-	-	(25,357)	(46)%		
TGUS	TJG	Affiliate Company	Purchases	241,800	30 %	3 months	-	-	(13,727)	(25)%		
XYES	TXY	Parent-subsiidiary	Purchases	139,193	100 %	3 months	-	-	(32,666)	(100)%		
CDG	TXY	Affiliate Company	Purchases	138,235	5 %	3 months	-	-	(111,303)	(43)%		
HNG	SCJ	Affiliate Company	Purchases	349,746	21 %	3 months	-	-	(66,539)	(37)%		
DHG	SCJ	Affiliate Company	Purchases	472,609	28 %	3 months	-	-	(1,498)	(3)%		
TJG	SCJ	Affiliate Company	Purchases	184,951	14 %	3 months	-	-	(53,891)	(24)%		
QFG	SCJ	Affiliate Company	Purchases	237,177	14 %	3 months	-	-	-	-		
TAH	SCJ	Affiliate Company	Purchases	388,180	20 %	3 months	-	-	(35,647)	(32)%		
TAH	TRAE	Affiliate Company	Purchases	246,244	12 %	3 months	-	-	-	-		
CFG	SCJ	Affiliate Company	Purchases	370,344	12 %	3 months	-	-	(40,652)	(21)%		
FFG	SCJ	Affiliate Company	Purchases	167,774	17 %	3 months	-	-	(94,795)	(60)%		

Note 1: If the related parties' trading terms are different from the general trading terms, the differences and reasons for such differences should be stated in the "Unit price" and "Terms" columns.

Note 2: Transactions with advance receipts and prepayments should state the reasons, the terms of agreements, the amount and the difference from general transactions in the Remark column.

Note 3: Paid-in Capital shall refer to the paid-in capital of parent company. If the issuer's stock is not denominated or the denomination is not NT\$10, the transaction amount of 20% of the paid-up capital shall be calculated as 10% of the equity of the parent company on the balance sheet.

## Attachment 6

Receivables from related parties with amounts exceeding NT\$100 million  
or 20 percent of capital stock as of for the year ended December 31, 2018

(Dollar amount expressed in thousands of NTD unless otherwise specified)

Company	Counterparty	Relationship	Ending Balance (Note 1)	Turnover	Overdue Receivables		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Collection		
TGCH	CFG	Parent-subsiidiary	Other receivables \$330,133	-	\$-	-	\$-	-
TGCH	TJG	Parent-subsiidiary	Other receivables 1,140,168	-	-	-	-	-
TGCH	FPG	Parent-subsiidiary	Other receivables 555,772	-	-	-	-	-
TGCH	TCD	Parent-subsiidiary	Other receivables 1,397,676	-	-	-	-	-
TGCH	TAH	Parent-subsiidiary	Other receivables 1,305,488	-	-	-	-	-
QFG	QRG	Parent-subsiidiary	Other receivables 148,497	-	-	-	-	-
CDG	TWAR	Affiliate Company	Other receivables 1,264,301	-	-	-	-	-
CDG	HZSS	Affiliate Company	Other receivables 145,535	-	-	-	-	-
CDG	TXY	Affiliate Company	Other receivables 998,047	-	-	-	-	-
CDG	TTAR	Affiliate Company	Other receivables 498,962	-	-	-	-	-
TKG	CFG	Affiliate Company	Other receivables 712,717	-	-	-	-	-

Attachment 6

Receivables from related parties with amounts exceeding NT\$100 million.

Company	Counterparty	Relationship	Ending Balance (Note 1)	Turnover	Overdue Receivables		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Collection		
TGF	TCD	Affiliate Company	Other receivables \$1,255,040	-	-	-	-	-
TGF	TBF	Affiliate Company	Other receivables 271,498	-	-	-	-	-
DHG	FPG	Affiliate Company	Other receivables 1,712,733	-	-	-	-	-
TKG	CFG	Affiliate Company	Account receivables 108,744	-	-	-	-	-
TXY	CDG	Affiliate Company	Account receivables 111,303	-	-	-	-	-
TAH	CFG	Affiliate Company	Account receivables 120,717	-	-	-	-	-
TAH	TTAR	Affiliate Company	Account receivables 183,105	-	-	-	-	-
TAH	TWAR	Affiliate Company	Account receivables 121,573	-	-	-	-	-

Note 1: Fill in information such as related parties account receivables, notes receivable, other receivables, etc.

Note 2: Paid-in Capital shall refer to the paid-in capital of parent company. If the issuer's stock is not denominated or the denomination is not NT\$10, the transaction amount of 20% of the paid-up capital shall be calculated as 10% of the equity of the parent company on the balance sheet.

Attachment 7  
 Significant intercompany transactions for the year ended December 31, 2018  
 (Dollar amount expressed in thousands of NTD unless otherwise specified)

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transaction Details			Percentage (Note 3)
				Account	Amount	Terms	
0	TGI	TAG	1	Sales revenues	\$104,882	The same as domestic sales	0%
0	TGI	QFG	1	"	355,622	"	1%
0	TGI	TGF	1	"	105,341	"	0%
1	CFG	TKG	3	"	498,240	"	1%
2	TAH	CFG	3	"	390,904	"	1%
2	"	TTAR	3	"	294,892	"	1%
2	"	TWAR	3	"	257,329	"	1%
3	TCD	TGF	3	"	212,648	"	1%
4	QFG	TGUS	3	"	261,913	"	1%
5	TJG	TGUS	3	"	241,800	"	1%
6	TXY	XYES	1	"	139,193	"	0%
6	"	CDG	3	"	138,235	"	0%
7	TKG	CFG	3	Accounts receivables - related parties	108,744	"	0%
6	TXY	CDG	3	"	111,303	"	0%
2	TAH	CFG	3	"	120,717	"	0%
2	"	TTAR	3	"	183,105	"	0%
2	"	TWAR	3	"	121,573	"	0%
8	TGCH	CFG	1	Other receivables - related parties	330,133	"	0%
8	"	TJG	1	"	1,140,168	"	1%
8	"	FPG	1	"	555,772	"	1%
8	"	TCD	1	"	1,397,676	"	2%
8	"	TAH	1	"	1,305,488	"	2%
7	TKG	CFG	3	"	712,717	"	1%
4	QFG	QRG	1	"	148,497	"	0%
9	CDG	TWAR	3	"	1,264,301	"	1%
9	"	HZSS	3	"	145,535	"	0%
9	"	TXY	3	"	998,047	"	1%
9	"	TTAR	3	"	498,962	"	1%
10	TGF	TCD	3	"	1,255,040	"	1%
10	"	TBF	3	"	271,498	"	0%
11	DHG	FPG	3	"	1,712,733	"	2%

Note 1: The Company and its subsidiaries are coded as follows:

1 The Company is coded "0".

2 Subsidiaries are coded consecutively starting from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. Parent company to subsidiary

2. Subsidiary to parent company

3. Subsidiary to subsidiary

Note 3: The percentage is determined by the ratio of the transaction amount to the consolidated revenues or the total assets. Items on the balance sheet are calculated by the ending balance to total consolidated assets; items on the income statement are calculated by their cumulative balance to the total consolidated income.

Note 4: The disclosure of significant intercompany transactions in this attachment is determined by the company based on the materiality.

Names, locations and related information of investee companies as of December 31, 2018		(Dollar amount expressed in thousands of NTD unless otherwise specified)									
Company	Investee (Note 1,2)	Area Within	Nature of Business	Initial Investment		Shares	Percentage of Ownership	Carrying Value	Profit or Loss of Investee (Note 2)	Gain or Loss on Investment (Note 2,3)	Remark
				Ending Balance	Beginning Balance						
TGI	TGUS	US	Investment in QRG and selling of glasses.	\$17,676 USD 461	\$17,676 USD 461	4,612	100.00%	\$370,351	\$43,233	\$43,233	
"	TGCH	Bermuda	Investment in QRG, QFG, YNSS, TGF, CFG, FYSS, CDG, DHG, HZSS, HNG, TKG, TIG, PPG, TXY, TTAR, TYAU, TAH, TYSM, TWAR, TCD, TBF, and SCH.	41,724,578 USD 1,343,151	40,289,782 USD 1,296,369	1,354,033,322	93.98%	41,520,343	1,515,768	1,411,759	
"	TAG	Taiwan	Investment in TAGH and selling of auto glasses.	263,582	263,582	26,100,000	87.00%	256,946	(50,005)	(43,933)	
"	TVIG	Taiwan	Selling vacuum insulation glass	438,750	438,750	43,875,000	65.00%	193,352	(44,164)	(28,707)	
"	HTG	Taiwan	Selling kitchen appliance	10,000	10,000	-	-	-	2,262	1,131	(Note 3)
TGCH	SCH	Hong Kong	Investment in Shuibien Chemical Industrial (Jiangsu) Co., Ltd. (SCJ) and Huaian Shihyuan Brine Co., Ltd. (HSB).	7,861,681 USD 252,088	6,426,885 USD 205,307	1,904,445,986	43.99%	4,122,959	532,595	197,348	
TAG	TAGH	Bermuda	Investment in TYAU.	188,571 USD 6,000	188,571 USD 6,000	6,000,000	100.00%	87,206	(6,724)	(6,724)	

Note 1: A listed company which has a foreign holding company that uses the consolidated financial statements as the master financial report according to its local regulations may disclose information regarding foreign investees only to the extent of the holding company.

Note 2: Fill in information following the instruction below for matters not applied in Note 1 indicated above:

- (1) The columns of "Name of investee", "Area Within", "Nature of Business", "Initial Investment" and "Investment as of December 31, 2018" should fill in information of the reinvestment of the listed company, reinvestment of every direct or indirect reinvestment of the investee, and disclose the relationship of the investees with the Company in the Remark column.  
(Such as subsidiary or sub-subsubsidiary)

(2) The column of "Profit or Loss of Investee" should fill in the current profit or loss of the investees.

(3) The column of "Gain or Loss on Investment" only require profit / loss of the direct investees and all investees accounted for under the equity method  
When filling in the above items, make sure the profit / loss of direct investee subsidiaries include the profit or loss of their reinvestments that are required to be recognized.  
Note 3: Due to changes in operating strategies, the resolution disbanded HTG. on March 31, 2018 and the Company has lost its control.

Attachment 9 Investment in Mainland China as of December 31, 2018 (Dollar amount expressed in thousands of RMB unless otherwise specified)

Investee	Nature of Business	Total Amount of Paid-in Capital	Investment Method (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2018	Profit or Loss of Investee company	Percentage of Ownership	Profit or Loss on Investment (Note 2)(c)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
YRQ	Manufacturing of photovoltaic glass	\$899,734 USD 20,293 (Note 12)	(i)	\$32,988 USD 1,074	\$-	\$-	\$32,988 USD 1,074	\$(35,477)	94.96%	\$(33,689)	\$151,398	\$-
QFG	Manufacturing of flat glasses	2,696,777 USD 87,800 (Note 13 - Note 22)	(ii)	1,455,553 USD 47,389	-	-	1,455,553 USD 47,389	(72,497)	93.98%	(66,133)	1,441,378	-
YNSS	Manufacturing of silica sand	123,136 USD 4,009 (Note 13)	(iii)	59,556 USD 1,939	-	-	59,556 USD 1,939	18,849	59.56%	11,227	102,661	-
CFG	Manufacturing of flat glasses & low-emission glasses	2,150,050 USD 70,000 (Note 11)	(ii)	1,965,760 USD 64,000	-	-	1,965,760 USD 64,000	(50,722)	93.98%	(47,609)	1,790,854	-
FYSS	Manufacturing of silica sand	132,075 USD 4,300 (Note 6)	(ii)	64,502 USD 2,100	-	-	64,502 USD 2,100	(52,274)	93.98%	(49,127)	124,662	-
TGF	Manufacturing of glass fabric & fiber	3,378,650 USD 110,000 (Note 12)	(ii)	2,798,628 USD 91,116	-	-	2,798,628 USD 91,116	633,000	93.98%	594,893	6,068,023	-
CDG	Manufacturing of flat glasses & low-emission glasses	2,150,050 USD 70,000 (Note 11)	(ii)	1,501,810 USD 48,895	-	-	1,501,810 USD 48,895	751,953	93.98%	706,685	6,974,759	-
HZSS	Manufacturing of silica sand	322,508 USD 10,500 (Note 10)	(ii)	322,508 USD 10,500	-	-	322,508 USD 10,500	(42,828)	93.98%	(40,250)	155,829	-
HNG	Manufacturing of flat glasses & low-emission glasses	3,255,790 USD 106,000 (Note 8 - Note 13 - Note 21)	(ii)	2,718,278 USD 88,500	-	-	2,718,278 USD 88,500	123,878	93.98%	116,421	3,136,836	-
DHG	Manufacturing of flat glasses	2,457,200 USD 80,000 (Note 8 - Note 13 - Note 21)	(ii)	1,535,750 USD 50,000	-	-	1,535,750 USD 50,000	302,993	93.98%	284,753	4,888,563	-
TJG	Manufacturing of flat glasses & low-emission glasses	2,180,765 USD 71,000 (Note 9)	(ii)	1,812,185 USD 59,000	-	-	1,812,185 USD 59,000	(308,193)	93.98%	(289,640)	51,190	-
TKG	Manufacturing of flat glasses	737,160 USD 24,000 (Note 7)	(ii)	368,580 USD 12,000	-	-	368,580 USD 12,000	172,828	93.98%	162,424	1,330,097	-
FPG	Manufacturing of photovoltaic glass & cell module assembly	2,547,134 USD 82,928 (Note 20)	(ii)	1,597,180 USD 52,000	-	-	1,597,180 USD 52,000	(496,539)	93.98%	(466,648)	(140,187)	-
SCJ	Manufacturing of soda ash	24,572,000 USD 800,000 (Note 14)	(ii)	4,901,868 USD 159,592	-	-	4,901,868 USD 159,592	1,038,519	41.34%	429,324	7,578,072	-
HSB	Manufacturing Brute	982,880 USD 32,000 (Note 15)	(ii)	184,290 USD 6,000	-	-	184,290 USD 6,000	158,984	41.34%	65,724	663,174	-
TXY	Manufacturing of flat glasses	3,071,500 USD 100,000 (Note 19)	(ii)	1,996,475 USD 65,000	-	-	1,996,475 USD 65,000	307,261	93.98%	288,764	2,393,328	-
TTAR	Manufacturing of low-emission glasses	1,075,025 USD 35,000	(ii)	1,075,025 USD 35,000	-	-	1,075,025 USD 35,000	56,882	93.98%	53,458	609,656	-

Investee	Nature of Business	Total Amount of Paid-in Capital	Investment Method (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2018	Profit or Loss of Investee company	Percentage of Ownership	Profit or Loss on Investment (Note 2(i)(b))	Carrying Value as of December 31, 2018	Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
TAH	Manufacturing of the glasses	\$2,610,775 USD 85,000	(ii)	\$2,610,775 USD 85,000	\$-	\$-	\$2,610,775 USD 85,000	\$69,701	93.98%	\$65,505	\$1,857,258	\$-
TYSM	Manufacturing of solar glasses	1,996,475 USD 65,000 (Note 17)	(ii)	1,382,175 USD 45,000	115,181 USD 3,750	-	1,497,356 USD 48,750	(336,193)	70.49%	(236,982)	477,500	-
TWAR	Manufacturing of low-emission glasses	1,075,025 USD 35,000	(ii)	1,075,025 USD 35,000	-	-	1,075,025 USD 35,000	(50,932)	93.98%	(47,866)	363,845	-
TYAU	Manufacturing of auto glasses	2,088,620 USD 68,000 (Note 18)	(ii)	1,068,882 USD 34,800	-	-	1,068,882 USD 34,800	(69,433)	55.77%	(38,723)	577,009	-
TBF	Manufacturing of glass fabric	1,842,900 USD 60,000	(ii)	1,842,900 USD 60,000	-	-	1,842,900 USD 60,000	(246,275)	93.98%	(231,449)	1,352,890	-
TCD	Manufacturing of glass fabric	2,856,495 USD 93,000	(ii)	2,856,495 USD 93,000	-	-	2,856,495 USD 93,000	416,734	93.98%	391,647	2,606,603	-

(Dollar amount expressed in thousands of NTD, unless otherwise specified)

Investment Amount Authorized by Investment Commission, Ministry of Economic Affairs (Note 4)	Limit on Investment Amount to Mainland China (Note 5)

(Dollar amount expressed in thousands of NTD, thousands of USD)

Note 1: The methods for engaging in investment in Mainland China include the following:

(i) Direct investment in Mainland China companies.

(ii) Investment in Mainland China companies through a company invested and established in a third region

(iii) Other methods

Note 2: In the column of profit or loss on investment:

(i) The investment still in preparation and not generating profit or loss yet should be noted.

(ii) The gain or loss on investment were determined based on the following:

a. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm

b. The financial statements certified by the CPA of the parent company in Taiwan

c. Others

Note 3: The amount of this attachment are expressed in New Taiwan Dollars.

Note 4: The investment amount was authorized by Investment Commission, Ministry of Economic Affairs.

Note 5: The Company does not have a limit on investment in Mainland China since it qualified as operation headquarter approved by the Industrial Development Bureau, Ministry of Economic Affairs.

Note 6: The TGCH invested the other USD 2,200 thousand to the entity with its own capital.

Note 7: The other USD 12,000 thousand was invested by third party through the TGCH.

Note 8: Third party invested USD 3,000 thousand to the entity through the TGCH.

Note 9: Third party invested USD 12,000 thousand to the entity through the TGCH.

Note 10: Third party invested USD 17,000 thousand to the entity through the TGCH.

Note 11: Third party invested USD 21,000 thousand to the entity through the TGCH.

Note 12: Third party invested USD 17,000 thousand to the entity through the TGCH.

Note 13: The QFG, YNSS, and DHG invested USD 27,800 thousand, USD 592 thousand, and USD 13,000 thousand, their unappropriated earnings, respectively to the subsidiary.

Note 14: The SCH, the investee of the TGCH, invested USD 640,408 thousand to the entity with its and third party's capital.

Note 15: The SCH invested USD 26,000 thousand to the entity with third party's capital.

Note 16: The USD 35,000 thousand earnings distributed by CFG and CDG was invested by TGCH. The Company did not provide any funding.

Note 17: The USD 15,000 thousand was invested by the third party. The Company did not provide any funding.

Note 18: The FAGH and third party invested additional USD 6,000 thousand and USD 27,200 thousand to the entity, respectively.

Note 19: The QFG and TGSU invested USD 23,319 thousand and USD 4,774 thousand to the entity, respectively.

Note 20: The PFG raised capital of USD 30,928 thousand through debt for equity swap. The Company did not provide any funding.

Note 21: The DHG raised capital of USD 14,000 thousand through debt for equity swap. The Company did not provide any funding.

Note 22: The QFG raised capital of USD 5,000 thousand through debt for equity swap. The Company did not provide any funding.

**V. Consolidated financial statements of TGI as of and for the years ended December 31, 2018  
with CPA's report**

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**TAIWAN GLASS INDUSTRIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017**

Address: 11<sup>th</sup> Floor, No. 261, Sec. 3, Nanjing E. Rd., Taipei, Taiwan, R.O.C.

Telephone: 886-2-2713-0333

*The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.*



## Independent Auditors' Report Translated from Chinese

To Taiwan Glass Industrial Corporation

### Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2018 consolidated financial statements. 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.

### Impairment Valuation of Non-financial assets

As of December 31, 2018, the Company and its subsidiaries' property, plant and equipment amounted to NT\$50,832,520 thousand, which is relatively material for the consolidated financial statements. Due to the market and economic outlook fluctuations in recent years, some operating units operated in losses which indicated that assets may be impaired. Therefore, the management performed impairment test on related cash-generating units and recognized impairment losses of NT\$376,672 thousand based on test results. As the estimation of the recoverable amount of the related cash-generating unit requires significant management judgment, we determined this a key audit matter.

Our audit procedures included, but not limited to, obtaining underlying data of the recoverable amount provided by management (including real estate and equipment valuation report) and related assumptions; assessing the appraiser's professional competency, experience and reputation in the related field; using the internal expert's work to assist us in considering and reviewing the method used by the appraiser's valuation and its estimation process; assessing whether the reasonable value in the current real estate market were evaluated based on reasonable and supported assumptions; verifying that the source of the assessment report is relevant and reliable.

We also assessed the adequacy of disclosures of property, plant and equipment. Please refer to Notes 5 and 6 to the Company's consolidated financial statements.

### Valuation of Inventories

As of December 31, 2018, the Company and its subsidiaries net inventories amounted to NT\$8,851,263 thousand, which is relatively material for the consolidated financial statements. The Company and its subsidiaries are engaged in the manufacturing, processing and sale of various glasses which have a wide range of applications in various sectors such as construction, electronics and consumer products industries. Considering the fact that identification of slow-moving inventories and the assessment of the amount of inventory write-downs require significant management judgement based on market demands, we determined this a key audit matter.

Our audit procedures included, but not limited to, assessing the appropriateness of the accounting policies of evaluating slow-moving and obsolete inventories, understanding and testing the internal controls established by management with respect to the valuation of inventories, including the calculation of net realizable value; sample testing the accuracy of the net realizable values used by management; vouching samples to verify accuracy of inventory aging.

We also assessed the adequacy of disclosures of inventories. Please refer to Notes 5 and 6 to the Company's consolidated financial statements.

### Revenue Recognition

Operating revenues recognized by the Company and its subsidiaries amounted to NT\$46,091,494 thousand for the year ended December 31, 2018. Reflecting different market demands, trade terms of different contracts varied, along with the fact that some of the sales orders included delivery services, management needed to review the sales orders or contracts to determine the performance obligations and the time of their satisfaction, there is a significant risk in revenue recognition. Therefore, we considered this a key audit matter.

Our audit procedures included, but not limited to, assessing the appropriateness of the accounting policy of revenue recognition; evaluating and testing the operating effectiveness of internal controls with respect to revenue recognition; selecting samples to perform tests of details and reviewing significant terms and conditions of contracts to verify reasonableness of the timing of revenue recognition; confirming significant account receivable balance by sending confirmation letters; selecting samples of transactions from either side of balance sheet date, vouching them to supporting evidences and reviewing significant subsequent sales return or discounts transactions to ensure the reasonableness of the timing of revenue recognition.

We also assessed the adequacy of disclosures of operating revenues. Please refer to Notes 4 and 6 to the Company's consolidated financial statements.

### **Emphasis of Matter – Applying for New Accounting Standards**

As stated in Note 3 of the Company's consolidated financial statements, the Company and its subsidiaries adopted the International Financial Reporting Standard 9, "Financial Instruments" and 15, "Revenue from Contracts with Customers" on January 1, 2018 and elected not to restate the Company's consolidated financial statements for prior periods.

### **Other Matter**

We have audited and expressed an unqualified opinion with emphasis of matter on the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2017.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries 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 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsiao, Tsui-Hui  
Fuh, Wen-Fang

Ernst & Young, Taiwan  
March 18, 2019

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.*

*Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.*

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
TAIWAN GLASS INDUSTRIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

	ASSETS		LIABILITIES AND EQUITY		NOTE	As of December 31,	
	2018	2017	2018	2017		2018	2017
<b>Current assets</b>			<b>Current liabilities</b>				
Cash and cash equivalents	\$4,707,247	\$5,115,837	Short-term loans		6(16), 7	\$7,040,660	\$6,373,954
Financial assets at fair value through profit or loss - current	478,859	683,936	Short-term bills payable		6(17)	3,295,570	2,196,039
Financial assets at amortized cost - current	30,714	-	Contract liabilities - current		4, 6(22)	960,526	-
Contract assets - current	395,754	-	Notes payable		7	69,429	242,675
Debt instrument investment for which no active market exists	-	59,208	Accounts payable		7	3,024,749	3,284,981
Notes receivable, net	4,955,550	3,663,328	Other payables		7	3,070,769	4,372,522
Accounts receivable, net	4,521,147	6,060,099	Current income tax liabilities		4	169,938	117,655
Other receivables, net	214,602	144,653	Advance receipts			1,148	1,133,380
Current income tax assets	28,840	22,312	Current portion of long-term loans		6(18)	5,594,435	3,795,329
Inventories, net	8,851,263	7,386,190	Other current liabilities			24,736	86,425
Prepayments	1,869,832	1,791,249	<b>Total current liabilities</b>			<b>23,251,960</b>	<b>21,602,960</b>
Other current financial assets	165,766	220,284	<b>Non-current liabilities</b>				
Other current assets	6,299	1,223	Long-term loans		6(18)	11,547,246	10,524,563
<b>Total current assets</b>	<b>26,225,853</b>	<b>25,148,319</b>	Deferred tax liabilities		4, 6(29)	631,973	654,505
			Long-term deferred revenue		4, 6(19)	1,249,590	1,332,855
<b>Non-current assets</b>			Accrued pension liabilities		4, 6(20)	467,262	99,082
Financial assets at fair value through other comprehensive income	263,332	-	Deposits-in			187,999	198,634
Available-for-sale financial assets - non-current	-	264,232	<b>Total non-current liabilities</b>			<b>14,084,070</b>	<b>12,809,639</b>
Investments accounted for using the equity method	4,136,312	3,031,338	<b>Total liabilities</b>			<b>37,336,030</b>	<b>34,412,599</b>
Property, plant and equipment	50,832,520	51,931,352	<b>Capital</b>		6(21)		
Intangible assets	69,657	91,080	Common stock			29,080,608	29,080,608
Deferred tax assets	412,224	341,029	<b>Additional paid-in capital</b>		6(21), 6(31)	1,925,218	1,921,575
Refundable deposits	197,392	231,158	<b>Retained earnings</b>		6(21)		
Long-term prepaid rent	2,887,765	2,944,870	Legal reserve			5,829,135	5,616,758
Other non-current assets	43,340	43,183	Special reserve			5,102,550	5,102,550
<b>Total non-current assets</b>	<b>58,842,542</b>	<b>58,878,242</b>	Unappropriated retained earnings			4,973,947	6,046,802
			<b>Total retained earnings</b>			<b>15,905,632</b>	<b>16,766,110</b>
			<b>Other components of equity</b>		4		
			Exchange differences on translation of foreign operations			(2,551,354)	(1,615,309)
			Unrealized gains and losses on financial assets at fair value through other comprehensive income			(114,624)	-
			Unrealized gains or losses on available-for-sale financial assets			-	(113,724)
			<b>Total other components of equity</b>			<b>(2,665,978)</b>	<b>(1,729,033)</b>
			<b>Total equity attributable to stockholders of the parent</b>		6(21)	<b>3,486,885</b>	<b>3,574,702</b>
			<b>Non-controlling interests</b>			<b>47,732,365</b>	<b>49,613,962</b>
			<b>Total liabilities and equity</b>			<b>\$85,068,395</b>	<b>\$84,026,561</b>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 TAIWAN GLASS INDUSTRIAL CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 For the years ended December 31, 2018 and 2017  
 (Expressed in Thousands of New Taiwan Dollars Except Earnings Per Share Information)

	Note	For the years ended December 31,	
		2018	2017
<b>Operating revenues</b>	4, 6(22), 7	\$46,091,494	\$44,869,581
<b>Operating costs</b>	6(8), 6(13), 6(26), 7	(38,755,048)	(37,231,578)
<b>Gross profit</b>		<u>7,336,446</u>	<u>7,638,003</u>
<b>Operating expenses</b>	6(13), 6(23), 6(24), 6(25), 7		
Selling and marketing expenses		(3,113,459)	(3,217,445)
General and administrative expenses		(1,515,355)	(1,410,887)
Research and development expenses		(425,245)	(370,143)
Expected credit losses and gain		41,113	-
Subtotal		<u>(5,012,946)</u>	<u>(4,998,475)</u>
Net amount of other revenues and gains and expenses and losses	6(24)	74	1,007
<b>Operating income</b>		<u>2,323,574</u>	<u>2,640,535</u>
<b>Non-operating income and expenses</b>			
Other income	4, 6(27), 7	673,663	361,550
Other gains and losses	6(12), 6(13), 6(27), 7	(921,323)	165,935
Financial costs	4, 6(27), 7	(716,330)	(756,504)
Share of income (losses) of associates and joint ventures	4, 6(11)	195,081	(20,721)
Subtotal		<u>(768,909)</u>	<u>(249,740)</u>
<b>Income from continuing operations before income tax</b>		1,554,665	2,390,795
<b>Income tax expenses</b>	4, 6(29)	<u>(522,685)</u>	<u>(215,050)</u>
<b>Net income from continuing operations</b>		<u>1,031,980</u>	<u>2,175,745</u>
<b>Other comprehensive income</b>	4, 6(11), 6(28), 6(29)		
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurement of defined benefit obligation		(395,128)	214,802
Unrealized losses on equity instruments investment at fair value through other comprehensive income		(900)	-
Income tax related to items that will not be reclassified subsequently		102,614	(36,516)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations		(688,092)	(619,486)
Unrealized gains on available-for-sale financial assets		-	54,855
Share of other comprehensive income of associates and joint ventures		(317,817)	222,371
Income tax related to items that may be reclassified subsequently		-	-
<b>Total other comprehensive income, net of tax</b>		<u>(1,299,323)</u>	<u>(163,974)</u>
<b>Total comprehensive income</b>		<u>\$ (267,343)</u>	<u>\$2,011,771</u>
Net income attributable to :			
Stockholders of the parent		\$1,066,286	\$2,123,773
Non-controlling interests		(34,306)	51,972
		<u>\$1,031,980</u>	<u>\$2,175,745</u>
Comprehensive income attributable to:			
Stockholders of the parent		\$(159,249)	\$1,988,440
Non-controlling interests		(108,094)	23,331
		<u>\$(267,343)</u>	<u>\$2,011,771</u>
<b>Earnings per share (NT\$)</b>	6(30)		
Earnings per share-basic		<u>\$0.37</u>	<u>\$0.73</u>
Diluted earning per share		<u>\$0.37</u>	<u>\$0.73</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
TAIWAN GLASS INDUSTRIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

EQUITY ATTRIBUTABLE TO THE PARENT COMPANY

	Capital	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Losses on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains or Losses on Available-for-sale Financial Assets	Total	Non-controlling Interests	Total Equity
Balance as of January 1, 2017	\$29,080,608	\$1,918,910	\$5,616,758	\$5,102,550	\$3,787,706	\$(1,241,289)	\$-	\$(168,579)	\$44,096,664	\$3,160,661	\$47,257,325
Net income in 2017		2,123,773			2,123,773				2,123,773	51,972	2,175,745
Other comprehensive income, net of tax in 2017					178,872	(369,060)		54,855	(135,333)	(28,641)	(163,974)
Total comprehensive income					2,302,645	(369,060)		54,855	1,988,440	23,331	2,011,771
Increase (decrease) through changes in ownership interests in subsidiaries		2,665			(4,960)				(2,295)	2,295	-
Changes in non-controlling interests					(43,549)				(43,549)	388,415	388,415
Decrease through changes in associates accounted for using equity method											(43,549)
Balance as of December 31, 2017	29,080,608	1,921,575	5,616,758	5,102,550	6,046,802	(1,615,309)	-	(113,724)	46,039,260	3,574,702	49,613,962
Effects of retroactive application and retrospective restatement							(113,724)	113,724			
Adjusted balance as of January 1, 2018	29,080,608	1,921,575	5,616,758	5,102,550	6,046,802	(1,615,309)	(113,724)	-	46,039,260	3,574,702	49,613,962
Appropriations and distributions of 2017 earnings:											
Legal reserve			212,377		(212,377)						-
Cash dividends			(1,454,030)		(1,454,030)				(1,454,030)		(1,454,030)
Net income in 2018					1,066,286				1,066,286	(34,306)	1,031,980
Other comprehensive income, net of tax in 2018					(292,012)	(932,623)	(900)		(1,225,535)	(73,788)	(1,299,323)
Total comprehensive income					774,274	(932,623)	(900)		(159,249)	(108,094)	(267,343)
Increase (decrease) through changes in ownership interests in subsidiaries		3,643			(3,422)				221	(221)	-
Changes in non-controlling interests										32,074	32,074
Decrease through changes in associates accounted for using equity method					(180,722)				(180,722)	(11,576)	(192,298)
Balance as of December 31, 2018	\$29,080,608	\$1,925,218	\$5,829,135	\$5,102,550	\$4,973,947	\$(2,551,354)	\$(114,624)	\$-	\$44,245,480	\$3,486,885	\$47,732,365

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



English Translation of Consolidated Financial Statements Originally Issued in Chinese  
TAIWAN GLASS INDUSTRIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net income before tax	\$1,554,665	\$2,390,795
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation (including investment property)	5,142,696	5,274,513
Amortization	29,307	33,459
Expected credit losses and gains	(41,113)	-
Gains on financial liabilities at fair value through profit or loss	-	(4,247)
Interest expenses	716,330	756,504
Interest income	(50,625)	(27,660)
Dividend income	(13,998)	(11,829)
Share of (income) losses of associates and joint ventures	(195,081)	20,721
Gain on disposal of property, plant and equipment	(74)	(1,007)
Loss on disposal of investment	86	-
Loss on impairment of financial assets	-	8,250
Loss on impairment of non-financial assets	376,672	-
Financial asset held for trading	-	(435,532)
Financial assets mandatorily measured at fair value through profit or loss	205,077	-
Contract assets	251,091	-
Notes receivable	(1,292,202)	(1,053,238)
Accounts receivable	933,157	(309,708)
Other receivable	(69,390)	515,844
Inventories	(1,465,073)	15,224
Prepayments	120,434	369,189
Other current assets	(5,076)	1,517
Other financial assets - current	54,518	(84,512)
Other operating assets	(357)	1,860
Contract liabilities	(239,064)	-
Notes payable	(173,246)	79,844
Accounts payable	(260,232)	(725,562)
Other payables	(180,497)	255,412
Advance receipts	55	(28,760)
Other current liabilities	5,634	5,626
Long-term deferred revenue	(61,229)	(51,593)
Net defined benefit liability	(26,948)	(33,327)
Cash generated from operations	<u>5,315,517</u>	<u>6,961,783</u>
Interests received	50,625	27,660
Dividends received	13,998	11,829
Interests paid	(667,956)	(813,281)
Income tax paid	(467,415)	(165,671)
Net cash provided by operating activities	<u>4,244,769</u>	<u>6,022,320</u>
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	28,494	-
Proceeds from disposal of available-for-sale financial assets	-	1,381
Debt instrument investment for which no active market exists	-	(59,208)
Acquisition of investments accounted for using the equity method	(1,434,797)	(398,827)
Disposal of subsidiaries	(15,426)	-
Capital reduction from investments accounted for using the equity method	14,788	-
Acquisition of property, plant and equipment, excluding capitalized borrowing costs	(4,902,999)	(2,518,933)
Capitalized borrowing costs of self-constructed assets	(21,040)	(6,941)
Proceeds from disposal of property, plant and equipment	182,498	35,542
Increase in refundable deposits	-	(147,078)
Decrease in refundable deposits	33,757	-
Acquisition of intangible assets	(3,418)	(628)
Net cash used in investing activities	<u>(6,118,143)</u>	<u>(3,094,692)</u>
Cash flows from financing activities:		
Increase in short-term loans	5,321,683	-
Decrease in short-term loans	(4,421,779)	(861,015)
Increase in short-term bills payable	11,250,000	11,200,000
Decrease in short-term bills payable	(10,150,000)	(10,350,000)
Proceeds from long-term loans	8,310,521	4,534,480
Repayments of long-term loans	(5,935,167)	(7,521,691)
Increase deposits-in	-	30,240
Decrease in deposits-in	(10,635)	-
Increase in other payables - related parties	14,592	-
Decrease in other payables - related parties	(1,622,016)	(131,272)
Decrease in lease obligations payable - non-current	(9,357)	(35,882)
Cash dividends	(1,461,966)	(4,817)
Changes in non-controlling interests	58,332	395,303
Net cash provided by (used in) financing activities	<u>1,344,208</u>	<u>(2,744,654)</u>
Effects of exchange rate changes on cash and cash equivalents	120,576	99,065
Net (decrease) increase in cash and cash equivalents	<u>(408,590)</u>	<u>282,039</u>
Cash and cash equivalents, at beginning of the year	5,115,837	4,833,798
Cash and cash equivalents, at end of the year	<u>\$4,707,247</u>	<u>\$5,115,837</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
TAIWAN GLASS INDUSTRIAL CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

Taiwan Glass Industrial Corporation (“the Company”) was incorporated on September 5, 1964 and commenced operations in 1967. The main activities of the Company are manufacturing, processing and selling of various glass products. The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in July 1973. The Company’s registered office and the main business location is at 11F, No. 261, Section 3, Nanjing E. Rd., Taipei, Republic of China (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended December 31, 2018 and 2017 were authorized for issue by the Board of Directors on March 18, 2019.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2018. Apart from the impact of the standards and interpretations which is described below, all other standards and interpretations have no material impact on the Group’s financial position and performance.

A. *IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)*

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group's principal activities consist of the sale of goods. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

- a. Please refer to Note 4 for the accounting policies before or after January 1, 2018.
- b. Before January 1, 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from January 1, 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group's revenue recognition from sale of goods. However, for some contracts, if the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets, which is different from the accounting treatment of recognizing accounts receivables before the date of initial application. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. The amount reclassified from accounts receivables to contract assets of the Group as at the date of initial application was NT\$661,467 thousand. To compare with the requirements of IAS 18, the accounts receivables decreased by NT\$395,754 thousand and the contract assets increased by NT\$395,754 thousand as of December 31, 2018. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9 and there was no material impact on the Group's loss allowance.
- c. Before January 1, 2018, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. Before January 1, 2018, the Group recognized the consideration received in advance from customers under advance receipts and other current liabilities. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from advance receipts and other current liabilities to contracts liabilities of the Group as at the date of initial application was NT\$1,199,590 thousand. In addition, compared with the requirements of IAS 18, advance receipts and other current liabilities decreased by NT\$960,526 thousand and the contract liabilities increased by NT\$960,526 thousand as of December 31, 2018.
- d. Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

B. *IFRS 9 "Financial Instruments"*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

- a. The Group adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

b. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as of January 1, 2018. The classifications of financial assets and its carrying amounts as of January 1, 2018 are as follows:

IAS 39		IFRS 9			
Measurement categories	Carrying amounts	Classification adjustments	Measurement categories	Carrying amounts	Notes
<b>Financial assets at fair value through profit or loss</b>					
Held-for-trading	\$683,936	(683,936) -		\$-	
		683,936	Financial assets mandatorily measured at fair value through profit or loss	683,936	(a)
Subtotal	<u>683,936</u>				
<b>Available-for-sale financial assets</b>					
	264,232	(264,232) -		-	
		264,232	Equity instruments measured at fair value through other comprehensive income	264,232	(b)
Subtotal	<u>264,232</u>				
<b>Loans and receivables</b>					
			Financial assets measured at amortized cost		(c)
Cash and cash equivalents	5,111,929		Cash and cash equivalents	5,111,929	
Debt instrument investment for which no active market exists	59,208	(59,208) -		-	
	-	59,208	Financial assets measured at amortized cost	59,208	
	-	661,467	Contract assets	661,467	
Notes receivables	3,663,328		Notes receivables	3,663,328	
Accounts receivables	6,060,099	(661,467)	Accounts receivables	5,398,632	
Other receivables	144,653		Other receivables	144,653	
Other financial assets	220,284		Other financial assets	220,284	
Refundable deposits	231,158		Refundable deposits	231,158	
Subtotal	<u>15,490,659</u>				
Total	<u>\$16,438,827</u>		Total	<u>\$16,438,827</u>	
<b>Equity items</b>					
Unrealized gains or losses on available-for-sale financial assets	(113,724)	113,724 -		-	
		(113,724)	Unrealized gains and losses on financial assets at fair value through other comprehensive income	(113,724)	(b)

Notes:

- (a) In accordance with IAS 39, financial assets classified as held for trading which measured at fair value through profit or loss might include financial product. In accordance with IFRS 9, as the cash flow characteristics for financial product are not solely payments of principal and interest on the principal amounts outstanding, they are classified as financial assets mandatorily measured at fair value through profit or loss. The change of classifications did not change the carrying amounts of these investments.
- (b) In accordance with of IAS 39, the Group's available-for-sale financial assets included investments in stocks of listed and unlisted companies. The Group assessed the facts and circumstances existed as of January 1, 2018, and determined these stocks were not held-for-trading; therefore, so the Group elected to designate them as financial assets measured at fair value through other comprehensive income. As of January 1, 2018, the Group reclassified available-for-sale financial assets to financial assets measured at fair value through other comprehensive income of NT\$264,232 thousand. As of January 1, 2018, this adjustment did not result any differences in the carrying amounts of assets, but reclassified within equity accounts. The Group reclassified unrealized gains or losses on available-for-sale financial assets of NT\$(113,724) thousand to unrealized gains and losses on financial assets at fair value through other comprehensive income.
- (c) In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as of January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arisen from the assessment of impairment losses for the aforementioned assets as of January 1, 2018.
- c. Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

C. *Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:*

The Group required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note 12(6) for more details.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 16 “Leases”	January 1, 2019
B	IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019
C	IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28	January 1, 2019
D	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
E	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
F	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

A. *IFRS 16 “Leases”*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors’ classification remains unchanged as operating or finance leases, but additional disclosure information is required.

B. *IFRIC 23 “Uncertainty Over Income Tax Treatments”*

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

C. *IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

D. *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

E. *Improvements to International Financial Reporting Standards (2015-2017 cycle):*

*IFRS 3 “Business Combinations”*

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

*IFRS 11 “Joint Arrangements”*

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

*IAS 12 “Income Taxes”*

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

*IAS 23 “Borrowing Costs”*

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

F. *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. Apart from item (A) explained below, the remaining standards and interpretations have no material impact on the Group.

*IFRS 16 “Leases”*

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

- a. For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (January 1, 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

#### Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019 and; the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at:

- i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on January 1, 2019.

The Group expects the right-of-use asset will increase by NT\$3,151,189 thousand, prepayments will decrease by NT\$85,412 thousand, long-term prepaid rent will decrease by NT\$2,887,765 thousand and the lease liability will increase by NT\$178,185 thousand on January 1, 2019. The difference will be adjusted as retained earnings of NT\$173 thousand.

- b. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group's financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2021
C	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
D	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020



A. *IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

B. *IFRS 17 “Insurance Contracts”*

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- a. estimates of future cash flows;
- b. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- c. a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

### C. *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

### D. *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under A, it is not practicable to estimate their impact on the Group at this point in time. Another has no material impact on the Group.

## 4. Summary of significant accounting policies

### (1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC.

### (2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			December 31, 2018	December 31, 2017	
The Company	Taiwan Glass USA Sales Corp. (TGUS)	Holding company investing in Mainland China, selling of glass and etc.	100.00%	100.00%	
"	Taiwan Glass China Holding Ltd. (TGCH)	Holding company investing in Mainland China	93.98%	93.78%	Note 1
"	Taiwan Autoglass Ind. Corp. (TAG)	Holding company investing in Mainland China, selling of autoglass etc.	87.00%	87.00%	
"	TG Teco Vacuum Insulated Glass Corp. (TVIG)	Selling vacuum insulation glass	65.00%	65.00%	
"	Hario TG Glass Corp. (HTG)	Selling kitchen appliance	-	50.00%	Note 2
Taiwan Glass USA Sales Corp.	Qingdao Rolled Glass Co., Ltd. (QRG)	Manufacturing of rolled glass	16.30%	16.30%	
Taiwan Glass China Holding Ltd.	Qingdao Rolled Glass Co., Ltd. (QRG)	Manufacturing of rolled glass	4.10%	4.10%	
"	TG Qingdao Glass Co., Ltd. (QFG)	Manufacturing of flat	100.00%	100.00%	
"	Yinan Silica Sand Co., Ltd. (YNSS)	Manufacturing of silica sand	63.38%	63.38%	
"	TG Changjiang Glass Co., Ltd. (CFG)	Manufacturing of flat and low-emission glass	100.00%	100.00%	
"	TG Fengyang Silica Sand Co., Ltd. (FYSS)	Manufacturing of silica sand	100.00%	100.00%	
"	Taichia Glass Fiber Co., Ltd. (TGF)	Manufacturing of glass fabric & fiber	100.00%	100.00%	
"	TG Chengdu Glass Co., Ltd. (CDG)	Manufacturing of flat and low-emission glass	100.00%	100.00%	
"	TG Hanzhong Silica Sand Co., Ltd. (HZSS)	Manufacturing of silica sand	100.00%	100.00%	
"	TG Donghai Glass Co., Ltd. (DHG)	Manufacturing of flat glass	100.00%	100.00%	
"	TG Huanan Glass Co., Ltd. (HNG)	Manufacturing of flat and low-emission glass	100.00%	100.00%	
"	TG Tianjin Glass Co., Ltd. (TJG)	Manufacturing of flat and low-emission glass	100.00%	100.00%	
"	TG Kunshan Glass Co., Ltd. (TKG)	Manufacturing of flat glass	100.00%	100.00%	
"	TG Fujian Photovoltaic Glass Co., Ltd. (FPG)	Manufacturing of photovoltaic glass and cell module assembly	100.00%	100.00%	
"	TG Xianyang Glass Co., Ltd. (TXY)	Manufacturing of flat glass and low-emission glass	100.00%	100.00%	
"	TG Taicang Architectural Glass Co., Ltd. (TTAR)	Manufacturing of low-emission glass	100.00%	100.00%	
"	TG Wuhan Architectural Glass Co., Ltd. (TWAR)	Manufacturing of low-emission glass	100.00%	100.00%	

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			December 31, 2018	December 31, 2017	
"	TG Anhui Glass Co., Ltd. (TAH)	Manufacturing of flat glass	100.00%	100.00%	
"	TG Yueda Autoglass Co., Ltd. (TYAU)	Manufacturing of autoglass	51.18%	51.18%	
"	TG Yueda Solar Glass Co., Ltd. (TYSM)	Manufacturing of solar glass	75.00%	75.00%	
"	Taichia Chengdu Glass Fiber Co., Ltd. (TCD)	Manufacturing of glass fiber	100.00%	100.00%	
"	Taichia Bengbu Glass Fiber Co., Ltd. (TBF)	Manufacturing of glass fiber	100.00%	100.00%	
TG Qingdao Glass Co., Ltd.	Qingdao Rolled Glass Co., Ltd. (QRG)	Manufacturing of rolled glass	79.60%	79.60%	
"	TG (Qingdao) Photoelectric Technology Co., Ltd. (TQPT)	Manufacturing of ITO conductive glass	70.00%	70.00%	Note 3
TG Huanan Glass Co., Ltd.	TG Zhangzhou Silica Sand Co., Ltd. (ZZSS)	Manufacturing of silica sand	100.00%	100.00%	
"	TG Heyuan Mineral Co., Ltd. (HYM)	Mining	60.00%	60.00%	
Taiwan Autoglass Ind. Corp.	TAG China Holding Ltd. (TAGH)	Holding company investing in Mainland China	100.00%	100.00%	
TAG China Holding Ltd.	TG Yueda Autoglass Co., Ltd. (TYAU)	Manufacturing of autoglass	8.82%	8.82%	
TG Xianyang Glass Co., Ltd.	Xianyang Jienengdun Glass Co., Ltd. (XYES)	Selling flat glass	100.00%	100.00%	
TG Wuhan Architectural Glass Co., Ltd.	Wuhan Jienengzhixing Glass Co., Ltd. (WHES)	Selling flat glass	100.00%	100.00%	
TG Chang Jiang Glass Co., Ltd.	Kunshan Energy Star Glass Co., Ltd. (KSES)	Selling flat glass	100.00%	100.00%	

Note 1: For the year ended December 31, 2018, the Company reinvested US\$46,782 thousand (equivalent to NT\$1,434,797 thousand) in its affiliate in Mainland China through TGCH. As the Company did not acquire new shares in proportion to its ownership in the subsidiary, the Company increased its ownership in TGCH to 93.98% and recognized additional paid-in capital in the amount of NT\$3,643 thousand.

Note 2: To engage in importing and sales of kitchen appliance, the Company established Hario TG Glass Corp. in 2012 with Hario Glass Co., Ltd., a Japanese company. The subsidiary has completed the liquidation and the Company has lost its control.

Note 3: A new investment of TG Qingdao Glass Co., Ltd. was set up in 2017.

#### (4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 *Financial Instruments* (Before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

#### (5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Group: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. The Group holds the asset primarily for the purpose of trading;
- C. The Group expects to realize the asset within twelve months after the reporting period; or
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Group expects to settle the liability in its normal operating cycle;
- B. The Group holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value (include fixed-term deposits that have maturities of 3 months from the date of acquisition).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* (Before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

**The accounting policy from January 1, 2018 as follows:**

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- a. the Group's business model for managing the financial assets and
- b. the contractual cash flow characteristics of the financial asset.

*Financial asset measured at amortized cost*

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, accounts receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- b. 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.



Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- a. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

*Financial asset measured at fair value through other comprehensive income*

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b. 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- a. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

*Financial asset measured at fair value through profit or loss*

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

**The accounting policy before January 1, 2018 as follows:**

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading.

A financial asset is classified as held for trading if:

- a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- b. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

#### Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

#### Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

#### B. Impairment of financial assets

##### **The accounting policy from January 1, 2018 as follows:**

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- a. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- b. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- c. For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

**The accounting policy before January 1, 2018 as follows:**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- a. significant financial difficulty of the issuer or obligor; or
- b. a breach of contract, such as a default or delinquency in interest or principal payments; or
- c. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- d. the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

## C. Derecognition of financial assets

A financial asset is derecognized when:

- a. The rights to receive cash flows from the asset have expired
- b. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- c. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

## D. Financial liabilities and equity

### Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

### Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

### Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### (9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials - Purchase cost on a weighted average cost basis.

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When the changes of ownership in its associate don't result from the gain and loss and other comprehensive income and doesn't affect the Group's ownership, it recognize the change of the ownership in proportion. Therefore, the Group recognize the gain or loss in proportion when dispose its associate in the future.

When the Group subscribes for additional associate's new shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to paid-in capital and the investment under equity method. When the investment percentage decreases, reclassify the account which recognized to comprehensive income before to the gain or loss and suitable account in proportion.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired by the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*. If there is any objective evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in the scope of IAS 36 *Impairment of Assets*. If the recoverable amount is under the investment value in use, the Group uses the following measurements to determine the relevant value:

- A. The Group's right on the estimated future cash flow from its associate include associate's cash flow from operation and the capital gain on the final settlement. Or
- B. The Group's expected present value of the dividend from the investment and the capital gain on the final settlement.

The goodwill result from the formation of the associate isn't recognized individually. Therefore, it is no needs to in line with IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

#### (12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line or a fixed-rate declining method basis over the estimated economic lives of the following assets:

Buildings	5~55 years
Machinery and equipment	2~20 years
Transportation equipment	5~10 years
Office equipment	3~30 years
Delectable assets	5~12 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

### (13) Leases

#### Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

### (14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

Intangible assets are all finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

#### Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- A. The technical feasibility of completing the intangible asset so that it will be available for use or sale
- B. Its intention to complete and its ability to use or sell the asset
- C. How the asset will generate future economic benefits
- D. The availability of resources to complete the asset
- E. The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Accounting policies of the Group's intangible assets are summarized as follows:

	<u>Development costs</u>	<u>Mining Right</u>
Useful lives	Finite	Finite
Amortization method used	Amortized over the period of expected future sales from the related project on a straight-line basis	Amortized over the period of estimated life on a straight-line basis
Internally generated or acquired	Internally generated	Acquired

#### (15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

#### (16) Revenue recognition

##### **The accounting policy from January 1, 2018 as follows:**

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

##### **Sale of goods**

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is high-end machinery and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. The Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Group's sale of goods is from 5 to 180 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

**The accounting policy after January 1, 2018 as follows:**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

- (a) the significant risks and rewards of ownership of the goods have passed to the buyer;
- (b) neither continuing managerial involvement nor effective control over the goods sold have been retained;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred in respect of the transaction can be measured reliably.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### (18) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

#### (19) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Group recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

## (20) Income taxes

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

### Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### (1) Judgment

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

De facto control without a majority of the voting rights in subsidiaries

The Group does not have majority of the voting rights in certain subsidiaries. However, after taking into consideration factors such as absolute size of the Group's holding, the Group reached the conclusion that it has de facto control over these subsidiaries. Please refer to Note 4 for further details.

### (2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

#### B. Inventories

The Group estimates the net realizable value of inventory for damage, obsolescence and price decline. The net realizable value of the inventory is mainly determined based on reliable evidence of expected cash flow. Please refer to Note 6.

#### C. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

#### D. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and expected rate of salary increase.

#### E. Revenue recognition – sales returns and allowance

##### Starting from January 1, 2018:

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

Before January 1, 2018:

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

F. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred tax assets.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2018	2017
Cash on hand	\$2,159	\$3,908
Checking and savings accounts	4,471,432	4,952,861
Time deposits	92,361	68,317
Equivalent cash, including investments in bonds with resale agreements	141,295	90,751
Total	<u>\$4,707,247</u>	<u>\$5,115,837</u>

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

	As of December 31,	
	2018	2017
Financial assets mandatorily measured at fair value through profit or loss:		
Financial products	\$478,859	
	107.12.31	
Current	\$478,859	
Non-current	-	
Total	\$478,859	
	As of December 31,	
	2018	2017
Held for trading:		
Guaranteed financial products		\$683,936
	As of December 31,	
	2018	2017
Current		\$683,936
Non-current		-
Total		\$683,936

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial assets were not pledged.

(3) Financial assets measured at amortized cost

	As of December 31,	
	2018	2017
Time deposit	\$30,714	
	2018.12.31	
Current	\$30,714	
Non-current	-	
Total	\$30,714	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(4) Debt instrument investment for which no active market exists

	As of December 31,	
	2018	2017
Time deposit		\$59,208

	As of December 31,	
	2018	2017
Current		\$59,208
Non-current		-
Total		\$59,208

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before January 1, 2018 and classified certain financial assets as debt instrument investments for which no active market exists. Please refer to Note 8 for more details on debt instrument investment for which no active market exists under pledge.

(5) Notes receivables and notes receivable – related parties

	As of December 31,	
	2018	2017
Notes receivables arising from operating activities	\$4,853,940	\$3,630,353
Less: loss allowance	-	-
Subtotal	4,853,940	3,630,353
Notes receivables from related parties	101,590	32,975
Less: loss allowance	-	-
Subtotal	101,590	32,975
Total	\$4,955,530	\$3,663,328

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6. (23) for more details. Furthermore, please refer to Note 12 for more details on credit risk.

(6) Accounts receivable and accounts receivable – related parties

	As of December 31,	
	2018	2017
Accounts receivable	\$4,665,141	\$6,291,227
Less: loss allowance	(212,423)	(280,928)
allowance for sales returns and discount	-	(1,623)
Subtotal	4,452,718	6,008,676
Accounts receivable from related parties	68,429	51,423
Less: loss allowance	-	-
Subtotal	68,429	51,423
Total	\$4,521,147	\$6,060,099

Accounts receivables were not pledged.

Please refer to Note 12. (11) for disclosure on information of accounts receivable transferred.

Accounts receivable are generally on 5-180 day terms. The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6. (23) for more details on loss allowance. The Group adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of accounts receivables and accounts receivables-related parties during 2017 are as follows (Please refer to Note 12 for more details on credit risk management.):

	Individually impaired	Collectively impaired	Total
As of December 31, 2016	\$333	\$142,488	\$142,821
(Reversal) charge for the current period	(333)	145,563	145,230
Write-off for the current period	-	(5,818)	(5,818)
Exchange effect	-	(1,305)	(1,305)
As of December 31, 2017	\$-	\$280,928	\$280,928

Impairment loss that was individually determined for the years ended December 31, 2017 arose due to the fact that the counterparty was in financial difficulties. The amount of impairment loss recognized was the difference between the carrying amount of the accounts receivable and the present value of its expected recoverable amount. The Group does not hold any collateral for such accounts receivable.

Ageing analysis of accounts receivable and accounts receivable from related parties that are past due as at the end of the reporting period is as follows:

As of	Neither past due nor impaired	Past due but not impaired			Total
		1~90 days	91~365 days	≥366 days	
December 31, 2017	\$5,546,179	\$339,180	\$174,200	\$540	\$6,060,099

(7) Other receivables, net

	As of December 31,	
	2018	2017
Other receivables	\$246,175	\$176,785
Less: allowance for doubtful debts	(31,573)	(32,132)
Total	\$214,602	\$144,653

The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6. (23) for more details.

Impairment loss of other receivables that was individually determined arose due to a trading dispute with the counterparty. The amount of impairment loss recognized was the difference between the carrying amount of the accounts receivable and the present value of its expected recoverable amount. The Group does not hold any collateral for such accounts receivable.

Ageing analysis of other receivable that are past due as at the end of the reporting period is as follows:

As of	Neither past due nor impaired	Past due but not impaired $\geq 366$ days	Total
December 31, 2017	\$100,248	\$44,405	\$144,653

(8) Inventories, net

	As of December 31,	
	2018	2017
Raw materials	\$2,449,022	\$2,114,454
Supplies	746,507	804,151
Work in progress	601,466	573,015
Finished goods	5,053,849	3,875,940
Commodities	419	18,630
Total	\$8,851,263	\$7,386,190

The cost of inventories recognized in expenses amounted to NT\$38,755,048 thousand and NT\$37,231,578 thousand for the years ended December 31, 2018 and 2017, respectively, including:

	For the years ended December 31,	
	2018	2017
Losses (gains) for market price decline of inventories	\$283,044	\$(107,816)
(Gains) losses on physical inventory	(41,480)	8
Unallocated fixed costs	363,866	472,714
Revenue from sale of scraps	(179,715)	(162,459)
Additions to operating costs	\$425,715	\$202,447

The circumstances that caused the net realizable value of inventory to be lower than its cost no longer exist. As a result, the Group recognized gains from price recovery of inventories for the year ended December 31, 2017.

No inventories were pledged.

(9) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2018	2017 (Note)
Equity instrument investments measured at fair value through other comprehensive income – non-current:		
Listed companies' stocks	\$210,750	
Unlisted companies' stocks	52,582	
Total	<u>\$263,332</u>	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through other comprehensive income were not pledged.

(10) Available-for-sale financial assets

	As of December 31,	
	2018(Note)	2017
Stocks:		
China Development Financial Holdings Corp.		\$220,066
Chi-Ye Chemical Corp.		44,159
Chang Hwa Commercial Bank, Ltd.		5
Hua Nan Financial Holdings Co., Ltd.		2
Total		<u>\$264,232</u>
	As of December 31,	
	2018	2017
Current		\$-
Non-current		264,232
Total		<u>\$264,232</u>

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before January 1, 2018 and classified certain financial assets as available-for-sale financial assets. No available-for-sale financial assets were pledged.



(11) Investments accounted for using the equity method

The following table lists the investments in the associate of the Group:

Investees	As of December 31,			
	2018		2017	
	Carrying amount	Percentage of Ownership	Carrying amount	Percentage of Ownership
Shihlien China Holding Co., Ltd.	\$4,122,959	43.99%	\$3,001,820	38.68%
Taibo Anhui Energy Co., Ltd.	13,353	20.00%	29,518	20.00%
Totals	<u>\$4,136,312</u>		<u>\$3,031,338</u>	

A. Information on the material associate of the Group:

Company name: Shihlien China Holding Co., Ltd. (SCH)

Nature of the relationship with the joint venture: SCH is in the business of manufacturing and selling related products in the Group's industry chain. The Group invested in SCH for the purpose of upstream/downstream integration.

Principal place of business (country of incorporation): Hong Kong

The summarized financial information of the associate is as follows:

	As of December 31,	
	2018	2017
Current assets	\$4,201,540	\$3,884,885
Non-current assets	22,832,238	23,125,548
Current liabilities	(8,093,682)	(10,319,656)
Non-current liabilities	<u>(9,438,121)</u>	<u>(8,837,059)</u>
Equity	9,501,975	7,853,718
the Group's ownership percentage	43.99%	38.68%
Subtotal	4,179,919	3,037,818
Eliminations from intercompany transactions	<u>(56,960)</u>	<u>(35,998)</u>
Carrying amount of the investment	<u>\$4,122,959</u>	<u>\$3,001,820</u>
	For the years ended December 31,	
	2018	2017
Operating revenue	\$11,596,190	\$11,186,500
Net income from continuing operations	532,595	69,962
Total other comprehensive income, net of tax	(724,500)	576,493
Total comprehensive income	<u>(191,905)</u>	<u>646,455</u>

B. The Group's investments in Taibo Anhui Energy Co., Ltd. (TRAE) is not individually material. The aggregate carrying amount of the Group's interests in TRAE was NT\$13,353 thousand and NT\$29,518 thousand for the years ended December 31, 2018 and 2017, respectively. The aggregate financial information based on the Group's share of TRAE is as follows:

	For the years ended December 31,	
	2018	2017
Net losses from continuing operations	\$(2,267)	\$(1,597)
Total other comprehensive income, net of tax	890	(617)
Total comprehensive income	(1,377)	(2,214)

The associates had no contingent liabilities or capital commitments as of December 31, 2018 and 2017, and were not pledged.

### (12) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Lease assets	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2017	\$3,806,624	\$28,899,504	\$72,974,679	\$978,928	\$2,500,111	\$139,755	\$2,180,475	\$111,480,076
Additions	-	48,810	329,824	17,319	134,498	-	1,734,694	2,265,145
Disposals	-	(3,850)	(241,527)	(24,004)	(31,772)	-	(743)	(301,896)
Transfers	-	371,703	1,611,301	859	31,293	-	(2,015,156)	-
Exchange effect	(802)	(384,798)	(923,265)	(13,799)	(36,198)	(2,628)	(30,998)	(1,392,488)
Other changes	-	2,491	(191,137)	8,094	9,442	-	242,302	71,192
As of December 31, 2017	3,805,822	28,933,860	73,559,875	967,397	2,607,374	137,127	2,110,574	112,122,029
Additions	-	42,602	381,513	30,677	64,668	-	3,896,475	4,415,935
Disposals	-	-	(911,629)	(11,173)	(91,022)	(137,289)	(290)	(1,151,403)
Transfers	-	235,685	1,317,468	18,116	30,347	-	(1,601,616)	-
Exchange effect	314	(363,127)	(870,325)	(12,740)	(38,264)	162	(78,897)	(1,362,877)
Other changes	-	9,734	(185,365)	7,056	80,854	-	900,841	813,120
As of December 31, 2018	\$3,806,136	\$28,858,754	\$73,291,537	\$999,333	\$2,653,957	\$-	\$5,227,087	\$114,836,804
Depreciation and impairment:								
As of January 1, 2017	\$-	\$12,249,823	\$41,132,940	\$635,375	\$1,902,509	\$18,348	\$-	\$55,938,995
Depreciation	-	1,140,307	3,932,408	45,091	138,911	17,583	-	5,274,300
Disposals	-	(3,274)	(213,113)	(21,198)	(29,776)	-	-	(267,361)
Transfers	-	-	-	-	-	-	-	-
Exchange effect	-	(123,720)	(488,772)	(7,825)	(28,885)	(126)	-	(649,328)
Other changes	-	5,307	(139,713)	-	28,477	-	-	(105,929)
As of December 31, 2017	-	13,268,443	44,223,750	651,443	2,011,236	35,805	-	60,190,677
Depreciation	-	1,167,036	3,832,730	30,356	110,941	1,433	-	5,142,496
Loss on impairment	-	-	376,672	-	-	-	-	376,672
Disposals	-	-	(838,872)	(10,248)	(82,579)	(37,280)	-	(968,979)
Transfers	-	-	-	-	-	-	-	-
Exchange effect	-	(153,628)	(571,527)	(7,308)	(30,482)	42	-	(762,903)
Other changes	-	4,758	(31,647)	-	53,210	-	-	26,321
As of December 31, 2018	\$-	\$14,286,609	\$46,991,106	\$664,243	\$2,062,326	\$-	\$-	\$64,004,284
Net carrying amount as of:								
December 31, 2018	\$3,806,136	\$14,572,145	\$26,300,431	\$335,090	\$591,631	\$-	\$5,227,087	\$50,832,520
December 31, 2017	\$3,805,822	\$15,665,417	\$29,336,125	\$315,954	\$596,138	\$101,322	\$2,110,574	\$51,931,352

With respect to the flat glass business department, some of the subsidiaries in China suffered operating loss due to market impact and economic outlook, as a result the Group wrote off some machinery equipment to recoverable amount, and its fair value hierarchy was categorized at Level 3. The above fair value was evaluated by an independent external appraiser, and the evaluation methods adopted include comparison method and cost method. The key assumptions included replacement costs, physical depreciation, and economic devaluation. Based on the assessment results, the Group recognized impairment loss in the amount of NT\$376,672 thousand in 2018 under other gains and losses. Please refer to Note 6. (27) for more details.

Capitalized borrowing costs of property, plant and equipment are as follows:

Item	For the years ended December 31,	
	2018	2017
Construction in progress	\$21,040	\$6,941
Capitalization rate of borrowing costs	1.53%~5.20%	1.55%~1.81%

Components of machinery and equipment that have different useful lives are furnace and platinum, which are depreciated over 12 years and 20 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

### (13) Intangible assets

	Development costs	Mining rights	Other intangible assets	Total
Cost:				
As of January 1, 2017	\$68,009	\$111,367	\$26,934	\$206,310
Addition-internal development	-	-	628	628
Addition-acquired separately	-	-	-	-
Transfers	-	-	8,046	8,046
Exchange effect	(1,279)	(2,094)	(2,357)	(5,730)
As of December 31, 2017	66,730	109,273	33,251	209,254
Addition-internal development	-	-	3,418	3,418
Addition-acquired separately	-	-	(295)	(295)
Transfers	-	-	5,467	5,467
Exchange effect	(1,160)	(1,900)	(120)	(3,180)
As of December 31, 2018	\$65,570	\$107,373	\$41,721	\$214,664
Amortization and impairment:				
As of January 1, 2017	\$30,279	\$35,272	\$17,365	\$82,916
Amortization	21,867	7,398	4,194	33,459
Transfers	-	-	4,955	4,955
Exchange effect	(297)	(571)	(2,288)	(3,156)
As of December 31, 2017	51,849	42,099	24,226	118,174
Amortization	14,898	8,349	6,060	29,307
Disposal	-	-	(295)	(295)
Transfers	-	880	(880)	-
Exchange effect	(1,177)	(903)	(99)	(2,179)
As of December 31, 2018	\$65,570	\$50,425	\$29,012	\$145,007
Net carrying amount as of:				
December 31, 2018	\$-	\$56,948	\$12,709	\$69,657
December 31, 2017	\$14,881	\$67,174	\$9,025	\$91,080

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December 31,	
	2018	2017
Operating costs	\$16,852	\$675
General and administrative expenses	10,455	8,049
Research and development costs	-	21,867
Other losses	2,000	2,868
Total	\$29,307	\$33,459

(14) Prepaid rent

	As of December 31,	
	2018	2017
Current (recorded as prepayments)	\$84,680	\$78,337
Non-current (recorded as long-term prepaid rent)	2,887,765	2,944,870
Total	\$2,972,445	\$3,023,207

Prepaid rent above is the land use right for the subsidiaries in Mainland China.

(15) Other non-current assets

	As of December 31,	
	2018	2017
Investment property	\$17,938	\$18,139
Overdue receivables	772,210	793,103
Less: allowance for doubtful accounts	(772,210)	(793,103)
Overdue receivables, net	-	-
Others	25,402	25,044
Net	\$43,340	\$43,183

No investment property was pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties is NT\$172,543 thousand and NT\$170,914 thousand, as of December 31, 2018 and 2017, respectively. The fair value has been determined based on valuations performed by an independent appraiser. The valuation method used is direct capitalized method and market approach, and the inputs used are as follows:

Direct capitalization method:

	As of December 31,	
	2018	2017
Income capitalization rate	1.42%~2.24%	1.43%~2.24%

(16) Short-term loans

	As of December 31,	
	2018	2017
Unsecured bank loans	\$2,123,766	\$527,725
Secured bank loans	4,916,894	5,777,912
Other loans	-	68,317
Total	<u>\$7,040,660</u>	<u>\$6,373,954</u>
Unsecured interest rates	<u>1.00%~5.44%</u>	<u>1.49%~5.44%</u>
Secured interest rates	<u>3.76%~6.41%</u>	<u>3.13%~8.15%</u>
Other interest rates	<u>-</u>	<u>6.00%</u>

The Group's unused short-term lines of credits amounted to NT\$3,260,074 thousand and NT\$2,203,124 thousand as of December 31, 2018 and 2017, respectively.

The above loans were guaranteed by the Company, its subsidiaries and other related parties. Please refer to Note 7. (16) for more details. Furthermore, please refer to Note 8 for more details on pledge.

(17) Short-term bills payable

	As of December 31,	
	2018	2017
Short-term bills payable	\$3,300,000	\$2,200,000
Less: unamortized discount	(4,430)	(3,961)
Net	<u>\$3,295,570</u>	<u>\$2,196,039</u>
Interest rates	<u>1.3881%~1.400%</u>	<u>1.398%~1.468%</u>

(18) Long-term loans

Details of long-term loans as of December 31, 2018 and 2017 are as follows:

Lenders	Terms	Credit Line	Interest Rate	As of December 31,		Redemption
				2018	2017	
Chang-Hwa Bank	2015.09.01- 2020.09.01	NTD1,200,000	Floating interest rate	\$400,000	\$600,000	8 equal installments of the principal made every 6 months from the sixth year after borrowing date
Hua-Nan Bank	2015.12.23- 2022.12.29	NTD3,000,000	"	2,400,000	3,000,000	Repayable semiannually from June 23, 2018.
King's Town Bank	2016.03.30- 2023.03.30	NTD1,100,000	"	900,000	1,100,000	Repayable semiannually from March 30, 2018
Taiwan Cooperative Bank	2016.04.25- 2019.04.25	NTD500,000	"	-	500,000	12 equal installments of principal and interest from two years after borrowing date
COTA Commercial Bank	2016.09.05- 2019.09.05	NTD100,000	"	24,940	58,300	12 quarter installments of principal and interest from December 5, 2016

Lenders	Terms	Credit Line	Interest Rate	As of December 31,		Redemption
				2018	2017	
KGI Bank	2017.01.05- 2019.01.05	NTD300,000	"	260,000	260,000	Principal repaid at maturity
EnTie Commercial Bank	2016.08.23- 2018.08.23	NTD500,000	"	-	500,000	Principal repaid at maturity
Bank of China	2017.02.01- 2019.01.31	NTD400,000	"	-	400,000	Principal repaid at maturity
O-Bank	2016.12.06- 2019.12.06	NTD1,000,000	"	1,000,000	1,000,000	Principal repaid at maturity
Mega International Commercial Bank	2016.04.26- 2019.04.26	NTD500,000	"	-	350,000	Principal repaid at maturity
Taichung Commercial Bank	2017.12.20- 2020.12.20	NTD500,000	"	-	500,000	Principal repaid at maturity
JihSun Bank	2017.12.25- 2019.12.25	NTD300,000	"	300,000	90,000	Principal repaid at maturity
Far Eastern International Bank	2017.12.07- 2019.12.07	NTD500,000	"	500,000	500,000	Principal repaid at maturity
Bank of PanShin	2017.12.14- 2019.12.14	NTD200,000	"	200,000	200,000	Principal repaid at maturity
Bank of Kaohsiung	2017.12.14- 2019.12.14	NTD300,000	"	300,000	300,000	Principal repaid at maturity
Hua-Nan Bank	2017.05.26- 2019.05.26	NTD1,000,000	"	1,000,000	1,000,000	Principal repaid at maturity
Union Bank of Taiwan	2017.09.07- 2019.03.07	NTD600,000	"	600,000	600,000	Principal repaid at maturity
Taiwan Cooperative Bank	2018.06.25- 2021.06.25	NTD500,000	"	500,000	-	12 equal installments of principal and interest from June 25, 2020.
Shin Kong Commercial Bank	2018.06.27- 2020.08.06	NTD300,000	"	300,000	-	Principal repaid at maturity
The Export-Import Bank of the Republic of China	2018.08.01- 2023.08.01	NTD600,000	"	600,000	-	9 equal installments of the principal made every 6 months from August 1, 2019.
EnTie Commercial Bank	2018.08.20- 2020.08.20	NTD500,000	"	500,000	-	Principal repaid at maturity
Shanghai Commercial & Savings Bank	2018.09.05- 2021.09.05	NTD200,000	"	200,000	-	Principal repaid at maturity
Taiwan Business Bank	2018.10.18- 2025.10.18	NTD1,000,000	"	1,000,000	-	11 equal installments of the principal made every 6 months from October 18, 2020.
Chang Hwa Bank	2018.12.21- 2021.12.21	NTD500,000	"	500,000	-	4 equal installments of the principal made every 6 months from June 21, 2020.
Mizuho Corporate Bank	2011.09.01- 2018.09.01	USD25,000	"	-	135,272	11 installments of principal and interest made every 6 months from 2013 to 2018
Cathay United Bank	2011.04.14- 2018.04.14	USD30,000	"	-	81,164	11 equal installments of principal and interest from 14 April 2013
Cathay United Bank	2018.11.20- 2023.11.20	USD25,000	"	460,725	-	7 equal installments of principal and interest made every 6 months from November 20, 2020
Mega Bank	2018.01.22- 2023.01.16	USD60,000	"	1,842,900	-	7 installments of principal and interest made every 6 months from January 22, 2020

Lenders	Terms	Credit Line	Interest Rate	As of December 31,		Redemption
				2018	2017	
Syndicated loans (from Megabank and 10 others)	2014.03.12-2019.03.12	USD150,000	"	-	1,913,092	7 installments of principal and interest starting from March 12, 2016
Mega Bank	2018.06.12-2021.06.12	USD30,000	"	921,450	-	3 installments of principal and interest starting from June 12, 2020
Shanghai Commercial & Savings Bank	2017.04.07-2019.04.07	USD10,000	"	46,073	145,824	6 equal installments of the principal made every 6 months
Shanghai Commercial & Savings Bank	2017.04.19-2019.04.19	USD15,000	"	76,788	223,200	Principal made every 6 months from October 18, 2016
Shanghai Commercial & Savings Bank	2018.12.20-2021.12.19	USD10,000	"	307,150	-	Principal repaid at maturity
E.SUN Commercial Bank	2013.04.10-2018.07.16	USD18,000	"	-	178,560	Principal repaid at maturity
Far Eastern International Bank	2018.12.24-2020.12.24	USD15,000	"	460,725	-	Principal repaid at maturity
Bank of Kaohsiung	2018.12.24-2021.12.24	USD10,000	"	307,150	-	Principal repaid at maturity
KGI Bank	2018.01.05-2019.01.05	USD16,000	"	-	476,160	Principal repaid at maturity
KGI Bank	2018.11.27-2020.11.27	USD16,000	"	491,440	-	Principal repaid at maturity
O-Bank	2018.08.17-2020.08.17	USD7,000	"	153,575	208,320	6 equal installments of principal from February 17, 2018
O-Bank	2018.05.14-2021.05.14	USD10,000	"	261,078	-	6 installments of principal and interest starting from November 14, 2018
First bank	2018.05.28-2021.05.28	USD12,000	"	233,000	-	6 installments of principal and interest starting from November 28, 2018
Chailase International Finance Corporation	2017.07.06-2020.05.30	RMB12,000	Fixed Rate	19,502	-	Principal repaid by month.
Rural Commercial Bank	2018.10.16-2021.10.15	RMB50,000	"	75,185	-	6 installments of principal
Subtotal				17,141,681	14,319,892	
Less: current portion of long-term loans				(5,594,435)	(3,795,329)	
Total				<u>\$11,547,246</u>	<u>\$10,524,563</u>	

Note: As of December 31, 2018, part of long-term loans contained covenants that required the Group to maintain certain financial ratios such as the current ratio, the ratio of the total liabilities to the net tangible assets, the ratio of EBITDA to interest expense and the tangible assets net worth amount.

The above loans were guaranteed by the Company, its subsidiaries and other related parties. Furthermore, please refer to Note 8 for more details on pledge.

(19) Long-term deferred revenue

Government grant

	For the years ended December 31,	
	2018	2017
Beginning balance	\$1,332,855	\$1,411,633
Received during the period	41	9,017
Released to the statement of comprehensive income	(61,270)	(60,610)
Exchange effect	(22,036)	(27,185)
Ending balance	<u>\$1,249,590</u>	<u>\$1,332,855</u>

	As of December 31,	
	2018	2017
Non-current deferred revenue - government grants related to assets	<u>\$1,249,590</u>	<u>\$1,332,855</u>

Government grants have been received for prepaid long-term rent and property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

(20) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT\$324,419 thousand and NT\$295,734 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.



The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is managed in-house or under a mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$68,184 thousand to its defined benefit plan during the 12 months beginning after December 31, 2018.

Apart from the abovementioned pension funds, the Group has another fund managed by the pension fund management committee, and the plan is categorized as follows:

	As of December 31,	
	2018	2017
Investments with quoted prices in an active market		
Equity instruments-domestic	96%	100%
Debt instruments-domestic	4%	0%
Others	0%	0%

The durations of the defined benefits plan obligation as of December 31, 2018 and 2017 are 6 and 6 to 7 years, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2018 and 2017 are as follows:

	For the years ended December 31,	
	2018	2017
Current period service costs	\$40,542	\$42,058
Interest income or expense	694	3,945
Past service cost	-	-
Payments from the plan	-	-
Total	\$41,236	\$46,003

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2018	December 31, 2017	January 1, 2017
Defined benefit obligation at January 1	\$2,203,668	\$2,181,935	\$2,059,298
Plan assets at fair value	(1,736,406)	(2,082,853)	(1,712,088)
Other non-current liabilities - Accrued pension liabilities recognized on the consolidated balance sheets	\$467,262	\$99,082	\$347,210

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2017	\$2,059,298	\$1,712,088	\$347,210
Current period service costs	42,058	-	42,058
Net interest expense (income)	24,409	20,464	3,945
Subtotal	<u>2,125,765</u>	<u>1,732,552</u>	<u>393,213</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	4	-	4
Actuarial gains and losses arising from changes in financial assumptions	33,710	-	33,710
Experience adjustments	127,876	-	127,876
Return on plan assets	-	376,392	(376,392)
Subtotal	<u>161,590</u>	<u>376,392</u>	<u>(214,802)</u>
Payments from the plan	(105,420)	(105,420)	-
Contributions by employer	-	79,329	(79,329)
Effect of changes in foreign exchange rates	-	-	-
As of December 31, 2017	<u>2,181,935</u>	<u>2,082,853</u>	<u>99,082</u>
Current period service costs	40,542	-	40,542
Net interest expense (income)	15,274	14,580	694
Subtotal	<u>2,237,751</u>	<u>2,097,433</u>	<u>140,318</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(983)	-	(983)
Actuarial gains and losses arising from changes in financial assumptions	(4,852)	-	(4,852)
Experience adjustments	83,983	-	83,983
Return on plan assets	-	(316,980)	316,980
Subtotal	<u>78,148</u>	<u>(316,980)</u>	<u>395,128</u>
Payments from the plan	(112,231)	(112,231)	-
Contributions by employer	-	68,184	(68,184)
Effect of changes in foreign exchange rates	-	-	-
As of December 31, 2018	<u>\$2,203,668</u>	<u>\$1,736,406</u>	<u>\$467,262</u>

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2018	2017
Discount rate	0.76%–0.78%	0.7%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption as of December 31, 2018 and 2017 is as shown below:

	Effect on the defined benefit obligation			
	2018		2017	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	\$(28,325)	\$-	\$(34,056)	\$-
Discount rate decrease by 0.5%	-	102,981	-	134,877
Future salary increase by 0.5%	-	101,747	-	133,418
Future salary decrease by 0.5%	(28,399)	-	(34,120)	-

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

## (21) Equities

### A. Common stock

The Company's authorized capital were both NT\$30,000,000 thousand as of December 31, 2018 and 2017. The Company's issued capital were both NT\$29,080,608 thousand as of December 31, 2018 and 2017, each at a par value of NT\$10. The Company has issued both 2,908,061 thousand common shares as of December 31, 2018 and 2017. Each share has one voting right and a right to receive dividends.

### B. Capital surplus

	As of December 31,	
	2018	2017
Additional paid-in capital	\$1,540,300	\$1,540,300
Increase through changes in ownership interests in subsidiaries	258,091	254,448
Expired employee stock warrants	23,661	23,661
Gains on disposal of assets	103,166	103,166
Total	<u>\$1,925,218</u>	<u>\$1,921,575</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its stockholders in proportion to the number of shares being held by each of them.

### C. Rained earnings and dividend policies

According to the Company's Articles of Incorporation, the Company's annual earnings, if any, shall first set aside 1.5% as employee bonuses and no higher than 1.5% as directors and supervisor's remunerations. Nevertheless, the Company shall first make up for losses if there is accumulated losses. The Company shall make distributions from its net income (less any deficit) in the following order:

- a. Offset an accumulated deficit.
- b. Set aside 10% as legal reserve.
- c. Set aside or reverse special reserve.
- d. Following distributions of items "a" to "c" indicated above, the remaining amount, if any, shall be proposed by the board of directors at a board meeting to be distributed as shareholders dividends and bonuses.

Based on the Company's plan to achieve healthy financial standing, whether to distribute the beginning undistributed earnings should consider the actual operation of the year and the budget planning for the following year, to evaluate the necessity of providing funding via earnings distribution so as to determine the most appropriate dividend policy for sustainable business development. The said shareholders dividend and bonus distribution shall not be less than 50% of the distributable earnings after deducting the above items "a" to "c" from current net income. The Company's Articles of Incorporation further provide that no more than 1% of the dividends to shareholders, if any, could be paid in the form of share dividends. At least 20% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the stockholders.

When distributing distributable earnings, the Company has to set aside special reserve, for other net deductions from shareholders' equity of the period. For any subsequent reversal of other net deductions from stockholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to stockholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from stockholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from stockholders' equity. For any subsequent reversal of other net deductions from stockholders' equity, the amount reversed may be distributed. The special reserves booked from first-time adoption of International Financial Reporting Standards were both NT\$3,232,749 thousand as of December 31, 2018 and 2017, respectively. The Company did not reverse special reserve to retained earnings for using, disposing of or reclassifying relevant assets in 2018 and 2017.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved by Board of Directors' meeting on March 18, 2019 and by the stockholders' meeting on June 13, 2018, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$106,629	\$212,377	\$-	\$-
Common stock-cash dividend	872,418	1,454,030	0.3	0.5
Common stock-stock dividend	-	-	-	-

Please refer to Note 6. (26) for further details on employees' compensation and remuneration to directors.

#### D. Non-controlling interests

	For the years ended December 31,	
	2018	2017
Beginning balance	\$3,574,702	\$3,160,661
Net gains (losses) attributable to non-controlling interests	(34,306)	51,972
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(54,734)	(43,781)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(18,552)	15,727
Actuarial (losses) gains on defined benefit	(502)	(587)
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	(221)	2,295
Changes in associates accounted for using equity method	(11,576)	-
Capital increased by cash	58,332	395,304
Cash dividends from a subsidiary	(8,000)	(4,000)
Other	(18,258)	(2,889)
Ending balance	<u>\$3,486,885</u>	<u>\$3,574,702</u>

(22) Operating revenues

	For the years ended December 31,	
	2018	2017
Sale of goods	\$46,091,494	\$44,943,595
Less: Sales returns, discounts and allowances	-	(74,014)
Total	<u>\$46,091,494</u>	<u>\$44,869,581</u>

Note: The Group has adopted IFRS 15 from January 1, 2018 for processing revenue from contracts with customers. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018).

The Group has adopted IFRS 15 from January 1, 2018 for processing revenue from contracts with customers. Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue:

The timing of revenue recognition was at a point in time. Please refer to Note 14 Segment Information for more details.

B. Contract balances

Contract assets - current

	Beginning balance	Ending balance	Difference
Sales of goods	\$661,467	\$410,376	\$251,091
Less: loss allowance	-	(14,622)	14,622
Net	<u>\$661,467</u>	<u>\$395,754</u>	<u>\$265,713</u>

Please refer to Note 6. (23) for more details on the impairment impact

Contract liabilities - current

	Beginning balance	Ending balance	Difference
Sales of goods	<u>\$1,199,590</u>	<u>\$960,526</u>	<u>\$(239,064)</u>

During the period, NT\$1,199,590 thousand included in the contract liability balance at the beginning of the period was recognized as revenue as performance obligations were satisfied. In addition, contract liabilities increased as part of the consideration was received from customers upon signing the contracts and performance obligations were not satisfied.

C. Assets recognized from costs to obtain or fulfil a contract: None.

(23) Expected credit losses/ (gains)

	For the years ended December 31,	
	2018	2017(Note)
Operating expenses – Expected credit losses/(gains)		
Contract assets	\$(14,898)	
Accounts receivables	56,011	
Total	<u>\$41,113</u>	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its contract assets and accounts receivables (including note receivables, accounts receivables and other receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2018 is as follows:

- A. The gross carrying amount of contract asset is NT\$410,376, its loss allowance amounting to NT\$14,622 which is measured at expected credit loss ratio of 0% ~ 10%.
- B. The Group considered the grouping of accounts receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

Group 1	Overdue				Total
	Not yet due	31-90 days	91-360 days	>=361 days	
Gross carrying amount	\$-	\$-	\$-	\$1,034,788	\$1,034,788
Loss ratio				96.30%	
Lifetime expected credit losses	-	-	-	(996,456)	(996,456)
Subtotal	-	-	-	38,332	38,332

Group 2	Overdue				Total
	Not yet due	31-90 days	91-360 days	>=361 days	
Gross carrying amount	\$3,832,515	\$555,482	\$84,471	\$-	\$4,472,468
Loss ratio	0.27%	0.95%	4.87%	0%	
Lifetime expected credit losses	(10,376)	(5,263)	(4,111)	-	(19,750)
Subtotal	3,822,139	(550,219)	80,360	-	4,452,718

Group 3	Overdue				Total
	Not yet due	31-90 days	91-360 days	>=361 days	
Gross carrying amount	\$5,200,229	\$-	\$-	\$-	\$5,200,229
Loss ratio	0%	0%	0%	0%	
Lifetime expected credit losses	-	-	-	-	-
Subtotal	5,200,229	-	-	-	5,200,229
Carrying amount					<u>\$9,691,279</u>

Group 1: The Group has exercised recourse or taken legal action against the individual assessment of accounts receivables, other receivables and overdue receivables.

Group 2: The Group's accounts receivables are overdue but not for more than one year.

Group 3: The Group's notes receivables, accounts receivables- related parties and other receivables are not yet due.

The movement in the provision for impairment of contract assets, note receivables, accounts receivables, other receivables and overdue receivables during 2018 was as follows:

	Contract assets	Accounts receivables	Other receivables	Overdue receivables
Beginning balance	\$-	\$280,928	\$32,132	\$793,103
Reversal for the current period	14,898	(56,011)	-	-
Write off	-	(9,164)	-	(20,893)
Foreign exchange effects	(276)	(3,330)	(559)	-
Ending balance	<u>\$14,622</u>	<u>\$212,423</u>	<u>\$31,573</u>	<u>\$772,210</u>

(24) Net amount of other revenues and gains and expenses and losses

	For the years ended December 31,	
	2018	2017
Gains on disposal of property, plant, and equipment	<u>\$74</u>	<u>\$1,007</u>

(25) Operating leases

Operating lease commitments - Group as lessee

The Group has entered into commercial leases on certain offices and plants. These leases have an average life of three to five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.



Future minimum rentals payable under non-cancellable operating leases as of December 31, 2018 and 2017 are as follows:

	As of December 31,	
	2018	2017
Not later than one year	\$26,611	\$37,874
Later than one year and not later than five years	74,286	-
Total	<u>\$100,897</u>	<u>\$37,874</u>

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2018	2017
Minimum lease payments	<u>\$38,888</u>	<u>\$39,311</u>

(26) Summary statement of employee benefits, depreciation and amortization expenses by function:

	For the years ended December 31,					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$4,791,033	\$1,174,444	\$6,017,968	\$4,497,827	\$997,870	\$5,538,477
Labor and health insurance	369,943	59,724	429,667	365,613	53,668	419,281
Pension	257,905	107,670	365,575	246,587	95,076	341,663
Other employee benefits expense	138,331	37,453	175,784	139,429	36,008	175,437
Depreciation(Note)	4,854,851	258,981	5,113,832	4,894,986	350,649	5,245,635
Amortization	16,852	10,455	27,307	675	29,916	30,591

Note: The differences between the amount stated above and the depreciation stated in the Consolidated Statements of Cash Flows was recognized in other gains and losses.

According to the Company's Articles of Incorporation, when there is profit of the current year, the Company shall distribute 1.5% of profit of the current year as employees' compensation and no higher than 1.5% of profit of the current year as remuneration to directors. However, the Company's accumulated losses shall have been covered. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit for the current year, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2018 both at 1.5% of profit of the current year, recognized as salaries expense. As such, employees' compensation and remuneration to directors for the year ended December 31, 2018 amounted to NT\$17,170 thousand, respectively. Employees' compensation and remuneration to directors for the year ended December 31, 2017 amounted to both NT\$33,605 thousand, recognized as salaries expense.

A resolution was approved at the board meeting held on March 26, 2018 to distribute NT\$33,605 thousand in cash as employees' compensation and remuneration to directors of 2017. No material differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2017.

(27) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2018	2017
Interest income	(Note)	\$27,660
Financial assets measured at amortized cost	\$50,625	-
Rental income	10,570	7,905
Dividend income	13,998	11,829
Others	598,470	314,156
Total	<u>\$673,663</u>	<u>\$361,550</u>

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

B. Other gains and losses

	For the years ended December 31,	
	2018	2017
Foreign exchange (losses) gains, net	\$(336,786)	\$357,396
Impairment losses (Note)	(376,672)	-
Gains on financial liabilities at fair value through profit or loss	-	4,247
Impairment losses of financial assets	-	(8,250)
Loss on disposal of investment	(86)	-
Others	(207,779)	(187,458)
Total	<u>\$(921,323)</u>	<u>\$165,935</u>

Note: The Group wrote off part of machinery equipment to recoverable amount in 2018. Please refer to Note 6. (12).

C. Finance costs

	For the years ended December 31,	
	2018	2017
Interest on borrowings from bank	\$664,981	\$676,669
Interest on borrowings from intercompany	46,406	51,214
Interest for finance lease	41	2,754
Interest on factoring of accounts receivable	4,902	25,867
Total	<u>\$716,330</u>	<u>\$756,504</u>

## (28) Components of other comprehensive income

### Year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(395,128)	\$-	\$(395,128)	\$102,614	\$(292,514)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(900)	-	(900)	-	(900)
Unrealized gains from available-for-sale financial assets	(688,092)	-	(688,092)	-	(688,092)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(317,817)	-	(317,817)	-	(317,817)
Total	<u>\$(1,401,937)</u>	<u>\$-</u>	<u>\$(1,401,937)</u>	<u>\$102,614</u>	<u>\$(1,299,323)</u>

### Year ended December 31, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$214,802	\$-	\$214,802	\$(36,516)	\$178,286
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(619,486)	-	(619,486)	-	(619,486)
Unrealized (losses) gains from available-for-sale financial assets	46,605	8,250	54,855	-	54,855
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	222,371	-	222,371	-	222,371
Total	<u>\$(135,708)</u>	<u>\$8,250</u>	<u>\$(127,458)</u>	<u>\$(36,516)</u>	<u>\$(163,974)</u>

## (29) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (benefit) are as follows:

Income tax expense recognized in profit or loss

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Current income tax expense:		
Current income tax charge	\$466,519	\$253,254
Adjustments in respect of current income tax of prior periods	42,153	(62,598)
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	13,067	24,394
Deferred tax benefit relating to origination and reversal of tax loss and tax credit	-	-
Deferred tax expense arising from write-down	-	-
Deferred income tax related to changes in tax rates	946	-
Total income tax expense	<u>\$522,685</u>	<u>\$215,050</u>

Income tax relating to components of other comprehensive income

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Deferred tax income:		
Deferred income tax related to changes in tax rates	\$23,589	\$-
Remeasurement of defined benefit plans	79,025	36,516
Total	<u>\$102,614</u>	<u>\$36,516</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Accounting profit before tax from continuing operations	<u>\$1,554,665</u>	<u>\$2,390,795</u>
Tax at the domestic rates applicable to profits in the country concerned	373,028	779,434
Net investment income accounted for using the equity method	(274,793)	(331,527)
Tax effect of revenues exempt from taxation	(2,727)	(2,423)
Tax effect of expenses not deductible for tax purposes	2,770	4,961
Tax effect of income tax deduction	(16,460)	-
Non-deductible offshore tax	5,243	8,214
Corporate income surtax on undistributed retained earnings	63,624	-
Tax effect of other deferred tax assets/liabilities	325,759	(181,011)
Adjustments in respect of current income tax of prior periods	39,750	(62,598)
Deferred income tax related to changes in tax rates	937	-
Others	5,554	-
Total income tax expense recognized in profit or loss	<u>\$522,685</u>	<u>\$215,050</u>

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2018
Temporary differences					
Depreciation difference	\$(60,627)	\$(7,133)	\$-	\$-	\$(67,760)
Allowance for bad debt	929	(617)	-	-	312
Unrealized allowance for bad debt	20,664	(11,074)	-	(154)	9,436
Prepaid pension cost difference	16,467	(27,161)	102,614	-	91,920
Employee benefits	5,381	(1,170)	-	-	4,211
Unrealized loss due to market price decline of inventories	227,970	20,052	-	(235)	247,787
Unrealized intragroup profits and losses	17,525	(12,285)	-	-	5,240
Capitalization of interest	4,691	(373)	-	-	4,318
Provisions of employee benefit obligations	17,736	5,330	-	-	23,066
Unrealized loss on foreign exchange	39	(39)	-	-	-
Unrealized gain on foreign exchange	(15,965)	(6,326)	-	-	(22,291)
Government grants	(373,768)	30,050	-	5,941	(337,777)
Amortization of government grants	27,797	(3,092)	-	(426)	24,279
Others	1,830	(175)	-	-	1,655
Land value increment tax	(204,145)	-	-	-	(204,145)
Deferred tax income/ (expense)		<u>\$ (14,013)</u>	<u>\$ 102,614</u>	<u>\$ 5,126</u>	
Net deferred tax assets/(liabilities)	<u>\$ (313,476)</u>				<u>\$ (219,749)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 341,029</u>				<u>\$ 412,224</u>
Deferred tax liabilities	<u>\$(654,505)</u>				<u>\$(631,973)</u>

For the year ended December 31, 2017

	Beginning balance as of January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2017
Temporary differences					
Depreciation difference	\$(61,975)	\$1,348	\$-	\$-	\$(60,627)
Revaluations of available-for-sale financial assets to fair value	2,561	(2,561)	-	-	-
Reserve for furnace cold repair	829	(829)	-	-	-
Allowance for bad debt	1,379	(450)	-	-	929
Unrealized allowance for bad debt	1,792	18,673	-	199	20,664
Prepaid pension cost difference	59,026	(6,043)	(36,516)	-	16,467
Employee benefits	7,502	(2,121)	-	-	5,381
Unrealized loss due to market price decline of inventories	260,899	(31,387)	-	(1,542)	227,970
Unrealized intragroup profits and losses	24,973	(7,448)	-	-	17,525
Capitalization of interest	5,712	(1,021)	-	-	4,691
Provisions of employee benefit obligations	15,169	2,567	-	-	17,736
Unrealized loss on foreign exchange	57	(18)	-	-	39
Unrealized gain on foreign exchange	(13,250)	(2,715)	-	-	(15,965)
Government grants	(411,522)	29,646	-	8,108	(373,768)
Amortization of government grants	31,477	(3,050)	-	(630)	27,797
Unrealized loss on foreign sales	16,409	(16,409)	-	-	-
Others	4,516	(2,576)	-	(110)	1,830
Land value increment tax	(204,145)	-	-	-	(204,145)
Deferred tax income/ (expense)		\$(24,394)	\$(36,516)	\$6,025	
Net deferred tax assets/(liabilities)	<u>\$(258,591)</u>				<u>\$(313,476)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$432,301</u>				<u>\$341,029</u>
Deferred tax liabilities	<u>\$(690,892)</u>				<u>\$(654,505)</u>

The following table contains information of the unused tax losses of the Group:

Year	Tax losses for the period	Unused tax losses as of December 31,		
		2018	2017	Expiration year
2012	\$38,793	\$8,881	\$8,881	2022
2013	337,600	47,427	47,427	2023
2014	2,582,174	1,702,939	1,862,274	2019
2014	236,539	76,462	76,462	2024
2015	4,155,645	2,584,028	3,049,359	2020
2015	97,612	97,612	97,612	2025
2016	2,202,249	1,593,611	1,989,531	2021
2016	53,200	53,200	53,200	2026
2017	173,796	173,796	85,621	2027
2018	216,746	216,746	-	2028
Total		<u>\$6,554,702</u>	<u>\$7,270,367</u>	

#### Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to NT\$2,157,421 thousand and NT\$2,496,123 thousand, respectively.

#### Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2018 and 2017, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liability has not been recognized, aggregated to NT\$2,341,393 thousand and NT\$1,056,866 thousand, respectively.

#### The assessment of income tax returns

As of December 31, 2018, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2016
TAG	Assessed and approved up to 2016
TVIG	Assessed and approved up to 2016
TGCH	Not required
TAGH	Not required
Subsidiaries in Mainland China	Assessed and approved up to 2016

(30) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2018	2017
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	<u>\$1,066,286</u>	<u>\$2,123,773</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>2,908,061</u>	<u>2,908,061</u>
Basic earnings per share (NT\$)	<u>\$0.37</u>	<u>\$0.73</u>
	For the years ended December 31,	
	2018	2017
Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	<u>\$1,066,286</u>	<u>\$2,123,773</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	2,908,061	2,908,061
Effect of dilution:		
Employees' compensation	<u>1,333</u>	<u>1,504</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>\$2,909,394</u>	<u>\$2,909,565</u>
Diluted earnings per share (NT\$)	<u>\$0.37</u>	<u>\$0.73</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.



(31) Changes in parent's interest in subsidiaries

Loss control on a subsidiary

The Company disposed 50% ownership of HTG at May 31, 2018 and lost its control. The price was NT\$18,258 thousand.

As of May 31, the book value of HTG's assets and liabilities is as follows:

	<u>Book value</u>
Cash and cash equivalents	\$33,598
Receivables	3,669
Prepayments	22
Refundable deposits	9
Payables	(135)
Current income tax liabilities	(628)
Other current liabilities	(19)
Identifiable net assets	<u>\$36,516</u>
Proceeds of disposal (under other receivable)	\$18,258
Add: non-Controlling interest (50% of identifiable net assets)	18,258
Less: identifiable net assets	<u>(36,516)</u>
Net	<u>\$-</u>

Acquisition of new shares in a subsidiary not in proportion to ownership interest

For the year ended December 31, 2018, and 2017 the Company paid additional cash to acquire TGCH's new shares issued in the amount of US\$46,782 thousand (NT\$1,434,797 thousand) and US\$78,278 thousand (NT\$2,372,323 thousand), and consequently its ownership interest in TGCH was increased to 93.98% and 93.78%. Following is a schedule of interests owned in TGCH, TAG, TYAU, TYSM and TYPQ including changes in non-controlling interests and adjustments to accumulated other comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Cash consideration receive	\$-	\$395,304
Adjustment to non-controlling interests	221	(397,599)
Recognized in the capital reserve attributable to parent company	<u>\$221</u>	<u>\$(2,295)</u>

(32) Subsidiaries that have material non-controlling interests

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of Incorporation and operation	As of December 31,	
		2018	2017
TGCH and subsidiaries	Bermuda	6.02%	6.22%

	As of December 31,	
	2018	2017
Accumulated balances of material non-controlling interest:		
TGCH and subsidiaries	\$3,344,154	\$3,384,111

	For the years ended December 31,	
	2018	2017
Profit (losses) allocated to material non-controlling interest:		
TGCH and subsidiaries	\$(13,415)	\$65,387

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarized information of profit or loss of TGCH and subsidiaries for the years ended December 31, 2018 and 2017:

	For the years ended December 31,	
	2018	2017
Operating revenue	\$33,304,357	\$31,206,666
Profit or loss for the period from continuing operations	1,398,229	2,081,797
Total comprehensive income for the period	382,245	1,704,924

Summarized information of financial position of TGCH and subsidiaries of December 31, 2018 and 2017:

	As of December 31,	
	2018	2017
Current assets	\$20,267,755	\$18,994,868
Non-current assets	42,752,634	42,839,974
Current liabilities	10,932,179	15,183,742
Non-current liabilities	7,088,487	3,334,452

Summarized cash flow information of TGCH and subsidiaries for the years ended December 31, 2018 and 2017:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Operating activities	\$3,904,730	\$3,706,497
Investing activities	(4,949,784)	(2,133,649)
Financing activities	1,018,422	(1,439,628)
Net increase in cash and cash equivalents	108,218	289,909

#### 7. Related party transactions

The significant transactions for 2018 and 2017 are summarized below:

##### Name and Relationship of Related Parties

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Shihlien Chemical Industrial (Jiangsu) Co., Ltd. (SCJ)	Associates
Taibo Anhui Energy Co., Ltd.	"
Tai Fong Investment Co., Ltd.	Other related parties
Ho Ho Investment Co., Ltd.	"
Tai Cheng Investment Co., Ltd.	"
Tai Yu Investment Co., Ltd.	"
Tai Chia Investment Co., Ltd.	"
Lim Ken Seng Kah Kai Co., Ltd.	"
Tai Fong Golf Club	"
Shihlien Apex Huaian Technology Co., Ltd.	"
Shihlien Apex Yancheng Technology Co., Ltd.	"
Shihlien Apex EV Leasing Jiangsu	"
Shihlien Apex EV Leasing Huaian	"
Shihlien International Investment Co., Ltd.	"
Shihlien Fine Chemical Co., Ltd.	"
Power Source New Energy Jian	"
Shenzhen Taizhi Photoelectric Materials Technology Co., Ltd. (TPMT)	"
Xue Xue Institute	"
Xue Xue Foundation	"
Dongfeng Yueda Kia Motors Co., Ltd. (DYK)	"
Jiangsu Yueda Mobis Trade Co., Ltd.	"
Jiangsu Yueda Group Co., Ltd.	"
Jiangsu Yueda Group Finance Co., Ltd.	"

Name of related parties	Relationship with the Company
Yueda Automobile Development Co., Ltd.	//
Jiangsu Yueda Xingye Auto Parts Co., Ltd.	//
Jiangsu Yueda Printing Co., Ltd.	//
Jiangsu Yueda Auto Parts Logistics Co., Ltd.	//
Jiangsu Yueda Advertising Media Co., Ltd.	//
Jiangsu Yueda Package & Transportation Co., Ltd.	//
Yancheng Yueda Can Green Photovoltaic Power Co., Ltd.	//
Jiangsu Yueda Health Management Service Co., Ltd.	//
Global Car Sharing & Rental Yueda Yancheng Co., Ltd.	//
Jiangsu Yueda Glovis Logistic Co., Ltd.	//
TECO Nanotech Co., Ltd.	//
TECO Electric & Machinery Co., Ltd.	//
Tong-An Investment Co., Ltd.	//
Information Technology Total Services Corp.	//
Nippon Parts Co., Ltd.	//
Pilkington Automotive Belgium NV.	//
Pilkington Automotive Finland OY	//
Nippon Sheet Glass Co., Ltd.	//
NSG Purchase&Supply Co., Ltd.	//
Pilkington North America Inc.	//
Pilkington Technology Management Limited	//
HARIO Co., Ltd. (Note)	//

Note: Since May 31, 2018, it was not the Group's related party.

#### Significant transactions with related parties

##### (1) Sales

	<u>For the years ended December 31,</u>	
	2018	2017
Associates	\$19,469	\$18,497
Other related parties	504,554	318,565
Total	<u>\$524,023</u>	<u>\$337,062</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for related parties was month-end 90 days. The outstanding balance at December 31, 2018 and 2017 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(2) Purchases

	For the years ended December 31,	
	2018	2017
Associates		
SCJ	\$2,273,841	\$2,413,729
Other	246,244	96,340
Subtotal	2,520,085	2,510,069
Other related parties	44,736	90,583
Total	<u>\$2,564,821</u>	<u>\$2,600,652</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are paid on delivery.

(3) Other income - rental income

	For the years ended December 31,	
	2018	2017
Other related parties	<u>\$2,789</u>	<u>\$1,061</u>

(4) Rental expense

	For the years ended December 31,	
	2018	2017
Other related parties	<u>\$26,422</u>	<u>\$26,876</u>

The Group has leased plant offices, warehouse and land. The rents were based on local market price and prepaid for 1 year.

(5) Notes receivable

	As of December 31,	
	2018	2017
Associates	\$56,389	\$-
Other related parties	45,201	32,975
Total	<u>\$101,590</u>	<u>\$32,975</u>

(6) Accounts receivable

	As of December 31,	
	2018	2017
Associates	\$122	\$141
Other related parties	68,307	51,282
Total	68,429	51,423
Less: loss allowance	-	-
Net	<u>\$68,429</u>	<u>\$51,423</u>

(7) Notes payable

	As of December 31,	
	2018	2017
Associate		
SCJ	<u>\$-</u>	<u>\$33,132</u>

(8) Accounts payable

	As of December 31,	
	2018	2017
Associates	\$297,211	\$284,632
Other related parties	2,465	20,683
Total	<u>\$299,676</u>	<u>\$305,315</u>

(9) Short-term loans

	For the year ended December 31, 2018			
	Maximum balance	Ending balance	Interest rate	Interest expense payables
Other related parties	\$133,915	<u>\$-</u>	6%	<u>\$2,803</u>

(RMB28,681 thousand)

	For the year ended December 31, 2017			
	Maximum balance	Ending balance	Interest rate	Interest expense payables
Other related parties	\$240,730	<u>\$68,317</u>	6%	<u>\$2,388</u>

(RMB55,000 thousand)

(10) Other payables

A. Rental payable, technical service fee and others

	As of December 31,	
	2018	2017
Associates	\$-	\$10,340
Other related parties	15,124	31,904
Total	<u>\$15,124</u>	<u>\$42,244</u>

B. Financing

	For the year ended December 31, 2018				
	Maximum balance	Ending balance	rate	Interest expense	Interest payables
Other related parties	\$1,570,691	<u>\$14,321</u>	3%-6%	<u>\$43,603</u>	<u>\$36,881</u>
	(USD53,800千元)				

	For the year ended December 31, 2017				
	Maximum balance	Ending balance	rate	Interest expense	Interest payables
Other related parties	\$1,683,671	<u>\$1,601,088</u>	3%	<u>\$48,826</u>	<u>\$8,027</u>
	(US\$ 53,800 thousand)				

(11) Others

The Group's other transactions with associates and other related parties are as follows:

	As of December 31,	
	2018	2017
Other current assets		
Associates	\$22,433	\$3,181
Other related parties	10,787	24,943
Total	<u>\$33,220</u>	<u>\$28,124</u>

	As of December 31,	
	2018	2017
Other non-current assets		
Other related parties	<u>\$119</u>	<u>\$193</u>

	As of December 31,	
	2018	2017
Other current liabilities		
Other related parties	<u>\$-</u>	<u>\$40</u>

	As of December 31,	
	2018	2017
Other non-current liabilities		
Other related parties	\$2,685	\$2,824
	For the years ended December 31,	
	2018	2017
Operating expense		
Associates	\$-	\$20
Other related parties	16,885	25,908
Total	\$16,885	\$25,928
	For the years ended December 31,	
	2018	2017
Other income		
Associates	\$2,095	\$3,233
Other related parties	5,968	5,902
Total	\$8,063	\$9,135

(12) The payment term to related parties has no significant difference to other third parties. The outstanding balance at December 31, 2018 and 2017 was unsecured, non-interest bearing and must be settled in cash. The receivables from and the payables to the related parties were not guaranteed.

(13) The Group purchased intangible assets and property, plant and equipment from other related parties in amount of NT\$113,515 thousand and NT\$3,282 thousand for the year ended December 31, 2018 and 2017, respectively.

(14) As of December 31, 2018 and 2017, other related parties guaranteed for the Company's subsidiaries' bank loans. The balances as of December 31, 2018 and 2017 were RMB127,000 thousand and RMB106,000 thousand, respectively. Thus, the subsidiaries were entitled to a guaranteed fee of NT\$1,914 thousand and NT\$1,707 thousand for the years ended December 31, 2018 and 2017, respectively, recorded as non-operating expense.

(15) Key management personnel compensation

	For the years ended December 31,	
	2018	2017
Short-term employee benefits	\$55,455	\$70,870
Shave-based payment	1,952	1,998
Total	\$57,407	\$72,868



## 8. Assets pledged as security

The following table lists assets of the Group pledged as security:

As of December 31, 2018:

<u>Assets pledged for security</u>	<u>Carrying amount</u>	<u>Obligee</u>	<u>Secured liabilities</u>
Bank savings (other financial assets - current)	\$23,495	Rural Commercial Bank	Performance bond
"	54,364	Industrial and Commercial Bank of China	"
"	33,626	Bank of China	"
"	8,712	Bank of Communications	"
"	6,574	Bank of Nanjing	"
"	9,363	First Bank	"
"	456	China Merchant Bank	"
"	11,193	Bank of China	Marginal deposit
"	17,983	First Bank	"
Machinery equipment	79,660	Chailease International Finance Corporation	Long-term loans
Total	<u>\$245,426</u>		

As of December 31, 2017:

<u>Assets pledged for security</u>	<u>Carrying amount</u>	<u>Obligee</u>	<u>Secured liabilities</u>
Debt instrument investment for which no active market exists	\$13,663	First Bank	Short-term loans
Bank savings (other financial assets - current)	37,023	Bank of Communications	Performance bond
"	7,425	Bank of China	"
"	13,524	Agricultural Bank of China	"
"	6,832	Industrial and Commercial Bank of China	"
"	53,803	Rural Commercial Bank	"
"	48,582	Bank of China	"
"	7,288	Bank of Nanjing	Marginal deposit
"	45,807	First Bank	"
Total	<u>\$233,947</u>		

## 9. Commitments and contingencies

As of December 31, 2018, the contingency and off balance sheet commitments are as follows:

- (1) As of December 31, 2018, the outstanding promissory notes signed for business needs, including importing equipment, purchase of equipment, performance bond, and loan guarantee, totaled NT\$17,160,470 thousand.
- (2) Commodity tax and export tariff were NT\$19,581 thousand.
- (3) Discounted notes receivable was RMB126,934 thousand.
- (4) Unsecured balance of letters of credit is as follows:

<u>Currency</u>	<u>Unused Balance (in thousands)</u>
JPY	417,657
USD	11,525
EUR	1,884
SEK	1,068
GBP	20
RMB	3,681

- (5) Significant contracts of construction in progress and equipment are as follows:

<u>Items</u>	<u>Contract amount</u>	<u>Amount paid</u>	<u>Amount unpaid</u>
Project of Taoyuan Plant	\$194,459	\$71,200	\$123,259
Project of Lukang Plant	219,838	114,916	104,922
Project of TBF	2,504,138	1,990,756	513,382
Others	908,369	729,873	178,497
Total	<u>\$3,826,804</u>	<u>\$2,906,745</u>	<u>\$920,059</u>

The above amount paid was recognized as construction in progress under property, plant and equipment and prepayment for equipment under noncurrent assets.

- (6) The Company signed the promissory notes in amount of NT\$750,000 thousand, US\$389,000 thousand and RMB486,000 thousand for its subsidiaries' secured loans.

## 10. Losses due to major disasters

None.

## 11. Significant subsequent events

None.

## 12. Others

### Financial Instruments

#### (1) Categories of financial instruments

<u>Financial assets</u>	<u>As of December 31,</u>	
	<u>2018</u>	<u>2017</u>
Financial assets at fair value through profit or loss:		
Designated at fair value through profit or loss at initial recognition	\$478,859	\$683,936
Financial assets at fair value through other comprehensive income	263,332	(Note)
Available-for-sale financial assets	(Note)	264,232
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	4,705,088	(Note)
Financial assets measured at amortized cost	30,714	(Note)
Receivables	9,691,279	(Note)
Other financial assets	165,766	(Note)
Refundable deposits	197,392	(Note)
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	(Note)	5,111,929
Debt instrument investment for which no active market exists	(Note)	59,208
Receivables	(Note)	9,868,080
Other financial assets	(Note)	220,284
Refundable deposit	(Note)	231,158
Subtotal	14,790,239	15,431,451
Total	\$15,532,430	\$16,438,827
<u>Financial liabilities</u>	<u>As of December 31,</u>	
	<u>2018</u>	<u>2017</u>
Financial liabilities at amortized cost:		
Short-term loans	\$7,040,660	\$6,373,954
Short-term bills payable	3,295,570	2,196,039
Payables	6,164,947	7,890,821
Long-term loans (including current portion)	17,141,681	14,319,892
Lease obligations payable (including current portion)	-	9,357
Deposits-in	187,999	198,634
Total	\$33,830,857	\$30,988,697

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and equity risk.

In practice, it is rarely the case that a single risk variable changes independently from other risk variables, there are usually interdependencies between risk variables. The sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for US dollars and RMB. The information of the sensitivity analysis is as follows:

- A. When NTD weakens/strengthens against US dollars by 1%, the profit for the years ended December 31, 2018 and 2017 is decreased/increased by NT\$24,757 thousand and NT\$39,794 thousand, respectively.
- B. When CNY strengthens/weakens against US dollars by 1%, the profit for the years ended December 31, 2018 and 2017 is decreased/increased by NT\$55,531 thousand and NT\$3,046 thousand, respectively.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2018 and 2017 to increase/decrease by NT\$13,727 thousand and NT\$13,832 thousand, respectively.

### Equity price risk

The fair value of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under available-for-sale financial assets. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

The amount of the investment in the unlisted equity securities is not significant. Therefore, a change in the overall earnings stream of the valuations performed on the invested company would not have a significant impact on the income nor equity attributable to the Group for the years ended December 31, 2018 and 2017.

As of December 31, 2018, a change of 10% in the price of the listed companies' stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$21,075 on the equity attributable to the Group.

As of December 31, 2017, a decrease of 10% in the price of the listed equity securities classified as available-for-sale could have an impact of NT\$22,007 thousand on the income or equity attributable to the Group. An increase of 10% in the value of the listed securities would only result in an impact of NT\$22,007 thousand on equity but would not have an effect on profit.

#### (4) Credit risk management

Credit risk is the risk that a counter party will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2018 and 2017, accounts receivables from top ten customers represented amounts less than 10% of the total accounts receivables of the Group. The credit concentration risk of accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit ratings and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses since January 1, 2018. The loss allowance of accounts receivables is measured at lifetime expected credit losses. In addition, financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

#### (5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

## Non-derivative financial instruments

	Less than				Total
	1 year	2 to 3 years	4 to 5 years	> 5 years	
<u>As of December 31, 2018</u>					
Short-term loans	\$7,169,821	\$-	\$-	\$-	\$7,169,821
Short-term bills payable	3,300,000	-	-	-	3,300,000
Payables	6,164,947	-	-	-	6,164,947
Long-term loans	6,023,934	9,078,803	2,661,886	370,115	18,134,738
<u>As of December 31, 2017</u>					
Short-term loans	\$6,512,290	\$-	\$-	\$-	\$6,512,290
Short-term bills payable	2,200,000	-	-	-	2,200,000
Payables	7,890,821	-	-	-	7,890,821
Corporate bonds payable	4,053,975	9,006,479	1,640,855	100,522	14,801,831
Long-term loans	9,610	-	-	-	9,610

### (6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities during 2018:

	Short-term loans	Short-term bills payable	Long-term loans	Other payable	Lease payable	Total liabilities from financing activities
As January 1, 2018	\$6,373,954	\$2,200,000	\$14,319,892	\$1,601,088	\$9,357	\$24,504,291
Cash flows	599,904	1,100,000	2,677,143	(1,607,425)	(9,357)	2,760,265
Non-cash changes:						
Foreign exchange movement	66,802	-	144,646	20,658	-	232,106
As of December 31, 2018	<u>\$7,340,660</u>	<u>\$3,300,000</u>	<u>\$17,141,681</u>	<u>\$14,321</u>	<u>\$-</u>	<u>\$27,496,662</u>

Reconciliation of liabilities during 2017: Not applicable.

### (7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- a. The carrying amount of cash and cash equivalents, receivables, payables, refundable deposits and deposits-in approximate their fair value.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
- c. Fair value of equity instruments without market quotations (including unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as recent fund raising activities, valuation of similar companies, individual company's development, market conditions and other economic indicators.
- d. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

**B. Fair value of financial instruments measured at amortized cost**

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

**C. Fair value measurement hierarchy for financial instruments**

Please refer to Note 12. (8) for fair value measurement hierarchy for financial instruments of the Group.

**(8) Assets measured at fair value**

**A. Fair value measurement hierarchy**

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:



The following table contains the fair value of financial instruments after initial recognition and the details of the three levels of fair value hierarchy:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

#### B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

##### As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Guaranteed financial products	\$-	\$-	\$478,859	\$478,859
Financial assets at fair value through other comprehensive income				
Equity securities	210,750	-	52,582	263,332

##### As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Guaranteed financial products	\$-	\$-	\$683,936	\$683,936
Available-for-sale financial assets				
Equity securities	220,073	-	44,159	264,232

During the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy is as follows:

	Assets		
	At fair value through profit or loss	Available- for-sale	Total
	Guaranteed financial product	Stocks	
Beginning balances as of January 1, 2017	\$244,157	\$44,250	\$288,407
Total gains and losses recognized for the year ended December 31, 2017:			
Amount recognized in profit or loss	-	(8,250)	(8,250)
Amount recognized in OCI	-	8,159	8,159
Acquisition for the year ended December 31, 2017	1,030,652	-	1,030,652
Disposals	(591,746)	-	(591,746)
Exchange effect	873	-	873
Ending balances as of December 31, 2017	683,936	44,159	728,095
Total gains and losses recognized for the year ended December 31, 2018:			
Amount recognized in profit or loss	-	-	-
Amount recognized in OCI	-	8,423	8,423
Acquisition for the year ended December 31, 2018	1,469,648	-	1,469,648
Disposals	(1,666,485)	-	(1,666,485)
Exchange effect	(8,240)	-	(8,240)
Ending balances as of December 31, 2018	\$478,859	\$52,582	\$531,441

Total gains and losses recognized for the years ended December 31, 2018 and 2017 contained gains and losses related to securities and derivatives on hand as of December 31, 2018 and 2017 in the amount of NT\$8,423 thousand and NT\$(91) thousand, respectively.

C. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (please refer to Note 6. (15))	\$-	\$-	\$172,543	\$172,543

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (please refer to Note 6. (15))	\$-	\$-	\$170,914	\$170,914

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

(in thousands)

	As of					
	December 31, 2018			December 31, 2017		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	72,523	30.715	2,227,545	98,734	29.76	2,938,334
RMB	2,641,755	4.4753	11,822,692	2,442,022	4.5545	11,122,184
Non-Monetary items:						
USD	134,233	30.715	4,122,959	100,868	29.76	3,001,820
RMB	2,984	4.4753	13,353	6,481	4.5545	29,518
<u>Financial liabilities</u>						
Monetary items:						
USD	288,071	30.715	8,848,100	204,262	29.76	6,078,828
RMB	1,527,371	4.4753	6,835,468	1,746,184	4.5545	7,952,992

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Since there were various functional currencies used within the subsidiaries of the Group, the Group was unable to disclose foreign exchange gains (losses) towards each foreign currency with significant impact. The realized and unrealized foreign exchange gains (losses) was NT\$(336,786) thousand and NT\$357,396 thousand for the years ended December 31, 2018 and 2017, respectively.

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stockholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to stockholders, return capital to stockholders or issue new shares.

(11) Information of financial asset transferred

A. Transferred financial assets that are partially-derecognized in their entirety

The Group entered into a factoring agreement with a financial institution, which is partly with recourse and partly non-recourse. The Group has transferred the right on those non-recourse factoring, and in accordance with the contract, the Group shall not be liable for the credit risks associated with uncollectable receivables (except for commercial disputes), which met the requirements for derecognizing financial assets. The related information is as follows:

As of December 31, 2018

Transferee	Amount transferred	Amount	Advanced amount	Interest rate range	Credit
O-Bank	\$438,775	\$394,898	\$397,010	1.07%~1.08%	\$800,000

As of December 31, 2017

Transferee	Amount transferred	Amount	Advanced amount	Interest rate range	Credit
O-Bank	\$468,512	\$421,660	\$422,877	0.99%~1.08%	\$800,000

B. Transferred financial assets that are derecognized in their entirety

The Group entered into a factoring agreement with a financial institution, which is non-recourse. The Group has transferred the right on those non-recourse factoring, and in accordance with the contract, the Group shall not be liable for the credit risks associated with uncollectable receivables, which met the requirements for derecognizing financial assets. The related information is as follows:

As of December 31, 2018: None.

As of December 31, 2017

Transferee	Amount transferred	Amount	Advanced amount	Interest rate range	Credit
Guoxin Institute (Internet Financial Platform)	\$73,569	\$71,084	\$71,084	9.50%	\$73,569
Jiangxi Jinyuan Financial Leasing Co., Ltd.	44,985	42,908	42,908	9.50%	44,985
Total	\$118,554	\$113,992	\$113,992		\$118,554

### 13. Other disclosure

#### (1) Information at significant transactions

- A. Lending fund to others: Please refer to Attachment 1.
- B. Endorsement/guarantee provided to others: Please refer to Attachment 2.
- C. Securities held at the end of the period: Please refer to Attachment 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20 percent of the capital stock or more: Please refer to Attachment 4.
- E. Acquisition of real estate with amount exceeding NT\$300 million or 20 percent of the capital stock or more: None.
- F. Disposal of real estate with amount exceeding NT\$300 million or 20 percent of the capital stock or more: None.
- G. Related party transactions for purchases and sales amounts exceeding NT\$100 million or 20 percent of the capital stock or more: Please refer to Attachment 5.
- H. Receivables from related parties with amounts exceeding NT\$100 million or 20 percent of capital stock or more: Please refer to Attachment 6.
- I. Financial instruments and derivative transactions: None.
- J. Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between them: Please refer to Attachment 7.

#### (2) Information on investees

Information of the investees in which the Company directly or indirectly has significant influence or control: Please refer to Attachment 8.

#### (3) Information on investments in Mainland China

- A. Investee's name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income or loss, carrying value of the investments, inward remittance of earnings and limits on investments in Mainland China: Please refer to Attachment 9.
- B. Directly or indirectly significant transactions through other regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition are disclosed as follows:
  - a. Accumulated amount and percentage of purchase and related payables at the end of the period: None. \*
  - b. Accumulated amount and percentage of sales and related receivables at the end of the period: None. \*
  - c. Amount of property transaction and related gain or loss: None. \*
  - d. Endorsement/guarantee provided to others at the end of the period: None. \*
  - e. Financing provided to others at the end of the period: None. \*
  - f. Other significant transactions, such as service provided or received: None. \*

\* The transactions have been eliminated in the consolidation financial statements.

#### 14. Segment information

##### (1) General Information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- A. Flat Glass Segment: Manufacturing and selling of flat glasses.
- B. Glass Container Segment: Manufacturing and selling of glass containers.
- C. Glass Fiber Segment: Manufacturing and selling of glass fibers.

No operating segments have been aggregated to form the above reportable operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

##### (2) Reportable segment information

For the year ended December 31, 2018

	Flat Glass	Glass Container	Glass Fiber	Subtotal	Other Operating Segments (Note 1)	Adjustment and Elimination	Consolidated
Revenue							
External customer	\$31,640,421	\$3,527,071	\$10,871,007	\$46,038,499	\$52,995	\$-	\$46,091,494
Inter-segment (Note 2)	43,358	70	327	43,755	374,062	(417,817)	-
Total revenue	<u>\$31,683,779</u>	<u>\$3,527,141</u>	<u>\$10,871,334</u>	<u>\$46,082,254</u>	<u>\$427,057</u>	<u>\$(417,817)</u>	<u>\$46,091,494</u>
Depreciation	<u>\$3,696,487</u>	<u>\$363,973</u>	<u>\$997,546</u>	<u>\$5,058,006</u>	<u>\$84,691</u>	<u>\$-</u>	<u>\$5,142,697</u>
Segment profit	<u>\$887,502</u>	<u>\$72,574</u>	<u>\$1,366,612</u>	<u>\$2,326,688</u>	<u>\$(3,114)</u>	<u>\$-</u>	<u>\$2,323,574</u>

For the year ended December 31, 2017

	Flat Glass	Glass Container	Glass Fiber	Subtotal	Other Operating Segments (Note 1)	Adjustment and Elimination	Consolidated
Revenue							
External customer	\$29,650,666	\$3,510,845	\$11,616,201	\$44,777,712	\$91,869	\$-	\$44,869,581
Inter-segment (Note 2)	21,381	3	68	21,452	346,239	(367,691)	-
Total revenue	<u>\$29,672,047</u>	<u>\$3,510,848</u>	<u>\$11,616,269</u>	<u>\$44,799,164</u>	<u>\$438,108</u>	<u>\$(367,691)</u>	<u>\$44,869,581</u>
Depreciation	<u>\$3,848,793</u>	<u>\$349,415</u>	<u>\$998,142</u>	<u>\$5,196,350</u>	<u>\$78,163</u>	<u>\$-</u>	<u>\$5,274,513</u>
Segment profit	<u>\$739,464</u>	<u>\$80,578</u>	<u>\$1,809,217</u>	<u>\$2,629,259</u>	<u>\$11,276</u>	<u>\$-</u>	<u>\$2,640,535</u>

<sup>1</sup> Revenue from other operating segments are operating segments that do not meet the quantitative thresholds for reportable segments.

<sup>2</sup> Inter-segment revenues are eliminated on consolidation and recorded under the "adjustment and elimination" column.

(3) Other reconciliations of reportable segments

	For the years ended December 31,	
	2018	2017
Segment profit	\$2,326,688	\$2,629,259
Profit (losses) from other operating segments	(3,114)	11,276
Non-operating income and expenses	(768,909)	(249,740)
Income before income tax from continuing operations	<u>\$1,554,665</u>	<u>\$2,390,795</u>

(4) Geographical information

Revenue from external customers

	For the years ended December 31,	
	2018	2017
Taiwan	\$7,320,117	\$7,749,914
China	31,853,437	30,031,051
Other countries (not account for 10%)	6,917,940	7,088,616
Total	<u>\$46,091,494</u>	<u>\$44,869,581</u>

The revenue information above is based on the location of the customer.

Noncurrent assets

	As of December 31,	
	2018	2017
Taiwan	\$15,425,659	\$15,580,162
China	35,484,368	36,450,635
Other countries (not account for 10%)	10,088	9,774
Total	<u>\$50,920,115</u>	<u>\$52,040,571</u>

(5) Information about major customers (account for over 10% operating revenue)

The revenue from single external customer accounts for over 10% net consolidated operating revenue: None.

## Attachment 1

Financing provided to others for the year ended December 31, 2018

(Dollar amount expressed in thousands of NTD unless otherwise specified)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period	Ending Balance (In Thousands) (Note 3)	Actual Amount provided	Interest Rate	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Financing (Note 6)	Allowance for Bad Debt	Collateral		Amount for Individual Counterparty (Note 7)	Financial Amount for Financing Company (Note 7)
													Item	Value		
1	TGCH	TTY	Other receivables	Yes	\$185,730	\$-	\$-	-	2	\$-	Need for operating	\$-	-	-	44,199,411 × 40%= 17,679,764 (in thousand)	44,199,411 × 40%= 17,679,764 (in thousand)
1	TGCH	HNG	"	Yes	364,125	-	-	-	2	-	Need for operating	-	-	-	"	"
1	TGCH	TBF	"	Yes	826,335	-	-	-	2	-	Need for operating	-	-	-	"	"
1	TGCH	CFG	"	Yes	609,200	307,150	307,150	4.41%	2	-	Need for operating	-	-	-	"	"
1	TGCH	FFG	"	Yes	1,057,784	545,989	545,989	4.00%-4.35%	2	-	Need for operating	-	-	-	"	"
1	TGCH	TJG	"	Yes	1,840,419	1,182,433	1,121,003	4.00%-4.88%	2	-	Need for operating	-	-	-	"	"
1	TGCH	TAH	"	Yes	2,907,475	1,842,900	1,228,600	4.45%-4.64%	2	-	Need for operating	-	-	-	"	"
1	TGCH	TCD	"	Yes	4,212,450	1,996,475	1,382,175	4.29%-4.81%	2	-	Need for operating	-	-	-	"	"
2	CFG	TTAR	"	Yes	280,204	-	-	-	2	-	Need for operating	-	-	-	1,905,569 × 40%= 762,228 (in thousand)	1,905,569 × 60%= 1,143,341 (in thousand)
2	CFG	TWAR	"	Yes	23,420	23,318	23,318	-	2	-	Need for operating	-	-	-	"	"
3	CDG	TYAU	"	Yes	214,782	-	-	-	2	-	Need for operating	-	-	-	7,421,535 × 40%= 2,968,614 (in thousand)	7,421,535 × 60%= 4,452,921 (in thousand)
3	CDG	CFG	"	Yes	636,998	-	-	-	2	-	Need for operating	-	-	-	"	"
3	CDG	TYSM	"	Yes	175,480	84,986	84,986	5.60%	2	-	Need for operating	-	-	-	"	"
3	CDG	HZSS	"	Yes	148,041	145,086	145,086	0.35%	2	-	Need for operating	-	-	-	"	"
3	CDG	TTAR	"	Yes	513,610	492,285	492,285	4.13%	2	-	Need for operating	-	-	-	"	"
3	CDG	TTY	"	Yes	1,131,228	1,083,027	993,521	0.35%-4.42%	2	-	Need for operating	-	-	-	"	"
3	CDG	TWAR	"	Yes	1,794,602	1,794,602	1,257,564	0.35%-4.13%	2	-	Need for operating	-	-	-	"	"
4	QFG	QRG	"	Yes	311,158	179,013	148,497	-	2	-	Need for operating	-	-	-	1,533,708 × 40%= 613,485 (in thousand)	1,533,708 × 60%= 920,223 (in thousand)



## Financing provided to others for the year ended December 31, 2018 (Continue)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (in Thousands) (Note 8)	Actual Amount provided	Interest Rate	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Financing (Note 6)	Allowance for Bad Debt	Collateral		Amount for Individual Counterparty (Note 7)	Financial Amount for Financing Company (Note 7)
													Item	Value		
5	HNG	ZZSS	Other receivables	Yes	\$74,721	\$49,672	42,840	-	2	-	Need for operating	-	-	-	3,337,770 × 40% = 1,335,108 (in thousand)	3,337,770 × 60% = 2,002,662 (in thousand)
6	TGF	TBF	"	Yes	466,918	447,532	268,519	5.51%	2	-	Need for operating	-	-	-	6,456,718 × 40% = 2,582,687 (in thousand)	6,456,718 × 60% = 3,874,031 (in thousand)
6	TGF	TCD	"	Yes	1,401,022	1,342,595	1,253,089	4.35%-5.51%	2	-	Need for operating	-	-	-	"	"
7	DHG	QFG	"	Yes	106,670	53,704	50,079	4.00%	2	-	Need for operating	-	-	-	5,201,706 × 40% = 2,080,682 (in thousand)	5,201,706 × 60% = 3,121,024 (in thousand)
7	DHG	FPG	"	Yes	1,746,608	1,673,769	1,673,769	4.00%	2	-	Need for operating	-	-	-	"	"
8	TAH	FYSS	"	Yes	53,704	53,704	53,704	2.00%	2	-	Need for operating	-	-	-	1,976,227 × 40% = 790,491 (in thousand)	1,976,227 × 60% = 1,185,736 (in thousand)
9	HZSS	TXY	"	Yes	25,066	25,066	25,066	-	2	-	Need for operating	-	-	-	165,811 × 40% = 66,324 (in thousand)	165,811 × 60% = 99,487 (in thousand)
10	TXY	TWAR	"	Yes	7,081	7,081	7,081	-	2	-	Need for operating	-	-	-	2,546,635 × 40% = 1,018,654 (in thousand)	2,546,635 × 60% = 1,527,981 (in thousand)
Total							\$11,104,321									

Note 1: The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".

2. The subsidiaries are coded starting from "1" in numerical order.

Note 2: If the economic substance of transactions are financing to others, regardless of which component they recognized as in the financial statements, certain transactions are included therein.

Note 3: Maximum balance of the Company and its subsidiaries' financing to others for the year ended December 31, 2017

Note 4: Nature of financing is coded as follows:

1. The financing occurred due to business transactions

2. The financing occurred due to short-term financing

Note 5: Total amount of the financing is disclosed herein if the financing was related to business transactions. The amount shall mean the transaction amount between the lending entity and the borrower within the most recent year.

Note 6: The reasons and counterparties of the financing are addressed herein as the financing associated with short-term capital needs.

Note 7: The process of providing finance to others, the limits to individual counterparties and the total financing limit for the company should be noted, as well as the computations.

Note 8: If a listed company brings the financing proposal to the board of directors according to Paragraph 1, Article 1 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies,

the company still needs to disclose the resolution amount of the board in the balance to disclose the risk, even if the funds are not appropriated yet.

With the return of the funds afterward, the company should disclose the amount returned to reflect the adjusted risk.

If a listed company authorizes the chairman of the board of directors to appropriate or use certain limits of the funds several times in the period of a year according to Paragraph 2, Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies,

the company still needs to disclose the amount approved by the board.

Note 9: All transactions listed above are eliminated in the consolidated financial statements.

No. (Note 1)	Endorser/ Guarantor		Receiving Party		Limits of Endorsement /Guarantee Amount for Relationship	Maximum Balance	Ending Balance (Note 5)	Actual Amount provided	Amount of Endorsement/	Percentage of Accumulated Endorsement/Guarantee to Net	Limit on the Endorsement/Guarantee Amount (Note 3)	Parent Company Endorsed or Guaranteed for	Subsidiaries Endorsed or Guaranteed for	Endorsement or Guarantee for
	Company Name	Relationship	Company Name	Relationship										
0	TGI	2	TGCH	2	\$22,122,740	\$9,190,575	\$4,219,240	\$4,219,240	\$-	10%	1. In accordance with the Article 4 of the Procedures for Endorsement and Guarantee, the Company may provide endorsement/guarantee to others but shall not exceed 120% of its net assets. For endorsement/guarantee to individual entity, the amount is limited to 50% of the Company's net assets. 2. Subsidiaries may provide endorsement/guarantee to others but shall not exceed 100% of their net assets. For endorsement/guarantee to individual entity, the amount is limited to 60% of the subsidiary's net assets. 3. TGI : 44,245,480*120%= 53,094,576(in thousand) 4. TGF : 6,456,718*100%= 6,456,718(in thousand) 5. CFG : 1,905,569 thousand*100%= 1,905,569(in thousand) 6. DHG : 5,201,706*100%= 5,201,706(in thousand) 7. TGCH : 44,199,411*100%= 44,199,411(in thousand) 8. TCD : 2,773,572*100%= 2,773,572(in thousand) 9. QFG : 1,533,708*100%= 1,533,708(in thousand)	Y		Y
0	TGI	2	CDG	2	"	655,982	-	-	-	0%				Y
0	TGI	2	TWAR	2	"	754,130	-	-	-	0%				Y
0	TGI	2	CFG	2	"	97,680	89,550	-	-	0%				Y
0	TGI	2	TVSM	2	"	763,795	237,295	88,620	-	1%				Y
0	TGI	2	QFG	2	"	606,950	300,700	300,700	-	1%				Y
0	TGI	2	TGF	2	"	591,055	413,810	413,810	-	1%				Y
0	TGI	2	HNG	2	"	754,300	446,750	151,550	-	1%				Y
0	TGI	2	TYAU	2	"	753,036	501,493	501,493	-	1%				Y
0	TGI	2	FPG	2	"	847,136	613,627	-	-	1%				Y
0	TGI	2	TJG	2	"	907,175	754,550	605,875	-	2%				Y
0	TGI	2	ITCD	2	"	853,922	853,922	853,922	-	2%				Y
0	TGI	2	TXY	2	"	2,142,503	862,874	862,874	-	2%				Y
0	TGI	2	TAH	2	"	1,408,625	1,408,625	1,408,625	-	3%				Y
0	TGI	2	TBF	2	"	4,205,700	4,054,425	3,230,685	-	9%				Y
1	TGF	4	CFG	4	3,874,031	138,107	134,259	-	-	2%				Y
1	TGF	4	ITCD	4	"	1,203,431	895,064	640,382	-	14%				Y
2	CFG	4	TTAR	4	1,143,342	373,606	268,519	223,766	-	14%				Y
2	CFG	4	TGF	4	"	513,708	492,285	366,226	-	26%				Y
3	DHG	4	QFG	4	3,121,024	720,101	716,051	447,532	-	14%				Y
4	TGCH	3	ITGI	3	26,519,647	50,000	50,000	50,000	-	0%			Y	Y
5	TCD	4	TGF	4	1,664,143	233,504	-	-	-	0%				Y
6	QFG	2	TQPT	2	920,225	271,105	269,839	223,766	-	18%			Y	Y

Note 1: The Company and its subsidiaries are coded as follows:

- The Company is coded "0".
- The subsidiaries are coded starting from "1" in numerical order.
- Receiving parties are disclosed as one of the following:
  - An investee that has a business relationship with the Company
  - A subsidiary in which the Company holds directly over 20% of equity interest.
  - An investee in which the Company and its subsidiaries hold over 50% of equity interest.
  - An investee in which the Company holds directly or indirectly over 50% of equity interest.
  - A company which needs mutual insurance basing on the construction agreement.
  - A company in which the Company endorses or guarantees basing on the holding proportion of mutual investments.

Note 2: The process of providing finance to others, the limits to individual counterparties and the total financing limit for the company should be noted, as well as the computations.

Note 3: The maximum amount of the Company and its subsidiaries' endorsement or guarantee to others for the year ended December 31, 2017

Note 4: The Company bears the responsibility of endorsements or guarantees as long as the ceilings on the amount of guarantees or endorsements are approved by banks.

Note 5: Other occurrences related to endorsement or guarantee shall be included in the balance.

Note 6: Fill in the actual amount drawn from the balance.

Note 7: Fill in "Y" if it belongs to "Parent Company Endorsement or Guarantee for the Subsidiaries", "Subsidiaries Endorsement or Guarantee for the Parent Company", or "Endorsement or Guarantee for Entities in China".

Note 8: All transactions listed above are eliminated in the consolidated financial statements.

Attachment 3

Securities held as of December 31, 2018

(Dollar amount expressed in thousands of NTD unless otherwise specified)

Company	Type and Name of the Securities (Note 1)	Relationship (Note 2)	Financial Statement Account	As of December 31, 2018			Remark (Note 4)
				Shares	Carrying Value (Note 3)	Percentage of Ownership	
TGI	Securities: China Development Financial Holdings	-	Available-for-sale financial assets - non-current	21,681,340	\$210,743	0.14%	\$210,743
	Chi-Ye Chemical Corp.	-	"	659,000	52,582	3.30%	52,582
	Chang Hwa Commercial Bank, Ltd.	-	"	308	5	0.00%	5
	Hua Nan Financial Holdings Co., Ltd.	-	"	141	2	0.00%	2
	Total				<u>\$263,332</u>		
	Financial products--						
CDG	Bank of Communications, Qingbaijiang Branch	-	Financial assets at fair value through profit or loss - current	-	\$478,859	-	\$478,859

Note 1: The securities herein shall refer to stocks, bonds, beneficiary certificates and other marketable securities derived from the above items in the scope of IFRS 9-Financial Instruments.

Note 2: Securities issued by non-related parties are not required to fill in this column.

Note 3: For items measured at fair value, the carrying value is the balance of the book value adjusted by fair value valuation deducting accumulated impairment.

For items not measured at fair value, the carrying value is the book value balance of the historical cost or amortized cost after deducting accumulated impairment.

Note 4: Securities with restrictions because of being provided for security, as pledge or under other covenants should state the number of shares or dollar amount provided for security or pledge and the restriction terms.

## Attachment 4

## Individual securities acquired or disposed of with accumulated amount exceeding

NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2018

(Dollar amount expressed in thousands of NTD unless otherwise specified)

Company	Type and Name of the Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)			Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Selling Amount	Carrying Value	Gain or Loss on Disposal	Shares
TGI	Securities TGCH	Investments accounted for using the equity method	TGCH	Parent- Subsidiary	1,307,251,564	\$39,740,085	46,781,758	\$1,434,796 (Note5) 345,462 (Note6)	-	\$-	\$-	1,354,033,322	\$41,520,343
TGCH	SCH	Investments accounted for using the equity method	SCH	Associate	1,448,323,842	3,001,820	456,122,144	1,434,796 (Note5) (313,657) (Note6)	-	-	-	1,904,445,986	4,122,959
CDG	Financial products – Bank of Communications, Qingbaijiang Branch	Financial assets at fair value through profit or loss – current	-	-	-	-	-	556,305 (Note7)	-	68,398	87	-	478,859

Note 1: The securities herein shall refer to stocks, bonds, beneficiary certificates and other securities derived from the above items.

Note 2: These columns are filled only if securities are investments accounted for using the equity method.

Note 3: Accumulated amount of securities purchased or sold are calculated at market value to determine whether they exceed NT\$300 million or 20% of the capital stock.

Note 4: Paid-in Capital shall refer to the paid-in capital of parent company.

Note 5: The amount includes cash injection.

Note 6: The amount includes share of losses of subsidiaries, share of other comprehensive income, and increase through changes in ownership interests in subsidiaries, and other changes in stockholders' equity of equity investees.

Note 7: The amount includes foreign exchange adjustments.

Note 8: The amount is eliminated in the consolidated financial statements, except for SCH and financial products.

## Attachment 5

Related party transactions for purchases and sales amounts exceeding NT\$100 million or 20 percent of capital stock as of for the year ended December 31, 2018

Company	Counterparty	Relationship	Transaction Details				Details Different from Non-arm's Length Transactions (Note 1)			Notes and Accounts Receivable (Payable)		Remark (Note 2)
			Sale/Purchase	Amount	Percentage of Total Sales or Purchases	Term	Unit Price	Terms	Balance	Percentage of Total Receivable (Payable)		
											Sale/Purchase	
TGI	TAG	Parent-subidiary	Sales	\$(104,822)	(1)%	3 months	\$-	-	\$13,190	1%		
TGI	QFG	Parent-subidiary	Sales	(355,640)	(3)%	3 months	-	-	61,945	5%		
TGI	TGF	Parent-subidiary	Sales	(105,341)	(1)%	3 months	-	-	380	0%		
CFG	TKG	Affiliate Company	Sales	(498,240)	(12)%	3 months	-	-	-	-		
TAH	CFG	Affiliate Company	Sales	(390,904)	(14)%	3 months	-	-	120,717	19%		
TAH	TTAR	Affiliate Company	Sales	(294,892)	(11)%	3 months	-	-	183,105	30%		
TAH	TWAR	Affiliate Company	Sales	(257,329)	(10)%	3 months	-	-	121,573	20%		
TCD	TGF	Affiliate Company	Sales	(212,648)	(10)%	3 months	-	-	22,440	4%		
QFG	TGUS	Affiliate Company	Sales	(261,913)	(12)%	3 months	-	-	25,357	23%		
QFG	TPMT	Other related party	Sales	(140,824)	(7)%	3 months	-	-	-	-		
TJG	TGUS	Affiliate Company	Sales	(241,800)	(14)%	3 months	-	-	13,727	6%		
TXY	XYES	Parent-subidiary	Sales	(139,193)	(4)%	3 months	-	-	32,666	6%		
TXY	CDG	Affiliate Company	Sales	(138,235)	(4)%	3 months	-	-	111,303	22%		
TYAU	DYK	Other related party	Sales	(268,149)	(55)%	3 months	-	-	94,847	64%		
TAG	TGI	Parent-subidiary	Purchases	104,822	42%	3 months	-	-	(13,190)	(38)%		
QFG	TGI	Parent-subidiary	Purchases	355,640	21%	3 months	-	-	(61,945)	(29)%		
TKG	CFG	Affiliate Company	Purchases	498,240	49%	3 months	-	-	-	-		

## Attachment 5

Related party transactions for purchases and sales amounts exceeding NT\$100 million or 20 percent of capital stock as of for the year ended December 31, 2018(Continue)

Company	Counterparty	Relationship	Transaction Details				Details Different from Non-arm's Length Transactions (Note 1)			Notes and Accounts Receivable (Payable)		Remark (Note 2)
			Sale/Purchase	Amount	Percentage of Total Sales or Purchases	Term	Unit Price	Terms	Balance	Percentage of Total Receivable (Payable)		
											Purchases	
CFG	TAH	Affiliate Company	Purchases	390,904	13 %	3 months	-	-	(120,717)	(12)%		
TTAR	TAH	Affiliate Company	Purchases	294,892	48 %	3 months	-	-	(183,105)	(74)%		
TWAR	TAH	Affiliate Company	Purchases	257,329	34 %	3 months	-	-	(121,573)	(63)%		
TGF	TGI	Parent-subsiidiary	Purchases	105,341	4 %	3 months	-	-	(380)	-		
TGF	TCD	Affiliate Company	Purchases	212,648	9 %	3 months	-	-	(22,440)	(24)%		
TGUS	QFG	Affiliate Company	Purchases	261,913	32 %	3 months	-	-	(25,357)	(46)%		
TGUS	TJG	Affiliate Company	Purchases	241,800	30 %	3 months	-	-	(13,727)	(25)%		
XYES	TXY	Parent-subsiidiary	Purchases	139,193	100 %	3 months	-	-	(32,666)	(100)%		
CDG	TXY	Affiliate Company	Purchases	138,235	5 %	3 months	-	-	(111,303)	(43)%		
HNG	SCJ	Affiliate Company	Purchases	349,746	21 %	3 months	-	-	(66,539)	(37)%		
DHG	SCJ	Affiliate Company	Purchases	472,609	28 %	3 months	-	-	(1,498)	(3)%		
TJG	SCJ	Affiliate Company	Purchases	184,951	14 %	3 months	-	-	(53,891)	(24)%		
QFG	SCJ	Affiliate Company	Purchases	237,177	14 %	3 months	-	-	-	-		
TAH	SCJ	Affiliate Company	Purchases	388,180	20 %	3 months	-	-	(35,647)	(32)%		
TAH	TRAE	Affiliate Company	Purchases	246,244	12 %	3 months	-	-	-	-		
CFG	SCJ	Affiliate Company	Purchases	370,344	12 %	3 months	-	-	(40,652)	(21)%		
IFPG	SCJ	Affiliate Company	Purchases	167,774	17 %	3 months	-	-	(94,795)	(60)%		

Note 1: If the related parties' trading terms are different from the general trading terms, the differences and reasons for such differences should be stated in the "Unit price" and "Terms" columns.

Note 2: Transactions with advance receipts and prepayments should state the reasons, the terms of agreements, the amount and the difference from general transactions in the Remark column.

Note 3: Paid-in Capital shall refer to the paid-in capital of parent company. If the issuer's stock is not denominated or the denomination is not NT\$10, the transaction amount of 20% of the paid-up capital shall be calculated as 10% of the equity of the parent company on the balance sheet.

Note 4: All transactions listed above are eliminated in the consolidated financial statements except for TPMT, DYK, TRAE and SCJ.

Attachment 6

Receivables from related parties with amounts exceeding NT\$100 million or 20 percent of capital stock as of for the year ended December 31, 2018

(Dollar amount expressed in thousands of NTD unless otherwise specified)

Company	Counterparty	Relationship	Ending Balance (Note 1)	Turnover	Overdue Receivables		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Collection		
TGCH	CFG	Parent-subsiidiary	Other receivables \$330,133	-	\$-	-	\$-	
TGCH	TJG	Parent-subsiidiary	Other receivables 1,140,168	-	-	-	-	
TGCH	FPG	Parent-subsiidiary	Other receivables 555,772	-	-	-	-	
TGCH	TCD	Parent-subsiidiary	Other receivables 1,397,676	-	-	-	-	
TGCH	TAH	Parent-subsiidiary	Other receivables 1,305,488	-	-	-	-	
QFG	QRG	Parent-subsiidiary	Other receivables 148,497	-	-	-	-	
CDG	TWAR	Affiliate Company	Other receivables 1,264,301	-	-	-	-	
CDG	HZSS	Affiliate Company	Other receivables 145,535	-	-	-	-	
CDG	TXY	Affiliate Company	Other receivables 998,047	-	-	-	-	
CDG	TTAR	Affiliate Company	Other receivables 498,962	-	-	-	-	
TKG	CFG	Affiliate Company	Other receivables 712,717	-	-	-	-	

Attachment 6

Receivables from related parties with amounts exceeding NT\$100 million

or 20 percent of capital stock as of for the year ended December 31, 2018(Continue)

(Dollar amount expressed in thousands of NTD unless otherwise specified)

Company	Counterparty	Relationship	Ending Balance (Note 1)	Turnover	Overdue Receivables		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Collection		
TGF	TCD	Affiliate Company	Other receivables \$1,255,040	-	-	-	-	-
TGF	TBF	Affiliate Company	Other receivables 271,498	-	-	-	-	-
DHG	FPG	Affiliate Company	Other receivables 1,712,733	-	-	-	-	-
TKG	CFG	Affiliate Company	Account receivables 108,744	-	-	-	-	-
TXY	CDG	Affiliate Company	Account receivables 111,303	-	-	-	-	-
TAH	CFG	Affiliate Company	Account receivables 120,717	-	-	-	-	-
TAH	TTAR	Affiliate Company	Account receivables 183,105	-	-	-	-	-
TAH	TWAR	Affiliate Company	Account receivables 121,573	-	-	-	-	-

Note 1: Fill in information such as related parties account receivables, notes receivable, other receivables, etc.

Note 2: Paid-in Capital shall refer to the paid-in capital of parent company. If the issuer's stock is not denominated or the denomination is not NT\$10, the transaction amount of 20% of the paid-up capital shall be calculated as 10% of the equity of the parent company on the balance sheet.

Note 3: All transactions listed above are eliminated in the consolidated financial statements.



Attachment 7

Significant intercompany transactions for the year ended December 31, 2018

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transaction Details			Percentage (Note 3)
				Account	Amount	Terms	
0	TGI	TAG	1	Sales revenues	\$104,882	The same as domestic sales	0%
0	TGI	QFG	1	"	355,622	"	1%
0	TGI	TGF	1	"	105,341	"	0%
1	CFG	TKG	3	"	498,240	"	1%
2	TAH	CFG	3	"	390,904	"	1%
2	"	TTAR	3	"	294,892	"	1%
2	"	TWAR	3	"	257,329	"	1%
3	TCD	TGF	3	"	212,648	"	1%
4	QFG	TGUS	3	"	261,913	"	1%
5	TJG	TGUS	3	"	241,800	"	1%
6	TXY	XYES	1	"	139,193	"	0%
6	"	CDG	3	"	138,235	"	0%
7	TKG	CFG	3	Accounts receivables - related parties	108,744	"	0%
6	TXY	CDG	3	"	111,303	"	0%
2	TAH	CFG	3	"	120,717	"	0%
2	"	TTAR	3	"	183,105	"	0%
2	"	TWAR	3	"	121,573	"	0%
8	TGCH	CFG	1	Other receivables - related parties	330,133	"	0%
8	"	TJG	1	"	1,140,168	"	1%
8	"	FPG	1	"	555,772	"	1%
8	"	TCD	1	"	1,397,676	"	2%
8	"	TAH	1	"	1,305,488	"	2%
7	TKG	CFG	3	"	712,717	"	1%
4	QFG	QRG	1	"	148,497	"	0%
9	CDG	TWAR	3	"	1,264,301	"	1%
9	"	HZSS	3	"	145,535	"	0%
9	"	TXY	3	"	998,047	"	1%
9	"	TTAR	3	"	498,962	"	1%
10	TGF	TCD	3	"	1,255,040	"	1%
10	"	TBF	3	"	271,498	"	0%
11	DHG	FPG	3	"	1,712,733	"	2%

Note 1: The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".

2. Subsidiaries are coded consecutively starting from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. Parent company to subsidiary

2. Subsidiary to parent company

3. Subsidiary to subsidiary

Note 3: The percentage is determined by the ratio of the transaction amount to the consolidated revenues or the total assets. Items on the balance sheet are calculated by the ending balance to total consolidated assets; items on the income statement are calculated by their cumulative balance to the total consolidated income.

Note 4: The disclosure of significant intercompany transactions in this attachment is determined by the company based on the materiality.

Names, locations and related information of investee companies as of December 31, 2018		(Dollar amount expressed in thousands of NTD unless otherwise specified)										
Company	Investee (Note 1,2)	Area Within	Nature of Business	Initial Investment		Investment as of December 31, 2018		Percentage of Ownership	Shares	Profit or Loss of Investee (Note 2)	Gain or Loss on Investment (Note 2,3)	Remark
				Ending Balance	Beginning Balance	Ending Balance	Carrying Value					
TGI	TGUS	US	Investment in QRG and selling of glasses.	\$17,676 USD 461	\$17,676 USD 461	4,612	100.00%	4,612	\$370,351	\$43,233	\$43,233	
"	TGCH	Bermuda	Investment in QRG, QFG, YNSS, TGF, CFG, FYSS, CDG, DHG, HZSS, HNG, TKG, TJG, PPG, TXY, TTAR, TYAU, TAH, TYSM, TWAR, TCD, TBF, and SCH.	41,724,578 USD 1,343,151	40,289,782 USD 1,296,369	1,354,033,322	93.98%	1,354,033,322	41,520,343	1,515,768	1,411,759	
"	TAG	Taiwan	Investment in TAGH and selling of auto glasses.	263,582	263,582	26,100,000	87.00%	26,100,000	256,946	(50,005)	(43,933)	
"	TVIG	Taiwan	Selling vacuum insulation glass	438,750	438,750	43,875,000	65.00%	43,875,000	193,352	(44,164)	(28,707)	
"	HTG	Taiwan	Selling kitchen appliance	10,000	10,000	-	-	-	-	2,262	1,131	(Note 3)
TGCH	SCH	Hong Kong	Investment in Shihlien Chemical Industrial (Jiangsu) Co., Ltd. (SCJ) and Huaian Shihyuan Brine Co., Ltd. (HSB).	7,861,681 USD 252,088	6,426,885 USD 205,307	1,904,445,986	43.99%	1,904,445,986	4,122,959	532,595	197,348	
TAG	TAGH	Bermuda	Investment in TYAU.	188,571 USD 6,000	188,571 USD 6,000	6,000,000	100.00%	6,000,000	87,206	(6,724)	(6,724)	

Note 1: A listed company which has a foreign holding company that uses the consolidated financial statements as the master financial report according to its local regulations may disclose information regarding foreign investees only to the extent of the holding company.

Note 2: Fill in information following the instruction below for matters not applied in Note 1 indicated above:

- (1) The columns of "Name of investee", "Area Within", "Nature of Business", "Initial Investment" and "Investment as of December 31, 2018" should fill in information of the reinvestment of the listed company, reinvestment of every direct or indirect reinvestment of the investee, and disclose the relationship of the investees with the Company in the Remark column.  
(Such as subsidiary or sub-sub-subsidiary)

(2) The column of "Profit or Loss of Investee" should fill in the current profit or loss of the investees.

(3) The column of "Gain or Loss on Investment" only require profit / loss of the direct investees and all investees accounted for under the equity method

When filling in the above items, make sure the profit / loss of direct investee subsidiaries include the profit or loss of their reinvestments that are required to be recognized.

Note 3: Due to changes in operating strategies, the resolution disbanded HTG on March 31, 2018 and the Company has lost its control.

Note 4: All transactions listed above are eliminated in the consolidated financial statements except for SCJ and its investments in mainland China.

Investee	Nature of Business	Total Amount of Paid-in Capital	Investment Method (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2018	Profit or Loss of Investee company	Percentage of Ownership	Profit or Loss on Investment (Note 2)(b)(c)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
QRG	Manufacturing of photovoltaic glass	\$899,734 USD 29,293 (Note 19)	(i)	\$32,988 USD 1,074	\$-	\$-	\$32,988 USD 1,074	\$ (35,477)	94.96%	\$ (33,689)	\$151,398	\$-
QFG	Manufacturing of flat glasses	2,696,777 USD 87,800 (Note 13, Note 22)	(ii)	1,455,553 USD 47,389	-	-	1,455,553 USD 47,389	(72,497)	93.98%	(69,133)	1,441,378	-
YNSS	Manufacturing of silica sand	123,136 USD 4,009 (Note 13)	(ii)	59,556 USD 1,939	-	-	59,556 USD 1,939	18,849	59.56%	11,227	102,661	-
CFG	Manufacturing of flat glasses & low-emission glasses	2,150,050 USD 76,000 (Note 6)	(ii)	1,965,760 USD 64,000	-	-	1,965,760 USD 64,000	(50,722)	93.98%	(47,669)	1,790,854	-
FYSS	Manufacturing of silica sand	132,075 USD 4,300 (Note 6)	(ii)	64,502 USD 2,100	-	-	64,502 USD 2,100	(52,274)	93.98%	(49,127)	124,662	-
TGF	Manufacturing of glass fabric & fiber	3,378,650 USD 110,000 (Note 12)	(ii)	2,798,628 USD 91,116	-	-	2,798,628 USD 91,116	633,000	93.98%	594,893	6,068,023	-
CDG	Manufacturing of flat glasses & low-emission glasses	2,150,050 USD 70,000 (Note 11)	(ii)	1,501,810 USD 48,895	-	-	1,501,810 USD 48,895	751,953	93.98%	706,685	6,974,759	-
HZSS	Manufacturing of silica sand	322,508 USD 10,500 (Note 10)	(ii)	322,508 USD 10,500	-	-	322,508 USD 10,500	(42,828)	93.98%	(40,250)	153,829	-
HNG	Manufacturing of flat glasses & low-emission glasses	3,255,790 USD 106,000 (Note 8, Note 13, Note 21)	(ii)	2,718,278 USD 88,500	-	-	2,718,278 USD 88,500	123,878	93.98%	116,421	3,136,836	-
DHG	Manufacturing of flat glasses	2,457,200 USD 80,000 (Note 9)	(ii)	1,535,730 USD 50,000	-	-	1,535,730 USD 50,000	302,993	93.98%	284,753	4,888,563	-
TJG	Manufacturing of flat glasses & low-emission glasses	2,180,765 USD 71,000 (Note 7)	(ii)	1,812,185 USD 59,000	-	-	1,812,185 USD 59,000	(308,193)	93.98%	(289,640)	51,190	-
TKG	Manufacturing of flat glasses	737,160 USD 24,000 (Note 7)	(ii)	368,580 USD 12,000	-	-	368,580 USD 12,000	172,828	93.98%	162,424	1,330,097	-
FFG	Manufacturing of photovoltaic glass & cell module assembly	2,547,134 USD 82,928 (Note 20)	(ii)	1,597,180 USD 52,000	-	-	1,597,180 USD 52,000	(496,539)	93.98%	(466,648)	(140,187)	-
SCJ	Manufacturing of soda ash	24,572,000 USD 800,000 (Note 14)	(ii)	4,901,868 USD 159,592	-	-	4,901,868 USD 159,592	1,038,519	41.34%	429,324	7,578,072	-
RSB	Manufacturing Brine	982,880 USD 32,000 (Note 15)	(ii)	184,290 USD 6,000	-	-	184,290 USD 6,000	158,984	41.34%	65,724	663,174	-
TXY	Manufacturing of flat glasses	3,071,500 USD 100,000 (Note 16)	(ii)	1,996,475 USD 65,000	-	-	1,996,475 USD 65,000	307,261	93.98%	288,764	2,393,328	-
TTAR	Manufacturing of low-emission glasses	1,075,025 USD 35,000	(ii)	1,075,025 USD 35,000	-	-	1,075,025 USD 35,000	56,882	93.98%	53,438	609,656	-

(Dollar amount expressed in thousands of NTD, unless otherwise specified)

Investee	Nature of Business	Total Amount of Paid-in Capital	Investment Method (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2018	Profit or Loss of Investee company	Percentage of Ownership	Profit or Loss on Investment (Note 2)(b))	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
TAH	Manufacturing of flat glasses	\$2,610,775 USD \$5,000	(ii)	\$2,610,775 USD \$5,000	\$-	\$-	\$2,610,775 USD \$5,000	\$69,701	93.98%	\$65,505	\$1,857,258	\$-
TYSM	Manufacturing of solar glasses	1,996,475 USD 65,000 (Note 17)	(ii)	1,382,175 USD 45,800	115,181 USD 3,750	1,497,356 USD 48,750	1,497,356 USD 48,750	(336,193)	70.49%	(236,982)	477,500	-
TWAR	Manufacturing of low-emission glasses	1,075,025 USD 35,000	(ii)	1,075,025 USD 35,000	-	1,075,025 USD 35,000	1,075,025 USD 35,000	(50,932)	93.98%	(47,866)	363,845	-
TYAU	Manufacturing of auto glasses	2,088,020 USD 68,000 (Note 13)	(ii)	1,068,882 USD 34,800	-	1,068,882 USD 34,800	1,068,882 USD 34,800	(69,433)	55.77%	(38,723)	577,009	-
TBF	Manufacturing of glass fabric	1,842,900 USD 60,000	(ii)	1,842,900 USD 60,000	-	1,842,900 USD 60,000	1,842,900 USD 60,000	(246,275)	93.98%	(231,449)	1,352,890	-
TCD	Manufacturing of glass fabric	2,856,495 USD 93,000	(ii)	2,856,495 USD 93,000	-	2,856,495 USD 93,000	2,856,495 USD 93,000	416,734	93.98%	391,647	2,606,693	-

(Dollar amount expressed in thousands of NTD; thousands of USD)

Investment Amount Authorized by Investment Commission, Ministry of Economic Affairs (Note 4)	Limit on Investment Amount to Mainland China (Note 5)
35,342,369 USD 1,150,655	39,750,256 USD 1,280,999 & RMB 90,356

Note 1: The methods for engaging in investment in Mainland China include the following:

- (i) Direct investment in Mainland China companies.
- (ii) Investment in Mainland China companies through a company invested and established in a third region
- (iii) Other methods

Note 2: In the column of profit or loss on investment:

(i) The investment still in preparation and not generating profit or loss yet should be noted.

(ii) The gain or loss on investment were determined based on the following:

- a. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm
- b. The financial statements certified by the CPA of the parent company in Taiwan
- c. Others

Note 3: The amount of this attachment are expressed in New Taiwan Dollars.

Note 4: The investment amount was authorized by Investment Commission, Ministry of Economic Affairs.

Note 5: The Company does not have a limit on investment in Mainland China since it qualified as operation headquarter approved by the Industrial Development Bureau, Ministry of Economic Affairs.

Note 6: The TGCH invested the other USD 2,200 thousand to the entity with its own capital.

Note 7: The other USD 12,000 thousand was invested by third party through the TGCH.

Note 8: Third party invested USD 3,000 thousand to the entity through the TGCH.

Note 9: Third party invested USD 12,000 thousand to the entity through the TGCH.

Note 10: Third party invested USD 17,000 thousand to the entity through the TGCH; TGCH also invested to the entity USD 500 thousand with its own capital.

Note 11: Third party invested USD 21,000 thousand to the entity through the TGCH.

Note 12: Third party invested USD 17,000 thousand to the entity through the TGCH.

Note 13: The QFG, YNSS, and DHG invested USD 27,800 thousand, USD 592 thousand, and USD 13,000 thousand, their unappropriated earnings, respectively to the subsidiary.

Note 14: The SCJ, the investee of the TGCH, invested USD 640,408 thousand to the entity with its and third party's capital.

Note 15: The USD 35,000 thousand earnings distributed by CFG and CDG was invested by TGCH. The Company did not provide any funding.

Note 16: The USD 15,000 thousand was invested by the third party. The Company did not provide any funding.

Note 17: The TAGH and third party invested additional USD 6,000 thousand and USD 27,200 thousand to the entity, respectively.

Note 18: The QFG and TGUS invested USD 23,319 thousand and USD 4,774 thousand to the entity, respectively.

Note 19: The PFG raised capital of USD 30,928 thousand through debt for equity swap. The Company did not provide any funding.

Note 20: The QFG raised capital of USD 14,000 thousand through debt for equity swap. The Company did not provide any funding.

Note 21: The QFG raised capital of USD 5,000 thousand through debt for equity swap. The Company did not provide any funding.

Note 22: All amount listed above are eliminated in the consolidated financial statements except for SCJ and HSB.

Note 23: All amount listed above are eliminated in the consolidated financial statements except for SCJ and HSB.

**VI. If the Company or any of its affiliates has encountered any financial difficulties from the most recent years until the date the Annual Report was printed, the impact on the Company's financial condition shall be set forth: None.**

## **Seven. Financial Highlights:**

### **I. 2018 vs. 2017 financial analysis**

The causes resulting in material changes in assets, liabilities and shareholders' equity in the most recent two years and the effect thereof:

Currency Unit: NTD thousand

Item	Year	2018	2017	(decrease) in amount	Variation Ratio %
Current assets		26,225,853	25,148,319	1,077,534	+4.28
Investments accounted for using the equity method		4,136,312	3,031,338	1,104,974	+36.45
Property, plant and equipment		50,832,520	51,931,352	(1,098,832)	-2.12
Other noncurrent assets		3,873,710	3,915,552	(41,842)	-1.07
Total assets		85,068,395	84,026,561	1,041,834	+1.24
Current liabilities		23,251,960	21,602,960	1,649,000	+7.63
Long-term liabilities		11,547,246	10,524,563	1,022,683	+9.72
Other noncurrent liabilities		2,536,824	2,285,076	251,748	+11.02
Total liabilities		37,336,030	34,412,599	2,923,431	+8.50
Capital		29,080,608	29,080,608	0	-0.00
Additional paid-in capital		1,925,218	1,921,575	3,643	+0.19
Retained earnings		15,905,632	16,766,110	(860,478)	-5.13
Other components of equity		(2,665,978)	(1,729,033)	(936,945)	-54.19
Non-controlling interests		3,486,885	3,574,702	(87,817)	-2.46
Total equity		47,732,365	49,613,962	(1,881,597)	-3.79

Changes in the Company's assets, liabilities and equity by more than 20% in the previous and subsequent periods and by more than NT\$10,000,000, if any, in the most recent two years:

1. Root cause:

- (1). Investments accounted for using the equity method: This is caused by increase in investment SCH in this period.
- (2). Other components of equity: This differential is caused by exchange differences on financial report of foreign operation in this period.

## II. 2018 vs. 2017 financial performance analysis:

The causes resulting in material changes in operating revenues, operating income and income before income tax in the most recent two years:

### (I) Comparison and analysis of operating results

Currency Unit: NTD thousand

Item	Year	2018	2017	Increase (decrease) in amount	Variation Ratio %
	Operating revenues		46,091,494	44,869,581	1,221,913
Operating costs		38,755,048	37,231,578	1,523,470	+4.09
Gross profit		7,336,446	7,638,003	(301,557)	-3.95
Operating expenses		5,012,946	4,998,475	14,471	+0.29
Net amount of other revenues and gains and expenses and losses		74	1,007	(933)	-92.65
Operating gain (loss)		2,323,574	2,640,535	(316,961)	-12.00
Non-operating income and expenses		-768,909	-249,740	(519,169)	-207.88
Gain (Loss) from continuing operations before income tax		1,554,665	2,390,795	(836,130)	-34.97
Income tax (expenses) benefits		(522,685)	(215,050)	(307,635)	-143.05
Net gain (loss) from continuing operations		1,031,980	2,175,745	(1,143,765)	-52.57

Variation ration more than 20% , analysis of changes:

- (1) Decrease in other revenues due to the gain from more real property, plant and equipment adopted in 2017.
- (2) Increase in non-operating loss significantly due to the US-China trade conflict , exchange rate fluctuation and increased foreign exchange loss adopted in 2018.
- (3) Gain from continuing operations before income tax decreased significantly due to global smart phone sales decline and foreign exchange loss adopted.
- (4) Increase in income tax expense is due to increase in deferred tax assets.
- (5) Net gain from continuing operations were reduced significantly due to global smart phone sales decline and foreign exchange loss adopted.

### (II) Analysis of changes in gross profit:

Product type	Increase/decrease in previous and subsequent periods	Cause of Variation			
		Variation in selling price	Variation in cost price	Variation in portfolio	Variation in quantity
Flat glass	38,729	1,303,303	(1,346,030)	(947)	82,403
Fiber glass	(309,766)	(322,611)	119,700	7,592	(114,447)
Glass Container	8,354	(55,300)	47,835	(155)	15,974
Others	(38,874)	(38,874)	0	0	0
Total	(301,557)	886,518	(1,178,495)	6,490	(16,070)

Notes:

Gross profit increased during this period mainly because of the unfavorable cost price variance. Due to the rebound in international crude oil prices, flat glass prices have also increased, resulting in a favorable selling price variance and unfavorable cost price variance, causing a slight increase in gross profit of flat glass. In terms of fiber glass, due to global smart phone sales decline from fourth Quarter 2018, a unfavorable selling price variance and favorable cost price variance is resulted, resulting in a substantial decrease in the gross profit of fiber glass. Glass container, due to tableware no longer manufacture and high unit price of electric kiln cold repair, has an unfavorable selling price variance and favorable cost price variance, resulting in the gross profit of the glass container increased slightly.

(III) Anticipated sales volume and the basis thereof, and the potential effect against the Company's finances and business and remedial measures thereof:

The Company has not yet started to disclose the financial forecast in 2019, and no financial forecast was disclosed to the public. Explanation: omitted.

**III. Cash flows analysis: Any cash flow changes during the most recent fiscal year, corrective measures to be taken in response to illiquidity, and a liquidity analysis for the coming year.**

Currency Unit: NTD thousand

Cash balance-beginning	Annual net cash flow from operating activities	Annual cash outflow	Cash balance-ending (shortage)	Plan for cash balance-ending shortage	
				Investment activities	Financing activities
5,115,837	4,244,769	4,653,359	4,707,247	-	-

1. Analysis of changes in cash flows this year:

	2018	2017	Change	Variation Ratio (%)
(1) Operating activities:	4,244,769	6,022,320	(1,777,551)	(29.52)
(2) Investing activities:	(6,118,143)	(3,094,692)	(3,023,451)	(97.70)
(3) Financing activities:	1,344,208	(2,744,654)	4,088,862	148.98
Total	(529,166)	182,974	(712,140)	(389.20)

The decrease in cash flows this period is a result of decrease in Net income before tax and increase in equipment for the construction of a factory .

2. Plan for cash balance-ending shortage and liquidity analysis:

The Company's operating profit appears to be normal each year, and there is no likelihood for deficit in cash in the future.

3. Analysis of liquidity for next year

Cash balance-beginning	Annual net cash flow from operating activities	Annual cash outflow	Cash balance-ending (shortage)
4,707,247	7,447,000	7,168,000	4,986,247

(1) Operating activities: The normal operation is estimated to generate the cash inflow NTD\$7,447,000 thousand.

(2) Investing activities: In order to upgrade the productivity and optimize the process and generate cash outflow in 2019, the Company plans to purchase additional machine and equipment in 2019.

(3) Financing activities: Repayments of bank loans and cash dividend will be granted and thereby generate cash outflow.

#### **IV. Significant capitalized expenditure analysis**

(I) Utilization of material capital expenditure and source of funds

None.

#### **V. Long-term reinvestment policy, main reasons for gain or loss, improvement plan and the coming year investment plan**

(I) Reinvestment policy: Based on the existing Company's scale, all of the Group's employees are required to do their jobs, develop business, solidify the foundation, work hard to carry out business, rise from little winnings to greatness, and exert the maximum economic effect.

(II) Main reasons for gain or loss, and improvement plan:

The net investment gain from investment in Mainland companies recognized in 2018 was NT\$195,081 thousand. It is mainly the finished goods of the invested company rising prices and increasing sales volume in 2018.

(III) The coming year investment plan: None.



## VI. Risk Management:

1. Effect of interest rate, change in foreign exchange rate and inflation to the Company, and countermeasures:
  1. Effect of interest rate risk:

The Company maintains a fair financial structure as a favorable counter for price negotiation and bargain with financial institutions, and keeping in touch with various banks in order to seek more favorable lending rates.
  2. Effect of foreign exchange rate fluctuation risk:

Given that the foreign exchange rate risk generated from the sale or purchase valued based on non-functional currency may offset against each other, no material foreign exchange rate risk would be generated.
  3. Effect of inflation: No material effect generated.
2. Policies to engage in high-risk and high-leverage investment, granting loan to others, making endorsements/guarantees and transactions of derivative instruments, the main reasons for profit or loss, and countermeasures:

The Company did not engage in any high-risk or high-leverage investment, or granting loan to others, but did engage in granting loan and making endorsements/guarantees to/for subsidiaries in Mainland China for the funding or turnover for establishment of factories, in 2018.
3. Projected R&D plans and R&D expenditure:
  - (1) The Company's product life is long and investment in equipment is large. Main production technologies are also matured upon improvement. Meanwhile, the Company is able to research and develop the items with such functions as energy-saving, energy-generation, pollution-reduction and maintenance of product quality.
  - (2) Continue to introduce the technology and equipment for TCO glass.
  - (3) Future expected R&D Spending: NT\$137,288 thousand.
4. Changes in Government Apparatus policies and legal environment domestically and overseas, and the effect on the Financial Status and operation of the Company, and Countermeasures N/A
5. The effect of technological and industrial changes on the Financial Status and operation of the Company and countermeasures N/A
6. Effect of change in corporate identity to an enterprise's crisis management, and countermeasures: N/A
7. Anticipated benefit for merger and acquisition, and potential risk: N/A
8. Anticipated benefit for expansion and potential risk, and countermeasures: Please see Page 293.
9. Risk encountered by centralization of purchases or sales, and countermeasures: N/A
10. Effect and risk of mass transfer or exchange of equity of directors, supervisors and shareholders who hold more than 10% of the Company's shares to the Company, and countermeasures: N/A
11. The effect of change in the management of the Company, possible risk and countermeasures: N/A
12. Litigations, non-litigations or administrative actions of the Company and the Company's directors, supervisors, presidents, responsible persons in fact, shareholders who hold more than 10% of the Company's shares and affiliates which became final or are still pending may result in major impacts on shareholders' equity or stock price of the Company are disclosed by the facts, value of object, commencing date of the action, concerned parties, and treatment thereof until the date the Annual Report was printed: N/A
13. Other significant risk:

Information security risk assessment

The company adheres to the concept of sustainable management, in order to reduce the risk of the security crisis, the following responses to the information environment and system were implemented:

  - (1) Purchase and build equipment and safety protection systems, update system vulnerabilities instantly and strengthen the protection of information security.
  - (2) Formulate relevant information security policy specifications and authority control, requiring employees to use information equipment and access information correctly.
  - (3) Regularly hold training seminars and emergency response drills to enhance employees' awareness of

legal responsibilities and security awareness.

- (4) Strengthen the information backup and recovery mechanism to reduce the possible impact of disasters and improve system recovery timeliness.

The company did not have any major capital security incidents in 2018.

## **VII. Other important notes: N/A**

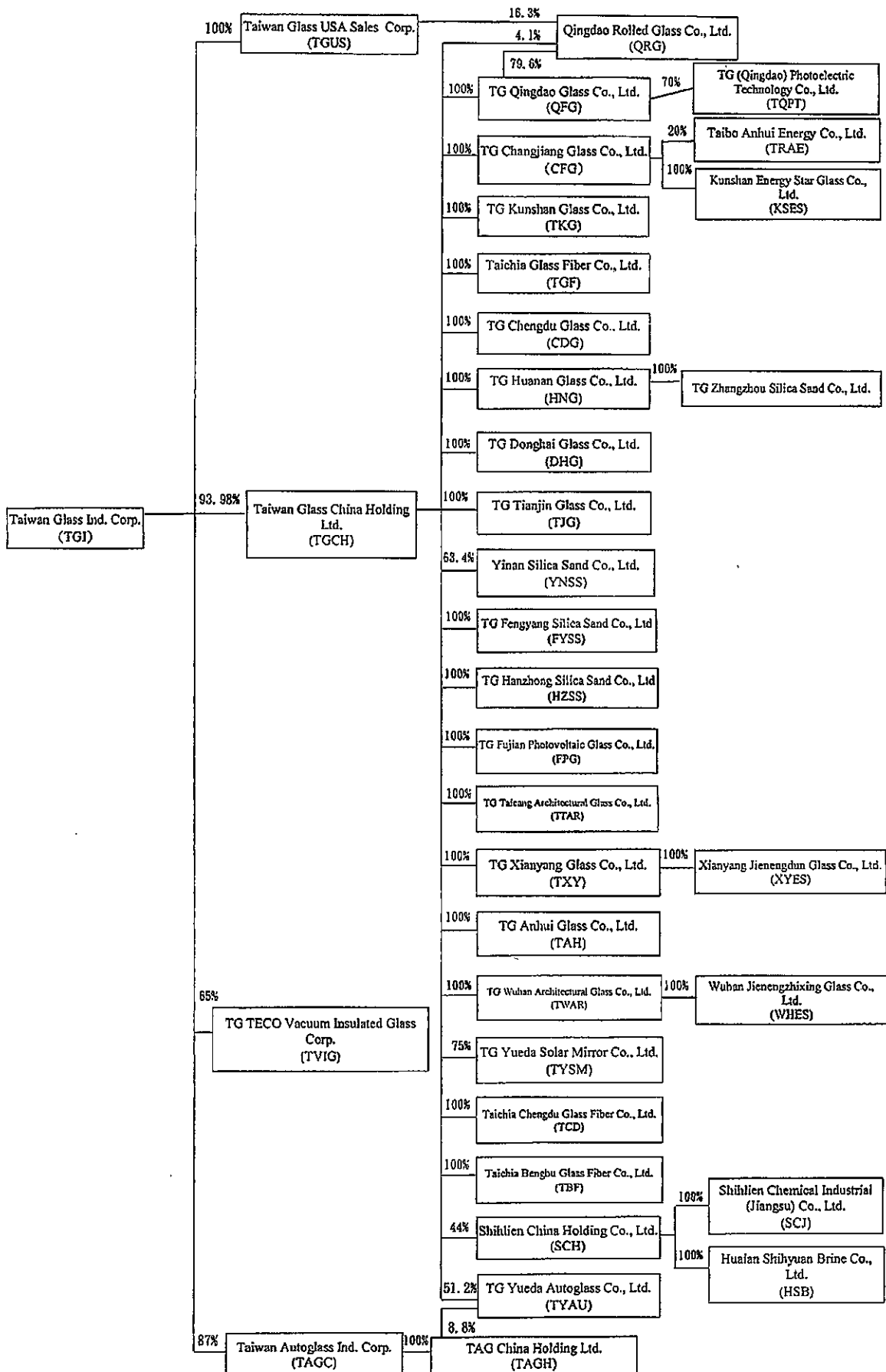
Eight. Special Notes

I. Affiliates

(I) Consolidated report on operation of affiliates:

1. Organizational Chart of Affiliates

2018-12-31



2 · Profile of Affiliated Companies

Company Name	Establish Date	Address	Issued capital stock until 2018-12-31	Currency Unit: US\$; 000; NT\$; 000; RMB; 000	Main Business or Production
Taiwan Glass China Holding Ltd.	September 1, 1993	Clarendon House, 2 Church Street, Hamilton HM11, Bermuda	US\$ 1,440,758	US\$	Holding company investing in Mainland China
TG Qingdao Glass Co., Ltd.	October 15, 1993	No.69 Hong Liu River Road Huangdao District, Qingdao, China	US\$ 87,800	US\$	Production of flat glasses
TG Changjiang Glass Co., Ltd.	September 5, 1994	No. 1, TaiBo Rd., Zhangpu Town, Kunshan City, Jiangsu, China	US\$ 70,000	US\$	Production of flat glasses and LOW-E glasses
TG Kunshan Glass Co., Ltd.	January 26, 2005	No. 1, TaiBo Rd., Zhangpu Town, Kunshan City, Jiangsu, China	US\$ 24,000	US\$	Production of flat glasses
Taichia Glass Fiber Co., Ltd.	June 19, 2001	No. 3, TaiBo Rd., Zhangpu Town, Kunshan City, Jiangsu, China	US\$ 110,000	US\$	Production of fiberglass fabric
TG Chengde Glass Co., Ltd.	May 20, 2002	No. 501, Sec. 1, Huanjin Ave, Chongmaijiang District, Chengde, Sichang, China	US\$ 70,000	US\$	Production of flat glasses and LOW-E glasses
TG Huanan Glass Co., Ltd.	March 10, 2003	Taiyang Ind. Park, Hongnei, Dongxueqiang, Guangdong, China	US\$ 106,000	US\$	Production of flat glasses and LOW-E glasses
TG Donghai Glass Co., Ltd.	November 18, 2003	No.1, Hulong South Road, IITech District, Niushan Town, Donghai County, Jiangsu, China	US\$ 80,000	US\$	Production of flat glasses
TG Tianjin Glass Co., Ltd.	August 12, 2004	Tianyu Science Park, Jinghai County, Tianjin, China	US\$ 71,000	US\$	Production of flat glasses and LOW-E glasses
TG Fujian Photovoltaic Glass Co., Ltd.	November 25, 2006	TG Ind. District, Jizhen Town, Zhangpu County, Zhangzhou City, Fujian, China	US\$ 82,928	US\$	Production of photovoltaic glass and cell module assembly
TG Taicang Architectural Glass Co., Ltd.	April 22, 2010	No.9 Shenjiang Road, Gangkou Area, Taicang City, Jiangu, China	US\$ 35,000	US\$	Production of LOW-E glasses
TG Xianyang Glass Co., Ltd.	April 29, 2010	Qili Street Xicheng Xingping City, Xianyang, Shaanxi, China	US\$ 100,000	US\$	Production of flat glasses and LOW-E glasses
TG Anhui Glass Co., Ltd.	May 11, 2010	Kwei Ind. Park, Banqiao Town, Fengyang County, Anhui, China	US\$ 85,000	US\$	Production of flat glasses
TG Yueda Autoglass Co., Ltd.	May 12, 2010	No. 78, Nanhuan East Rd., Yancheng Economic Development Area, Yancheng, Jiangsu, China	US\$ 68,000	US\$	Production of auto glasses
Qingdao Rolled Glass Co., Ltd.	May 27, 1993	No.69 Hong Liu River Road Huangdao District, Qingdao, China	US\$ 29,293	US\$	Production of rolled glasses
TG Ruhan Architectural Glass Co., Ltd.	December 2, 2010	No.188, Tuanjie street, Changqing street office, Dongxihu district, Wuhan, China	US\$ 35,000	US\$	Production of LOW-E glasses
TG Yueda Solar Mirror Co., Ltd.	January 7, 2011	No.88 Nanhuan Rd., Yancheng EDZ, Yancheng, Jiangsu, China	US\$ 65,000	US\$	Production of solar mirror glasses
Taichia Chengde Glass Fiber Co., Ltd.	August 8, 2011	No.1000, Tongxin Road, Qingbaijiang Dis., Chengdu City, Sichuan, China	US\$ 93,000	US\$	Production of fiberglass fabric
Taichia Bengbu Glass Fiber Co., Ltd.	September 5, 2012	Taibo Ave, Longzihu District, Bengbu, Anhui, China	US\$ 60,000	US\$	Production of fiberglass fabric
Yinan Silica Sand Co., Ltd.	November 10, 1994	Beiyanten Village, Zhangzhuang Town, Yinan, Shandong, China	RMB 32,800	RMB	Mining of silica sand
TG Fengyang Silica Sand Co., Ltd.	December 3, 1999	Daniao Town, Fengyang, Anhui, China	US\$ 4,300	US\$	Mining of silica sand
TG Hanzhong Silica Sand Co., Ltd.	February 11, 2004	Xizhengyong Village, Longjiang Town, Hantai District, Hanzhong City, Shaanxi, China	US\$ 10,500	US\$	Mining of silica sand
TG Zhangzhou Silica Sand Co., Ltd.	July 3, 2007	Jidong Village, Lixiao Town, Zhangpu County, Zhangzhou City, Fujian, China	RMB 90,000	RMB	Mining of silica sand
Xianyang Jienengdun Glass Co., Ltd.	August 26, 2014	Q111 Street Xicheng Xingping City, Xianyang, Shaanxi, China	RMB 100	RMB	Sale of LOW-E glasses
Wuhan Jienengzhixing Glass Co., Ltd.	August 27, 2014	No.188, Tuanjie street, Changqing street office, Dongxihu district, Wuhan, China	RMB 100	RMB	Sale of LOW-E glasses
Kunshan Energy Star Glass Co., Ltd.	November 12, 2014	No. 1, TaiBo Rd., Zhangpu Town, Kunshan City, Jiangsu, China	RMB 100	RMB	Sale of LOW-E glasses
TG (Qingdao) Photoelectric Technology Co., Ltd.	August 24, 2017	No.69 Hong Liu River Road Huangdao District, Qingdao, China	RMB 25,000	RMB	Production of ITO conductive glass
Taibo Anhui Energy Co., Ltd.	January 23, 2014	Silicon Industrial Park, Fengyang County, Chuzhou City, Anhui, China	RMB 25,000	RMB	Production of natural gas
Shihlien China Holding Co., Ltd.	August 12, 2008	Room 1101, 11/F, China Insurance Group Building 141 Pee Voux Road Central, Hong Kong	US\$ 555,013	US\$	Holding company investing in Mainland China
Shihlien Chemical Industrial Jiangsu Co., Ltd.	September 9, 2009	No. 8, Shilian Boulevard, New Salt Chemical Industrial Park, Huaiyin City, Jiangsu, China	US\$ 800,000	US\$	Production of soda ash, ammonium chloride and Glauber's salt
Huanan Shihyuan Brine Co., Ltd.	August 13, 2008	No. 8, Shilian Boulevard, New Salt Chemical Industrial Park, Huaiyin City, Jiangsu, China	US\$ 32,000	US\$	Production of brine
Taiwan Glass USA Sales Corp.	January 5, 1973	9450 Sw Commerce Circle, Wilsonville Oregon 97070, USA	US\$ 461	US\$	Selling of glasses
Taiwan Autoglass Ind. Corp.	May 20, 1988	11F, No. 261, Sec. 3, Nanjing E. Rd., Taipei City	NT\$ 300,000	NT\$	Production and selling of auto glasses
TG TECO Vacuum Insulated Glass Corp.	January 17, 2012	6F, No. 261, Sec. 3, Nanjing E. Rd., Taipei City	NT\$ 675,000	NT\$	Production and selling of vacuum glasses
TAG China Holding Ltd.	February 2, 2010	Clarendon House, 2 Church Street, Hamilton HM11, Bermuda	US\$ 6,000	US\$	Holding company investing in Mainland China

**3. Entities presumed in parent-subsidiary relations and information on identical shareholders:**  
N/A

**4. The industries housed in the same business location of the whole business group:**

Except TG、TGF and TCD, which are electronics industries engaged in electronic fiberglass fabric and fiberglass reinforced and cell module assembly, the other entities are engaged in production of glass.

**5. Division of labor among affiliates:**

- (1) QFG, CFG, QRG, TGF, CDG, HNG, DHG, TJG, TKG, FPG, TXY, TTAR, TYAU, TAH, TWAR, TYSM, TCD and TBF are the manufactories invested in Mainland China by the Company. QFG, CFG, CDG, HNG, DHG, TKG, TJG, TXY and TAH are engaged in production of float glass. FPG is engaged in production of photovoltaic glass. TTAR and TWAR are engaged in production of Low-E glass. TYAU is engaged in production of auto glass. QRG is engaged in production of rolled glass. TYSM is engaged in production of solar mirror. TGF、TCD and TBF (2019 plant production) are engaged in production of fiberglass fabric. TQPT is engaged in production of ITO conductive glass. The Company is engaged in production of said products, except ITO conductive glass、auto glass and solar mirror. The Company and the Mainland China companies are independent business entities, and there is no division of labor among each one.
- (2) TGUS is the distributor of the Company and its affiliates in the U.S.A..
- (3) TAGC is the Company's down-stream supplier (processing and sale of auto glass).
- (4) TVIG is the joint venture invested by TG、TECO Electric & Machinery Co., Ltd. and Tong An Investment Co., Ltd. subordinated to TECO Group, engaged in vacuum energy-saving glass.
- (5) YNSS is engaged in supplying the silica sand to QFG, DHG and TJG.
- (6) FYSS is engaged in supplying the silica sand to CFG, TKG, TAH and TGF.
- (7) HZSS is engaged in supplying the silica sand to CDG, TXY and TCD.
- (8) ZZSS is engaged in supplying the silica sand to HNG.
- (9) SCJ is engaged in the production of sodium carbonate, and also the supplier of sodium carbonate to the subsidiaries engaged in production of glass in Mainland China.
- (10) HSB is engaged in the exploitation of brine, and also the supplier of sodium carbonate to SCJ.
- (11) TRAE is engaged in supplying the natural gas to TAH.
- (12) XYES is sale of LOW-E glasses by TXY.
- (13) WHES is sale of LOW-E glasses by TWAR.
- (14) KSES is sale of LOW-E glasses by CFG.

## 6. Information about directors, supervisors and general managers of affiliates

Unit: share; %

Name	Job title	Name or Representative	As of December 31, 2018	
			Shares held	
			Shares or contribution	%
Taiwan Glass China Holding Ltd.	Chairman	Taiwan Glass Ind. Corp. (Lin, P F)	1,354,033,322	93.98
	Vice Chairman	Taiwan Glass Ind. Corp. (Lin, P S)	As above	As above
	Director	Taiwan Glass Ind. Corp. (Lin, P C)	As above	As above
	Director	Taiwan Glass Ind. Corp. (Lin, C H)	As above	As above
	Director	Taiwan Glass Ind. Corp. (Lin, C Y)	As above	As above
	Director	Taiwan Glass Ind. Corp. (Lin, C M)	As above	As above
Taiwan Glass USA Sales Corp.	Chairman & President	Taiwan Glass Ind. Corp. (Lin, P C)	4,612	100.00
	Director	Taiwan Glass Ind. Corp. (Lin, P F)	As above	As above
	Director	Taiwan Glass Ind. Corp. (Lin, P S)	As above	As above
Taiwan Autoglass Ind. Corp.	Chairman	Taiwan Glass Ind. Corp. (Lin, C H)	26,100,000	87.00
	Director	Taiwan Glass Ind. Corp. (Lin, C Y)	As above	As above
	Director	PILKINGTON INT'L HOLDINGS B.V. (TATEMOTO KATSUNORI)	3,000,000	10.00
	Supervisor	Lim Ken Seng Kah Kih Co., Ltd. (Lin, C M)	900,000	3.00
	G. MGR	Wu, C L	-	-
TG Qingdao Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, P S)	US\$ 87,800,000	100.00
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C H)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above	As above
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above	As above
	G. MGR	Sung, C H	-	-
Qingdao Rolled Glass Co., Ltd.	Chairman	TG Qingdao Glass Co., Ltd. (Lin, P S)	US\$ 23,318,800	79.60
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	US\$ 1,200,000	4.10
	Director	Taiwan Glass USA Sales Corp. (Lin, P C)	US\$ 4,774,200	16.30
	Director	Taiwan Glass USA Sales Corp. (Lin, C H)	As above	As above
	Director	TG Qingdao Glass Co., Ltd. (Lin, C Y)	US\$ 23,318,800	79.60
	Supervisor	TG Qingdao Glass Co., Ltd. (Lin, C M)	As above	As above
	G. MGR	Sung, C H	-	-

Name	Job title	Name or Representative	As of December 31, 2018	
			Shares held	
			Shares or contribution	%
TG Changjiang Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, C H)	US\$ 70,000,000 -	100.00 -
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above -	As above -
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above -	As above -
	Vice G. MGR	Li, HU · Ji, W G	-	-
TG Kunshan Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, C H)	US\$ 24,000,000 -	100.00 -
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above -	As above -
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above -	As above -
	Vice G. MGR	Li, HU	-	-
Taichia Glass Fiber Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, P F)	US\$ 110,000,000 -	100.00 -
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C H)	As above -	As above -
	Director & President	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above -	As above -
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above -	As above -
	G. MGR	Ji, W G · Li, G Y	-	-
TG Chengdu Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, C H)	US\$ 70,000,000 -	100.00 -
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above -	As above -
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above -	As above -
	G. MGR	Ji, W G · Li, G Y	-	-
TG Huanan Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, P C)	US\$ 106,000,000 -	100.00 -
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C H)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above -	As above -
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above -	As above -
	G. MGR	Lee, T M	-	-

Name	Job title	Name or Representative	As of December 31, 2018	
			Shares held	
			Shares or contribution	%
TG Tianjin Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, P C)	US\$ 71,000,000 -	100.00 -
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C H)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above -	As above -
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above -	As above -
	G. MGR	Yang, C C	-	-
TG Donghai Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, P S)	US\$ 80,000,000 -	100.00 -
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C H)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above -	As above -
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above -	As above -
	G. MGR	Chen, Y C	-	-
TG Fujian Photovoltaic Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, P S)	US\$ 82,927,707 -	100.00 -
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C H)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above -	As above -
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above -	As above -
	G. MGR	Chen, K M	-	-
TG Taicang Architectural Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, C H)	US\$ 35,000,000 -	100.00 -
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above -	As above -
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above -	As above -
	G. MGR	Ji, WEN GANG · Zhou, JING QUN	-	-
TG Xianyang Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, C H)	US\$ 100,000,000 -	100.00 -
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above -	As above -
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above -	As above -
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above -	As above -
	G. MGR	Liu, C C · Chang, C F	-	-



Name	Job title	Name or Representative	As of December 31, 2018	
			Shares held	
			Shares or contribution	%
TG Anhui Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, C H)	US\$ 85,000,000	100.00
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above	As above
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above	As above
	G. MGR	Chen, C H	-	-
TG Wuhan Architectural Glass Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, C H)	US\$ 35,000,000	100.00
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above	As above
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above	As above
	G. MGR	Chang, C F	-	-
TG Yueda Solar Mirror Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, C H)	US\$ 48,750,000	75.00
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C M)	As above	As above
	Vice Chairman	Jiangsu Yueda Group Co., Ltd. (Fu, G X)	US\$ 16,250,000	25.00
	Director	Jiangsu Yueda Group Co., Ltd. (Chen, H)	As above	As above
	Supervisor	Taiwan Glass China Holding Ltd. (Lu, Z X)	US\$ 48,750,000	75.00
	Supervisor	Jiangsu Yueda Group Co., Ltd. (Wu, Y H)	US\$ 16,250,000	25.00
	G. MGR	Zhao, M	-	-
Taichia Chengdu Glass Fiber Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, P F)	US\$ 93,000,000	100.00
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C H)	As above	As above
	Director & President	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above	As above
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above	As above
	G. MGR	Hu, W L	-	-
Taichia Bengbu Glass Fiber Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, P F)	US\$ 60,000,000	100.00
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C H)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above	As above
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above	As above
	G. MGR	Chen, C C	-	-

Name	Job title	Name or Representative	As of December 31, 2018	
			Shares held	
			Shares or contribution	%
TG Yueda Autoglass Co., Ltd.	Chairman	TAG China Holding Ltd. (Lin, C H)	US\$ 6,000,000	10.91
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	US\$ 34,800,000	49.09
	Director	Taiwan Glass China Holding Ltd. (Lin, C M)	As above	As above
	Vice Chairman	Jiangsu Yueda Group Co., Ltd. (Fu, G X)	US\$ 27,200,000	40.00
	Director & President	Jiangsu Yueda Group Co., Ltd. (Wu, Y H)	As above	As above
	Supervisor	Taiwan Glass China Holding Ltd. (Wu, C L)	US\$ 34,800,000	49.09
	Supervisor	Jiangsu Yueda Group Co., Ltd. (Chen, H)	US\$ 27,200,000	40.00
Yinan Silica Sand Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, P S)	RMB\$ 20,788,720	63.38
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C H)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above	As above
	Vice Chairman	Yinan Yang Du Assets Operation Co., Ltd. (Hsieh, S L)	RMB\$ 12,011,280	36.62
	Director	Yinan Yang Du Assets Operation Co., Ltd. (Chang, C Y)	As above	As above
	Director	Yinan Yang Du Assets Operation Co., Ltd. (Tu, T)	As above	As above
	Director	Yinan Yang Du Assets Operation Co., Ltd. (Kao, S P)	As above	As above
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	RMB\$ 20,788,720	63.38
	G. MGR	Chen, Y C	-	-
TG Fengyang Silica Sand Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, C H)	US\$ 4,300,000	100.00
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above	As above
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above	As above
	G. MGR	Kao, W T	-	-
TG Hanzhong Silica Sand Co., Ltd.	Chairman	Taiwan Glass China Holding Ltd. (Lin, C H)	US\$ 10,500,000	100.00
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P S)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, P C)	As above	As above
	Director	Taiwan Glass China Holding Ltd. (Lin, C Y)	As above	As above
	Supervisor	Taiwan Glass China Holding Ltd. (Lin, C M)	As above	As above
	G. MGR	Liu, C C	-	-
TG Zhangzhou Silica Sand Co., Ltd.	Executive Director	TG Huanan Glass Co., Ltd. (Lin, P C)	RMB\$ 90,000,000	100.00
	G. MGR	Chen, K M	-	-
			-	-

Name	Job title	Name or Representative	As of December 31, 2018	
			Shares held	
			Shares or contribution	%
TG (Qingdao) Photoelectric Technology Co., Ltd.	Chairman	TG Qingdao Glass Co., Ltd. (Lin, P S)	RMB\$ 17,500,000	70.00
	Supervisor	Shenzhen Taizhi Photoelectric Material Technology Co., Ltd. (Pan, C)	RMB\$ 7,500,000	30.00
	G. MGR	Sung, C H	-	-
Kunshan Energy Star Glass Co., Ltd.	Executive Director & President	TG Changjiang Glass Co., Ltd. (Lin, C H)	RMB\$ 100,000	100.00
	Director	TG Changjiang Glass Co., Ltd. (Lin, C Y)	As above	As above
	Supervisor	TG Changjiang Glass Co., Ltd. (Lin, C M)	As above	As above
Wuhan Jienengzhixing Glass Co., Ltd.	Executive Director & President	TG Wuhan Architectural Glass Co., Ltd. (Lin, C H)	RMB\$ 100,000	100.00
	Supervisor	TG Wuhan Architectural Glass Co., Ltd. (Lin, C Y)	As above	As above
Xianyang Jienengdun Glass Co., Ltd.	Executive Director & President	TG Xianyang Glass Co., Ltd. (Lin, C H)	RMB\$ 100,000	100.00
	Supervisor	TG Xianyang Glass Co., Ltd. (Lin, C Y)	As above	As above
Taibo Anhui Energy Co., Ltd.	Executive Director	Anhui Rui Sheng New Energy Technology Development Co., Ltd. (Wang, J S)	RMB\$ 2,000,000	80.00
	Supervisor	TG Changjiang Glass Co., Ltd. (Chen, C H)	RMB\$ 500,000	20.00
TAG China Holding Ltd.	Chairman	Taiwan Autoglass Ind. Corp. (Lin, C H)	US\$ 6,000,000	100.00
	Vice Chairman	Taiwan Autoglass Ind. Corp. (Lin, C Y)	As above	As above
	Director	Taiwan Autoglass Ind. Corp. (Lin, C M)	As above	As above
Shihlien China Holding Co., Ltd.	Chairman	Lin, P S	US\$ 450,000	0.08
	Director	Taiwan Glass China Holding Ltd. (Lin, P F)	US\$ 244,159,742	43.99
	Director	Taiwan Glass China Holding Ltd. (Lin, C M)	As above	As above
	Director	Hsu, L L	-	-
	Director	Lin, H C	-	-
	Director	Lin M J	-	-
	Director	Yi Chun Navigation (HK) Ltd.	US\$ 11,889,409	2.14
	Director	Chen, T W	-	-
	Director	Wu, D S	-	-
Shihlien Chemical Industrial Jiangsu Co., Ltd.	Chairman	Shihlien China Holding Co., Ltd. (Lin, P S)	US\$ 800,000,000	100.00
	Director	Shihlien China Holding Co., Ltd. (Lin, P F)	As above	As above
	Director & President	Shihlien China Holding Co., Ltd. (Lin, H C)	As above	As above
	Supervisor	Shihlien China Holding Co., Ltd. (Hsu, L L)	As above	As above

Name	Job title	Name or Representative	As of December 31, 2018	
			Shares held	
			Shares or contribution	%
Huaian Shihyuan Brine Co., Ltd.	Executive Director	Shihlien China Holding Co., Ltd. (Lin, P S)	US\$ 32,000,000	100.00
	G. MGR	Shihlien China Holding Co., Ltd. (Wu, D S)	As above	As above
	Supervisor	Shihlien China Holding Co., Ltd. (Lin, P F)	As above	As above
TG TECO Vacuum Insulated Glass Corp.	Chairman & President	Taiwan Glass Ind. Corp. (Lin, P S)	43,875,000	65.00
	Vice Chairman	Tong An Investment Co., Ltd. (Theodore M.H. Huang)	16,004,150	23.71
	Director	Taiwan Glass Ind. Corp. (Lin, P F)	43,875,000	65.00
	Director	Tong An Investment Co., Ltd. (George Lien)	16,004,150	23.71
	Director	Taiwan Glass Ind. Corp. (Lin, C Y)	43,875,000	65.00
	Supervisor	Lin, C M	-	-
	Supervisor	Sophia Chiu	-	-

## 7 · Operating profile of affiliated companies

Unit : NTD thousand

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating income	Data baseline date: Dec 31, 2018	
							Income before income tax	EPS(NT\$)
Taiwan Glass China Holding Ltd.	44,657,444	63,020,389	18,020,666	44,999,723	33,304,357	2,483,615	1,515,768	1.05
TG Qingdao Glass Co., Ltd.	2,424,600	2,372,409	838,701	1,533,708	2,105,372	15,446	-72,487	
TG (Qingdao) Photoelectric Technology Co., Ltd.	115,220	284,304	174,796	109,508	19,852	-2,963	-2,379	
TG Changjiang Glass Co., Ltd.	2,115,750	3,528,943	1,623,374	1,905,569	3,981,419	-10,817	-50,722	
Kunshan Energy Star Glass Co., Ltd.	464	2,213	1,570	643	24	-1	35	
TG Kunshan Glass Co., Ltd.	725,400	1,605,038	190,741	1,415,297	1,318,361	150,560	172,828	
Taichia Glass Fiber Co., Ltd.	3,324,750	7,174,342	717,625	6,456,717	4,081,265	677,196	633,000	
TG Chengdu Glass Co., Ltd.	2,115,750	8,009,905	678,369	7,421,536	4,490,700	809,968	751,953	
TG Ruonan Glass Co., Ltd.	3,205,353	3,830,997	293,227	3,337,770	2,489,253	118,415	123,878	
TG Donghai Glass Co., Ltd.	2,419,170	5,946,866	747,161	5,201,705	2,686,597	406,217	302,983	
TG Tianjin Glass Co., Ltd.	2,144,082	2,120,435	2,065,966	54,469	1,745,490	-171,009	-308,193	
TG Fujian Photovoltaic Glass Co., Ltd.	2,510,766	2,684,861	2,834,027	-149,166	1,499,678	-226,442	-496,539	
TG Xianyang Glass Co., Ltd.	3,007,819	4,808,871	2,262,235	2,546,636	3,121,906	341,256	307,261	
Xianyang Jienengdun Glass Co., Ltd.	464	41,280	40,840	440	139,199	-44	0	
TG Taicang Architectural Glass Co., Ltd.	1,047,228	1,926,560	1,277,851	648,709	943,439	15,864	56,882	
TG Anhui Glass Co., Ltd.	2,590,195	4,352,172	2,375,946	1,976,226	2,707,052	244,451	69,701	
TG Wuhai Architectural Glass Co., Ltd.	1,055,005	2,238,389	1,851,237	387,152	1,066,053	-65,432	-50,932	
Wuhan Jienengzhixing Glass Co., Ltd.	404	446	14	432	677	-2	-3	
TG Yucda Solar Mirror Co., Ltd.	1,972,788	1,093,642	416,241	677,401	388,091	-108,095	-396,193	
Taichia Chengdu Glass Fiber Co., Ltd.	2,776,641	6,216,893	3,443,362	2,775,571	2,184,084	557,113	416,734	
Taichia Jiequn Glass Fiber Co., Ltd.	1,807,240	5,651,631	4,212,080	1,439,551	0	-113,086	-246,275	
TG Yucda Autoglass Co., Ltd.	2,128,671	2,071,384	1,036,762	1,034,622	486,254	-79,783	-69,433	
Qingdao Rolled Glass Co., Ltd.	884,634	354,118	194,685	159,433	92,112	-35,658	-35,477	
Yinan Silica Sand Co., Ltd.	121,050	198,469	26,103	172,366	140,674	22,504	18,849	
TG Fengyang Silica Sand Co., Ltd.	129,968	208,893	76,246	132,647	23,928	-41,080	-52,274	
TG Lanzhong Silica Sand Co., Ltd.	317,363	319,746	153,895	165,811	3,021	-42,337	-42,828	
TG Zhangzhou Silica Sand Co., Ltd.	417,760	457,035	57,317	399,718	93,971	13,158	12,181	
Taibo Anhui Energy Co., Ltd.	123,227	71,818	5,053	66,765	1,121	-46	-52	
Shihlien China Holding Co., Ltd.	17,047,219	27,033,778	17,531,803	9,501,975	11,596,190	1,282,828	582,595	0.12
Shihlien Chemical Industrial Jiangsu Co., Ltd.	23,149,797	25,546,063	7,214,975	18,331,088	11,641,228	1,121,239	1,038,519	
Juanian Shihyuan Brine Co., Ltd.	943,747	1,661,074	56,879	1,604,195	474,149	216,542	158,934	
Taiwan Glass USA Sales Corp.	17,676	425,597	55,246	370,351	889,317	42,152	43,233	9,374.02
Taiwan Autoglass Ind. Corp.	300,000	418,990	120,971	298,019	566,091	-54,882	-50,005	-1.67
TG TECO Vacuum Insulated Glass Corp.	675,000	298,794	1,353	297,461	0	-20,047	-44,154	-0.05
TAG China Holding Ltd.	188,571	91,525	4,319	87,206	0	-474	-6,724	-1.12

Note : On December 31, 2018, the exchange rates were averaged US\$=NT\$30.149=RM\$6.8632, ending US\$=NT\$30.715=RM\$6.8632.

**II. Status of securities in private placement in the past year and up to the publication of this Annual Report: N/A**

**III. Status of TGI common stocks acquired, disposed of, and held by subsidiaries in the past year and up to the publication of this Annual Report: N/A**

**IV. Other Special Notes: N/A**

**Nine. Significant issues which might affect stockholders' equity or securities' price pursuant to Item 3, Paragraph 2, Article 36 of the Securities and Exchange Act in the past year and up to the publication of this Annual Report: N/A**