

Stock code : 8021



尖點科技股份有限公司

TOPOINT TECHNOLOGY CO., LTD

# 2018 Annual Report

Taiwan Stock Exchange Market Observation Post System : <http://newmops.twse.com.tw>  
<http://www.topoint.tw>

Published on April 30, 2019

## Notice to readers

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

Topoint Technology Co., Ltd.

**1. Spokesperson**

Name: Karen Lin

Title: President, Administration Center

Tel.: 886-2-2680-5868 ext. 818

E-mail address: Karen@topoint.tw

**Deputy Spokesperson**

Name: Irene Tsai

Title: Manager

Tel.: 886-2-2680-5868 ext. 821

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**2. Addresses and telephone number of Headquarter and Factory**

Address: No. 203, Sec. 3, Jiayuan Rd., Shulin Dist., New Taipei City 238, Taiwan (R.O.C.)

Tel.: 886-2-2680-5868

**3. Stock transfer agent**

Grand Fortune Securities Co., Ltd.

Address: 6F., No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

Tel.: 886-2-2371-1658

Website: <http://www.gfortune.com.tw>

**4. Auditors**

Deloitte & Touche

Auditors: Wan-Yi, Liao & Yung-Fu Liu

Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Tel.: 886-2-2725-9988

Website: <http://www.deloitte.com.tw>

**5. Name of the institute for oversea negotiable security trade : None.**

**6. Company website: <http://www.topoint.tw>**

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## I. Letter to Shareholders

Dear shareholders,

In the year of 2018, the global political and economic situation is continuing changing. China-United State trade war, Brexit, increasing Labor and raw materials cost has brought the uncertainty to global economic growth. In such highly dynamic environment, our employees put in consistent effort of the Company as a whole. Our annual revenue was flat compared to the previous year and net profit increased by 7.28%. Here we would like to present a review on our business operations for the past year as well as our future plans to our shareholders.

With regards to Topoint's operating performance for 2018, the consolidated revenue was NT\$3,282 million. Net income after tax was NT\$253 million. Basic after-tax earnings per share (EPS) was NT\$1.69. Forward-looking at 2018, with continuous strategy refinement and resource allocation, in addition to setting precise performance index by the company, we expect to bring in revenue and profit above average of the industry. Hereby, we briefly report on 2018 operating results and 2019 business plan as follows.

### I. Operation Results in 2018

#### 1. Consolidated financial result

Unit: NT\$ 1,000

	2018		2017		Increase (decrease) amount	Percentage increase (decrease)
	AMT	%	AMT	%		
Net Sales	3,282,444	100%	3,283,163	100%	(719)	(0.02%)
Gross Profit	909,845	28%	888,435	27%	21,410	2.41%
Operating Income	328,983	10%	308,733	10%	20,250	6.56%
Pretax Income	339,207	10%	320,077	10%	19,130	5.98%
Net Income	253,641	8%	236,418	7%	17,223	7.28%

#### 2. Budget Implementation

As dictated in current statutory laws and regulations, we didn't release our 2018 financial forecast to the public. However, our overall operating results are generally in line with the internal operation plan.

#### 3. Profitability Analysis

Item	2018	2017
Debt to Asset Ratio (%)	27.16	25.93
Long-term Capital to Fixed Asset Ratio (%)	245.18	239.00
Current Ratio (%)	365.14	383.24
Accounts Receivable Turnover (x)	2.41	2.49
Inventory Turnover (x)	4.75	4.98
Return on Assets (%)	4.26	3.97
Return on Shareholders' Equity (%)	5.49	5.02
Basic after-tax EPS (NT\$)	1.69	1.50

#### 4. Research and Development Status

Topoint continue to push forward on value product performance and lower product cost. Major items completed or sustained development including:

- (1) Mass production of brand-new coating product series.  
Mass production of DES product series for PTFE+FR4 hybrid multilayer boards for performance enhanced drill
- (2) With persisting commitment to research and product development pertain to customer requirement and industrial technology advances, R&D expense reached 3.6% of total revenue, amounted to NT\$120 million in 2018.
- (3) Continue to expand on technology patent, by the end of 2018, added 26 new patents and

cases of patent recognition reached 134.

5. Other Projects Execution Results

- (1) Technology R&D development service : We will continue to co-work with our customers to develop and improve the new product and advanced technology follow the trade in the future. We was granted following the trade of future products 「 2018 The Best Technical Cooperation Award 」 and 「 2018 Cooperative Strategic Supplier 」 by two important customers and will continue work hard to provide the better technology service.
- (2) Corporate Social Responsibility(CSR): The Company actively promote CSR based on company's core value, established goals and operation strategies in 6 sectors including corporate governance, partner relationship, value innovation, working environment, environmental sustainability, and social care; with continuous internal intensification, set to achieve corporate sustainability as our goal. We got two awards, Top 13 in Little Giant Category of 2018 Excellence in Corporate Social Responsibility for third time, and 2018 Taiwan Corporate Sustainability "TOP50- Platinum Award", In addition, we are the top 6-20% of the third "Corporate Governance Evaluation award" in Taiwan listing companies, recognized Topoint's effort and commitment toward Corporate Social Responsibility

II. Overview of Operation Plan in 2019

1. Operation Principle and Important Policies

- (1) Put innovative value product to the market, upgrade the R&D capability, match customers satisfaction.
- (2) Actuarial review and manage various cost, ensure competitive advantage
- (3) Deepen partner relationship with suppliers, create win-win situation for Topoint and suppliers
- (4) Implement activities for green environment and charity program, build the friendly work place, improve social responsibility.

2. Perspectives

According to the research from Topology Research Institute, it forecasted the growth rate of global PCB market in 2018 is 2.9%. Demand of 5G related product, Artificial Intelligence(AI), Internet of Things (IoT) and automotive have greater growth momentum drive the development of electronics industry. We shall prudently react to economic changes to maintain stable operations and explore every opportunity for growth.

Finally, we appreciated your continuing support to the Company in the coming year. All of management team and colleagues at Topoint will commit ourselves to achieve a higher business performance to benefit all the shareholders. We expect to bring the welfare to our employee, shareholders, society and the stakeholders to achieve the goal of sustainable business.

Sincerely yours,

Chairman / CEO **Hsu-Ting, Lin**  
General Manager **Chia-Hung, Wang**

## II. Introduction of Corporation

### 1. Establishment date :

Established on: April 12, 1996

### 2. Development history :

- 1) 1996: Topoint Technology Co., Ltd. was established to engage in production and sales of precision drills with NT\$15 million in capital.
- 2) 1997 : In order to meet the market demand, it increased its capital by NT\$17.5 million to purchase new machinery equipment. By then, the total paid-in capital was NT\$32.5 million.
- 3) 1998 : It increased its capital by NT\$66.7 million to enlarge its business scale and purchase new machinery equipment. By then, the total paid-in capital was NT\$99.2 million. The factory was relocated to Beinei Street of Shulin where the factory buildings were enlarged so as to meet future expanding operation
- 4) 1999: It garnered RWTUV ISO9002, a quality assurance accreditation, in April, and had a cash capital increase of NT\$20.8 million on Sep. 20 for the purchase of leading-edge equipment to enhance production capacity. By then, the capital increase by earnings recapitalization was NT\$18.25 million, whereas the paid-in capitalization was NT\$138.25 million.
- 5) 2000: As approved by the competent authorities in May for public offer, it increased NT\$120 million of capital in cash in June to purchase production equipment and advanced inspection instruments to elevate production capacity and assure product quality. By then, the capital increase by earnings recapitalization was NT\$10.56 million, capital increase by capital surplus as stock dividends was NT\$4.19 million and the paid-in capitalization was NT\$273 million.
- 6) 2001: It increased NT\$54.91 million of capital by earnings recapitalization and NT\$12.09 million of capital by capital surplus as stock dividends in August. In December of the same year, it increased NT\$ 50 million of capital in cash to purchase production equipment, repay bank loans and supplement the working capital. By then, the paid-in capitalization was NT\$390 million.
- 7) 2003: It registered for the listing of the emerging stock on January 2, and increased NT20 million of capital in cash in December to purchase equipment and expand production capacity. By then, the paid-in capitalization was NT\$410 million.
- 8) 2004: It increased NT\$16.93 million of capital by earnings recapitalization in June to supplement the working capital. In December, it increased NT\$57 million of capital in cash to repay bank loans. As a total the paid-in capitalization was NT\$483.93 million. In December, its stock went public on the OTC market. New Shulin plant in Taiwan started operation and migrated headquarter to the new plate. Setup Topoint South China office in Shenzhen.
- 9) 2005: It relocated its factory to the present address having larger space so as to meet the demand for future expanding operation, and increased NT\$68,651,250 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT\$552,581,250.
- 10) 2006: It issued NT\$40 million of its first local unsecured convertible corporate bonds in February to purchase equipment and repay bank loans, increased NT\$100 million of capital in cash in March to purchase equipment and expand production capacity, issued 5,520 units of employee stock options in April, and increased NT\$101,706,700 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT\$773,881,710.
- 11) 2007: It increased NT\$112,269,820 of capital by earnings recapitalization in July to supplement the working capital. As a total, the paid-in capitalization was NT\$954,691,270. Expanded Shulin and Shanghai plants to 13 million units of overall capacity. Topoint was granted qualified from Taiwan Corporate Governance Association. Established Japanese subsidiary Topoint Japan. Setup Topoint North China office.
- 12) 2008: It increased NT\$115,873,410 of capital by earnings recapitalization and change shares of

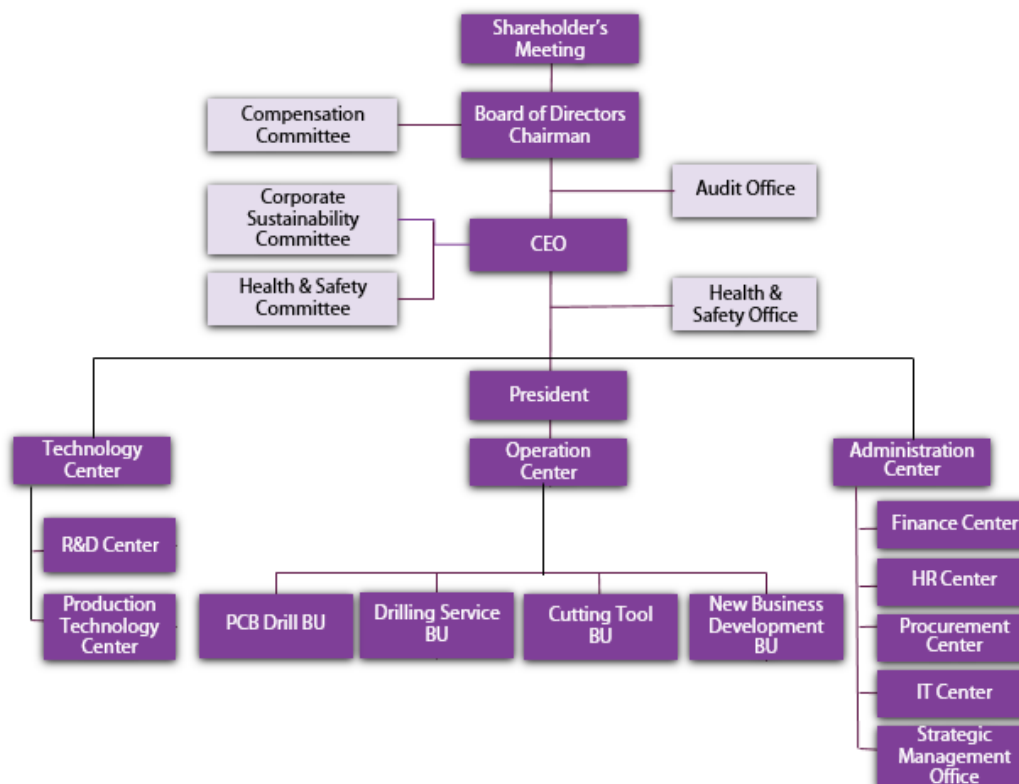
- employee stock option. As a total, the paid-in capitalization was NT\$1,070,564,680. Transferred stock listing from OTC exchange to TWSE exchange. Expanded Shulin and Shanghai plants to 17 million units of overall capacity. New Shanghai plant started operation.
- 13) 2009: It increased NT\$100 million of capital in cash in August to repay bank loans, and issued NT\$200 million of its first private of unsecured convertible bonds in September to repay bank loans, increased NT\$96,153,230 of capital by earnings recapitalization and change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,266,717,910. Established Unipoint Technology Company.
  - 14) 2010: It increased NT\$23,696,680 of unsecured convertible bonds in November, and increased NT\$48,801,550 of capital by earnings recapitalization and change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,339,216,140. Established Unipoint Technology(Shenzhen) Company and Sharpint (Qinhuangdao) Company.
  - 15) 2011: It increased NT\$142,180,070 of unsecured convertible bonds, increased NT\$37,198,860 of capital by earnings recapitalization and increased NT\$7,090,000 of employee stock option. As a total, the paid-in capitalization was NT\$1,525,685,070. Established Sharpint Technology(Shenzhen) Company and Sharpint Technology(Suzhou) Company.
  - 16) 2012: It increased NT\$40,892,590 of capital by earnings recapitalization. As a total, the paid-in capitalization was NT\$1,566,577,660. Established Kunshan Topoint Electronics Company.
  - 17) 2013: It increased NT\$12,327,800 of capital by earnings recapitalization. As a total, the paid-in capitalization was NT\$1,578,905,460.
  - 18) 2014 : It increased NT\$9,100,000 of capital by change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,588,005,460. Established Sharpint Electronics(Huaian) Company and Chengdu Raypoint Precision Tools Co., Ltd and Kunshan Raypoint Precision Tools Co., Ltd.
  - 19) 2015: It increased NT\$4,035,000 of capital by change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,592,040,460. Established Winpoint Electronics (Huaian) Company. Shanghai Topoint granted 2015 TPM Excellence Award, by JIPM.
  - 20) 2016: It increased NT\$2,742,500 of capital by change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,594,782,960. Established Shanghai Ringpoint Nano Material Co. Ltd. Invested Shanghai Hejin Roller Technology Co. Ltd.
  - 21) 2018: NT\$159,478,290 of capital reduction. As a total, the paid-in capitalization was NT\$1,435,304,670. Established E-point Precision Tools Co., Ltd. & Established Sharpint Electric (Suzhou) Co., Ltd.



### III. Corporate Governance Report

#### 1. Organization System

##### (1) Organization Chart



##### (2) Major Corporate Functions

Department	Major functions
General Manager Office	<ul style="list-style-type: none"> <li>● Planning and management of company operation strategies.</li> </ul>
Audit Office	<ul style="list-style-type: none"> <li>● Internal audit planning &amp; implementing, designing auditing guidance, evaluating effectiveness of the internal control system and supervising audit work in the subsidiaries.</li> </ul>
Environmental Health & Safety Office	<ul style="list-style-type: none"> <li>● Planning and implementation of the systems relating to factory environment, security and health.</li> </ul>
PCB Drill BU	<ul style="list-style-type: none"> <li>● Responsible for the production, manufacturing and sales of PCB drills.</li> </ul>
Drilling Service BU	<ul style="list-style-type: none"> <li>● Responsible for production technology, quality control, planning production policies in collaboration with clients to offer an integration PCB drilling service solution.</li> </ul>
Cutting Tool BU	<ul style="list-style-type: none"> <li>● Responsible for the production, manufacturing and sales of cutting tools.</li> </ul>
Quality Assurance Center	<ul style="list-style-type: none"> <li>● Planning and execution of quality control system.</li> </ul>
Administration Center	<ul style="list-style-type: none"> <li>● Planning and execution of general affairs, factory affairs, and information systems.</li> <li>● Corporate financial planning and investment management.</li> <li>● Planning and execution of accounting and taxes system.</li> <li>● Management of human resources, personnel administration and regulated systems.</li> </ul>
Technology Synergy Center	<ul style="list-style-type: none"> <li>● R&amp;D of advanced technologies and development of new products.</li> <li>● Patent planning and management.</li> </ul>

Title	Name	Authority
Chairman and CEO	Hsu-ting Lin	<ul style="list-style-type: none"> <li>• Formulate company management directives.</li> <li>• Leading corporate strategies and objectives.</li> <li>• Oversee strategic development of product research and technology enhancement.</li> </ul>
President, Operation Center	Chia-hung Wang	<ul style="list-style-type: none"> <li>• Manage strategies, objectives, execution of operations over all business units.</li> <li>• Execute corporate business strategy and budget control.</li> <li>• Manage Cutting Tool BU business and New Business Development BU objective and performance.</li> </ul>
President, Administration Center	Karen Lin	<ul style="list-style-type: none"> <li>• Constitute and carry out regulations and systems in finance, human resource, procurement, IT and legal affairs functions.</li> <li>• Promote enhancement in administrative operations.</li> <li>• Company Spokesperson</li> </ul>
Vice President, Technology Center	Zhao-yang Chen	<ul style="list-style-type: none"> <li>• Supervise product research &amp; development activities.</li> <li>• Establish medium-term &amp; long-term product development strategies.</li> <li>• Conduct optimization and advancement of production technology.</li> </ul>
Vice President, PCB Drill BU	Sheng-Jhou Wong	<ul style="list-style-type: none"> <li>• Execute PCB Drill BU business objectives.</li> <li>• Establish key business plan, product marketing and customer relationship management.</li> <li>• Supervise service &amp; marketing strategy; conduct competitors and industry analysis.</li> </ul>
Vice President, Drilling Service BU	Yin-ming Huang	<ul style="list-style-type: none"> <li>• Execute Drilling Service BU business objectives.</li> <li>• Supervise product manufacturing, quality, production system and production technology optimization and advancement.</li> <li>• Manage market development, customer relations, and service solution for customers' product applications.</li> </ul>
Director, Administration Center	Chang-long Yan	<ul style="list-style-type: none"> <li>• Conduct system regulations and project management on finance, human resource, procurement, IT functions.</li> </ul>
Financial Manager	Li-ching Ko	<ul style="list-style-type: none"> <li>• Corporate budget plan, control and management.</li> <li>• Corporate financial planning and investment management.</li> <li>• Tax and accounting system planning and execution.</li> </ul>

2. Information about Directors, Supervisors, General Manager , Vice presidents, Assistant presidents, Chiefs of Respective Divisions and Branch Offices

(1)Directors and supervisors :

a. directors and supervisors

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Title	Nationality/ Country of Origin	name	Gender	Elected (inaugurated ) date	Term (years)	1 <sup>st</sup> elected date	Shares held when being elected		Current shareholding		Shareholding of spouse and minors		Shares held in the names of others		Current post and/or e d u c a t i o n	Post concurrently taken in the company or other companies	Other executives, directors or supervisors in spouse relationship or kin relationship within 2 <sup>nd</sup> degree			
							shares	Shareholding ratio	Number of shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
Chairman	Republic of china	Hsu-Ting, Lin	Man	06/14/2018	3	03/18/1996	5,528,414	3.47%	5,279,726	3.68%	-	-	-	-	President of the company/Student of National Open University	The Chairman of the boards of directors and Chief Executive Officer. Has been active in PCB drill industry over 25 years.	President President	Ruo-Ping, Lin Chia-Hung, Wang	Father /. Daughter Affinity	
Director		Chia-Hung, Wang	Man	06/14/2018	3	06/15/2010	2,230,518	1.40%	2,011,620	1.40%	11,709	0.01%	990,000	0.69%	Manager of the company/ Soochow University, Accounting	General Manager of Topoint Technology	Chairman	Hsu-Ting, Lin	Affinity	
Director		Fortune Venture Capital Corporation	-	06/14/2018	3	06/20/2006	4,906,836	3.08%	4,416,152	3.08%	-	-	-	-	-	Director of Excellence Opto. Inc.,Director of Clientron, Director of Crystalwise Technology Inc.,Director of ACTi Corporation	-	-	-	
		Zhi-Qiang, Peng	Man	06/14/2018	3	06/14/2018	-	-	-	-	-	-	-	-	Ph.D. in Management of Technology from National Chiao Tung University Institute.	The General Manager of Fortune Venture Capital Corp. The General Manager of Hsun Chieh Investment Co., Ltd. The General Manager of Crystalwise Technology Inc.	-	-	-	
Director		Macking International Investment	-	06/14/2018	3	06/14/2018	1,000,000	0.63%	1,890,600	1.32%	-	-	-	-	-	-	-	-	-	-
		Wen-Jin, Li	Man	06/14/2018	3	06/14/2018	-	-	-	-	-	-	-	-	Chairman of Topoint Technology. Bachelor's degree in Mechanical Engineering from National Taiwan University	Chairman of Macking International Investment Corporation. The General Manager of Rechi Precision Co., Ltd. Special Assistant of	-	-	-	
Independent director		Tsung-Ming, Lo	Man	06/14/2018	3	06/06/2003	2,975	0.00%	2,677	0.00%	2,677	0.00%	-	-	Graduate of NTU College of Law/Legal affairs manager of Sampo Group.	Chairman of Sipo Land Agent Firm	-	-	-	
Independent director		Po-Cheng, Ko	Man	06/14/2018	3	06/06/2003	-	-	-	-	-	-	-	-	Associate professor of the Accounting Department of Soochow University	The Associate Professor of Department of Accounting in Soochow University. Supervisor of HTC Corporation. Independent Director of HuaFu Industrial Limited. Master degree in Accounting from Soochow University.	-	-	-	
Independent director		Jung-Sheng, Pai	Man	06/14/2018	3	06/13/2008	-	-	-	-	-	-	-	-	National Chung Hsing University, Chemistry	TPCA technical consultant. Technical consultant of Unimicron Corporation. Independent Director of ShineMore Corporation.	-	-	-	
Supervisor		Gen-Cing, Chen	Man	06/14/2018	3	06/20/2006	2,300,235	1.44%	2,070,211	1.44%	331,316	0.23%	-	-	Graduate of a commercial senior high school / employee of Sampo Group	President of Hong Gy Co., Ltd. Chairman of Li-Herng Investment Chairman of Pai-Jing Investment Supervisor of Lustrous Technology Ltd.	-	-	-	
supervisor	Cheng-Chie, Niu	Man	06/14/2018	3	06/20/2006	2,676	0.00%	2,408	0.00%	-	-	-	-	Ph.D. in Polymer Chemistry from Polytechnic Institute of Brooklyn.	Adjunct Assistant Professor in Biomedical Engineering department of I-Shou University	-	-	-		
supervisor	Fang-Cheng, Siao	Man	06/14/2018	3	06/14/2018	-	-	-	-	-	-	-	-	Chairman of Yu Xu Industrial Co., Ltd. Chairman of E-CMOS Corporation. Director of Xingtong System Co., Ltd. Director of Fu Feng Co., Ltd. Director of Xin Ridong Optoelectronics Co., Ltd. Supervisor of Xiaoteng International Co., Ltd.						

**Major institutional shareholders:**

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Name of institutional shareholder	Major shareholders of the institutional shareholders
Fortune Venture Capital Corporation	100% of shares are held by United Microelectronics Corp.
Macking International Investment	10.76% of shares are held by Jheng-De, Li 10.01% of shares are held by Yan-Da, Huang 9.97% of shares are held by Jheng-Ting, Li 8.04% of shares are held by Jhih-Wei, Du 7.56% of shares are held by Wen-Jin, Li 6.51% of shares are held by Ming-Zhu, Ping 6.12% of shares are held by Yun-Mei, Huang 6.03% of shares are held by Li-Qiang, Huang 5.14% of shares are held by Jian-Zhi, Liu 4.87% of shares are held by, Shu-E, Lu

**Major shareholders of the major shareholders that are Juridical Persons**

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Institutional shareholder name	Major shareholders of the institutional shareholder
United Microelectronics Corp.	5.69% of shares are held by UMC account GDR to J.P.Morgan. 3.50% of shares are held by Hsun Chieh Investment Co.,Ltd. 3.20% of shares are held by New World Fund Company Investment Account to J.P.Morgan. 3.16% of shares are held by Bank of Taiwan custody Hill-Chester International Investors International Value Equity Trust Investment Account 3.00% of shares are held by Cathay Life Insurance. 2.50% of shares are held by Silicon Integrated Systems Corp. 1.85% of shares are held by Bank of Taiwan custody Hill-Chester International Investors International Value Equity Group Trust Investment Account 1.31% of shares are held by Yann Yuan Investment Co., Ltd. 1.11% of shares are held by Bank of Taiwan custody Hill-Chester International Investors International Value Taxable Equity Trust Investment Account 0.97% of shares are held by Advanced Star Fund Series Funds into the General International Stock Index Fund Investment Account to J.P.Morgan.

b. Personal data of directors and supervisors

Condition  Name (Note1)	With over five years of job experience and the following business qualification			Are they in compliance with the independence terms ( Note )										Also an independent director of other public company
	Teachers of public or private colleges for the subject Of commerce, law, finance, accounting, or business	Judge, prosecutor, attorney, accountant, or business salespersons passed national exam & certified specialists or technicians	With job experience in commerce, law, finance, accounting, or business	1	2	3	4	5	6	7	8	9	10	
Hsu-Ting, Lin			✓				✓	✓	✓	✓	✓	✓	✓	-
Chia-Hung, Wang			✓				✓	✓	✓	✓	✓	✓	✓	-
Zhi-Qiang, Peng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Wen-Jin, Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Tsung-Ming, Lo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Po-Cheng, Ko	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Jung-Sheng, Pai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Gen-Cing, Chen			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	-
Cheng-Chie, Niu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Fang-Cheng, Siao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note: Directors and supervisors who have qualified the following conditions two years before being elected and during the term are to tick the box ("✓") of the corresponding condition.

- (1) Not the employee of the company or its affiliated enterprises
- (2) Not the director or supervisor of the company or its affiliated enterprises (however, it is not limited to the independent director of the subsidiary in which the company directly or indirectly holds more than 50% of voting shares.)
- (3) Not the shareholder whose spouse, minor children or related persons in his or her name hold more for than 1% of the company's issued shares, nor the one who is one of company's top-10 nature person shareholders.
- (4) Not the direct lineal blood relative (including spouse and the relatives within 2<sup>nd</sup> degree) of the persons listed in the preceding three items.
- (5) Not the director, supervisor or employee of the institutional shareholder who directly holds more than 5% of the company's issued shares, nor the director, supervisor or employee of the top 5 institutional shareholders.
- (6) Not the director, supervisor, manager of the specific company or institute having financial or business relationship with the company, nor the shareholders holding more than 5% of the company's shares.
- (7) Not the professional who offers business, legal, accounting or consulting services to the company or its affiliated enterprises, nor the proprietor, partner, director, supervisor, manager and their spouses of the business entity solely invested or partnered by the company.
- (8) Not the spouse nor a relative within two degrees of lineal consanguinity of an individual.
- (9) Free of any of the behaviors as defined in Article 30 of Company Act.
- (10) Not a governmental officer, juridical person or its representative as defined in Article 27 of Company Act.

## (2) President, Vice President, Junior V.P., and Department Heads

April 30, 2019

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman/CEO	Republic of china	Hsu-Ting, Lin	Man	11/29/2005	5,279,726	3.68	-	-	-	-	President of the company/Student of National Open University	The Chairman of the company	President President	Ruo-Ping, Lin Chia-Hung, Wang	Father/ daughter cousin-in-law
President, Operation Center		Chia-Hung, Wang	Man	01/13/2011	2,011,620	1.40	11,709	0.01	990,000	0.69	Manager of Topoint / Graduate of the accounting department of Soochow University	-	Chairman/CEO	Hsu-Ting, Lin	cousin-in-law
President, Administration Center		Ruo-Ping, Lin (Karen Lin)	Woman	08/10/2015	319,357	0.22	-	-	1,260,900	0.88	Consultant of i2 Technologies Inc./ MIM from National Chung Cheng University	-	Chairman/CEO	Hsu-Ting, Lin	Father/ daughter
Vice president		Yin-Ming, Huang	Man	05/08/2006	3,974	0.00	3,978	0.00	-	-	Manager of ASE Inc. / Graduate of the materials science and engineering department of Feng Chia University	-	-	-	-
Vice president		Zhao-Yang, Chen	Man	02/01/2002	147,244	0.10	-	-	-	-	Manager of Topoint / Graduate of Minghsin Junior College.	-	-	-	-
Vice president		Sheng-Jhou, Wong	Man	02/01/2014	94,153	0.07	-	-	-	-	Manager of Topoint / Student of Affiliated Senior High School of National Taiwan Normal University	-	-	-	-
Director		Chang-Long, Yan	Man	02/01/2014	46,957	0.03	24,764	0.02	-	-	Manager of Gigabyte / Graduate of the accounting department of Soochow University	-	-	-	-
Plant Manager		Tseng-Chien, Huang	Man	10/01/2014	21,998	0.02	-	-	-	-	Manager of Topoint /Graduate of China University of Technology	-	-	-	-
Financial Manager		Li-Ching, Ko	Woman	06/26/2008	8,354	0.01	-	-	-	-	Junior manager of Taiwan International Securities / Graduate of the accounting department of Soochow University	-	-	-	-

(3) Remuneration of Directors, Supervisors, President, and Vice President

A. Remuneration of Directors

Unit: NT\$1,000/1,000 shares

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Hsu-Ting, Lin	-	-	-	-	7,104	7,104	148	148	2.86%	2.86%	5,336	29,378	108	108	9,765	-	9,765	-	8.86%	18.33%	-
Director	Chia-Hung, Wang																					
Director	Fortune Venture Capital Corporation Zhi-Qiang, Peng																					
Director	Macking International Investment Corporation Wen-Jin, Li																					
Independent director	Tsung-Ming, Lo																					
Independent director	Po-Cheng, Ko																					
Independent director	Jung-Sheng, Pai																					
In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors. 2,100.																						

Note 1 : As passed in the board meeting on February 22, 2019 for 2018 annual earnings distribution, NT\$10,148,967 is for remuneration of directors and supervisors and NT\$60,893,798 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 2 : Total Severance Pay to TOP's President and V.P. in 2018 was \$0, that pensions funded according to applicable law. In 2018 was NT\$108,000.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Hsu-Ting, Lin 、 Chia-Hung, Wang 、 Fortune Venture Capital Corporation 、 Macking International Investment Corporation 、 Tsung-Ming, Lo 、 Po-Cheng, Ko 、 Jung-Sheng, Pai	Hsu-Ting, Lin 、 Chia-Hung, Wang 、 Fortune Venture Capital Corporation 、 Macking International Investment Corporation 、 Tsung-Ming, Lo 、 Po-Cheng, Ko 、 Jung-Sheng, Pai	Fortune Venture Capital Corporation 、 Macking International Investment Corporation 、 Tsung-Ming, Lo 、 Po-Cheng, Ko 、 Jung-Sheng, Pai	Fortune Venture Capital Corporation 、 Macking International Investment Corporation 、 Tsung-Ming, Lo 、 Po-Cheng, Ko 、 Jung-Sheng, Pai
NT\$2,000,001 ~ NT\$5,000,000	-	-	-	-
NT\$5,000,001 ~ NT\$10,000,000	-	-	Hsu-Ting, Lin 、 Chia-Hung, Wang	-
NT\$10,000,001 ~ NT\$15,000,000	-	-	-	-
NT\$15,000,001 ~ NT\$30,000,000	-	-	-	Hsu-Ting, Lin 、 Chia-Hung, Wang
NT\$30,000,001~ NT\$50,000,000	-	-	-	-
NT\$50,000,001 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

B. Remuneration for supervisors

Unit: NT\$1,000/1,000 shares										
Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)	Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary	
		Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)				
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements
Supervisor	Gen-Cing, Chen	-	-	3,045	3,045	48	48	1.22%	1.22%	-
Supervisor	Cheng-Chie, Niu									
Supervisor	Fang-Cheng, Siao									

Note 1 : As passed in the board meeting on February 22, 2019 for 2018 annual earnings distribution, NT\$10,148,967 is for remuneration of directors and supervisors and NT\$60,893,798 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Gen-Cing, Chen 、Cheng-Chie, Niu 、Fang-Cheng, Siao	Gen-Cing, Chen 、Cheng-Chie, Niu 、Fang-Cheng, Siao
NT\$2,000,001 ~ NT\$5,000,000	-	-
NT\$5,000,001 ~ NT\$10,000,000	-	-
NT\$10,000,001 ~ NT\$15,000,000	-	-
NT\$15,000,001 ~ NT\$30,000,000	-	-
NT\$30,000,001 ~ NT\$50,000,000	-	-
NT\$50,000,001 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	3	3



C. Remuneration for President and V.P.

Unit: NT\$1,000/1,000 shares

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman and CEO	Hsu-Ting, Lin	10,626	18,774.5	-	-	1,881.9	23,945.1	13,238.9	-	13,238.9	-	10.15%	22.06%	-
President, Operation Center	Chia-Hung, Wang													
Vice president	Yin-Ming, Huang													
Vice president	Zhao-Yang, Chen													
Vice president	Sheng-Jhou, Wong													

Note 1 : As passed in the board meeting on February 22, 2019 for 2018 annual earnings distribution, NT\$10,148,967 is for remuneration of directors and supervisors and NT\$60,893,798 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.  
Note 2 : Total Severance Pay to TOP's President and V.P. in 2018 was \$0, that pensions funded according to applicable law. In 2018 was NT\$432,000.

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	-	-
NT\$2,000,001 ~ NT\$5,000,000	Yin-Ming, Huang 、Zhao-Yang, Chen 、Sheng-Jhou, Wong	-
NT\$5,000,001 ~ NT\$10,000,000	Hsu-Ting, Lin 、Chia-Hung, Wang	Yin-Ming, Huang 、Zhao-Yang, Chen 、Sheng-Jhou, Wong
NT\$10,000,001 ~ NT\$15,000,000	-	-
NT\$15,000,001 ~ NT\$30,000,000	-	Hsu-Ting, Lin 、Chia-Hung, Wang
NT\$30,000,001 ~ NT\$50,000,000	-	-
NT\$50,000,001 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	5	5

D. Name of managers who received dividend and the distribution of dividend

April 30, 2019

Unit: NT\$1,000

Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Chairman & CEO	Hsu-Ting, Lin	-	17,398	17,398	6.86%
President, Operation Center	Chia-Hung, Wang				
President, Administration Center	Ruo-Ping, Lin				
Vice President	Yin-Ming, Huang				
Vice President	Zhao-Yang, Chen				
Vice president	Sheng-Jhou, Wong				
Director	Chang-Long, Yan				
Plant Manager	Tseng-Chien, Huang				
Financial Manager	Li-Ching, Ko				

Note 1 : As passed in the board meeting on February 22, 2019 for 2018 annual earnings distribution, NT\$10,148,967 is for remuneration of directors and supervisors and NT\$60,893,798 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

E. Analysis of the ratio of the total remuneration for the directors, supervisors, general managers and vice general managers of the company and its consolidated statement companies in the recent two years to after-tax net profit, and description of remuneration payment policies, standards, combinations, procedure to determine the remuneration and the correlation with operating performance :

Year	Total remuneration of directors, supervisors, general managers and vice general managers	Ratio of the preceding remuneration to after-tax net profit	Remuneration payment policies, standards, combinations, procedure to determine the remuneration and the correlation with operation performance
2017	66,954 thousand	28.32%	(Note1)
2018	60,717 thousand (Note2)	23.94%	(Note1)

Note 1: The remuneration for directors and supervisors is regulated according to the dividend distribution policy stipulated in the company's constitution. The remuneration for general managers shall be released according to the company's performance evaluation system..

Note 2 : As passed in the board meeting on February 22, 2019 for 2018 annual earnings distribution, NT\$10,148,967 is for remuneration of directors and supervisors and NT\$60,893,798 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

### 3. Business management

#### (1) Board of Directors

The attendance of Directors for 8 (A) Board Meetings in 2018:

Title	Name	Attendance (B)	Proxy	Frequency of attendance (%)(B/A)	Remarks
Chairman	Hsu-Ting, Lin	8	0	100	-
Director	Chia-Hung, Wang	7	1	88	-
Director	Fortune Venture Capital Corporation Corporate Representative Zhi-Qiang, Peng	7	1	88	-
Director	Macking International Investment Corporation Corporate Representative Wen-Jin, Li	3	1	60	Date Elected: 2018.06.14 Attendance of 8th
Independent Director	Tsung-Ming, Lo	8	0	100	-
Independent Director	Po-Cheng, Ko	7	1	88	-
Independent Director	Jung-Sheng, Pai	8	0	100	-

#### Remarks:

- If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
  - Matters referred to in Article 14-3 of the Securities and Exchange Act.
  - Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors : N/A
- The name of the directors who have excused themselves from the meeting due to a conflict of interest, the name of the directors, the content of the case, the reason for the conflict of interest, and the voting must be stated in details: N/A.
- The goal for improving the function of the board of directors (e.g. establishing the audit committee and enhancing information transparency, etc.) and execution evaluation:  
Other than placing Three independent directors, and according to the "rules of board meeting procedure", which was attendance of Directors to enhance their operating efficiency and reinforce their decision making capacity.

(2) Audit Committee or Board of Supervisors

(a) The attendance of Audit Committee in 2018:N/A

(b) The attendance of Supervisors for 8(A) Board Meetings in 2018:

Title	Name	Attendance (B)	Proxy Frequency of attendance (%)(B/A)	Remarks
Supervisors	Gen-Cing, Chen	8	100	
Supervisors	Cheng-Chie, Niu	6	75	
Supervisors	Fang-Cheng, Siao	5	100	Date Elected: 2018.06.14Attendance of 8th

Remarks:

1. The formation and responsibility of the supervisors:
  - (1) Communication among the employees and shareholders of the company:  
The company's supervisors use periodical or non-periodical meetings and shareholders' meetings to communicate with the company's employees and shareholders.
  - (2) Communication among the audit Manager and CPA of the company:  
The company's supervisors use periodical or non-periodical meetings with the company's audit manager and CPA.
2. If supervisors have opinion from the meeting that are recorded or declared in writing, the date, term, the content of the case, supervisor's opinion, and the company's response to the supervisor's opinion must be stated in details: N/A

(3) Corporate governance and the deviation from the Rules Governing Listed & OTC corporate governance and the causes

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
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		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on November 10, 2015. The information has been disclosed on the Company's website.	None
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?	V		In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders' suggestions, doubts, disputes and litigation. The company has a spokesman (Karen Lin), a deputy spokesperson (Irene Tsai) and the stock affairs division.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		The company has laid down the regulations for trading operation with its affiliated enterprises, and for surveillance of its subsidiaries.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		To protect shareholders' rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations.	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for	V		Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The Board objectively	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>the composition of its members?</p> <p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	V	V	<p>chooses candidates to meet the goal of member diversification.</p> <p>In order for the sound supervision and reinforcement of management, the Company established the Remuneration Committee. These functional committees shall be responsibilities for the Board of Directors.</p> <p>The company has formulated rules and procedures for evaluating the Board's performance and conducts it annually.</p> <p>The Company evaluates the independence of CPAs annually, ensuring that that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company.</p>	
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		The company set up a 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)	None
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The company setup Investor Relations on its website to periodically release the company's business and financial information. In addition, an e-mail address is also available for shareholders to contact the company.	None



- (4) Composition, Responsibilities and Operations of Compensation Committee :
- Board resolution to establish compensation committee on December 28, 2011 and remuneration committee under the Act, it shall adopt a remuneration committee charter. The remuneration committee members shall be appointed by resolution of the board of directors. The committee shall not be fewer than three members. The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors:
- (a) Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
- (b) Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

The attendance of Compensation Committee for 4 (A) Board Meetings in 2018:

Title	Name	Attendance (B)	Proxy Frequency of attendance (%)(B/A)	Remarks	Title
President	Po-Cheng, Ko	4	0	100	
Members	Tsung-Ming, Lo	4	0	100	
Members	Jung-Sheng, Pai	4	0	100	



(5) Social Responsibility

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	V		The Company board meeting approved “Social Responsibility Best Practice Principles” on 2015/11/10, and established the Corporate Sustainability Committee, reviewed action plans and results with quarterly meetings. To accomplish corporate sustaining development goals, on 2017/4/21, the Chairman further authorized and announced “Topoint Social Responsibility Policy”, established short-term goals, long-term goals and management guidelines on 6 aspects - Corporate Governance, Partner Relations, Value Innovation, Work Environment, Green Sustainability, and Social Care. For more information, please visit: <a href="http://www.topoint.tw/tw/csr">http://www.topoint.tw/tw/csr</a>	N/A
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		To deepen the philosophy of social responsibility into the company culture, related training courses were planned for the Corporate Sustainability Committee team members, along with attending external seminars to keep up with the trends of CSR development, further strengthen sustaining development strategies of Topoint. In 2018, there were 4 company training sessions held and participated 3 seminars.	N/A
(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?	V		The Company established “Corporate Sustainability Committee” in 2015, with Chairman Hsu-Ting Lin as the chairman of committee, General Manager Jia-Hong Wang as co-chairman. Having the Company’s sustainability as the prime directive, the committee developed Corporate Sustainability Responsibility (CSR) annual objectives and review progress and results thru regular performance meetings. According to Topoint Sustainability Development Strategy, 6 different functional teams were formed in charge of related topics, namely Corporate Governance, Partner Relations, Value Innovation, Work Environment, Green Sustainability, and Social Care; and set up a promotion office to assist operations of the committee. The Corporate Sustainability Committee held quarterly review meetings, and 2018 implementation results were reported to the board meeting on December 18 <sup>th</sup> .	N/A
(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?	V		The Company has specified in Articles of Incorporation “Annual profit before tax, before deducting employees’ compensation and directors’ compensation, shall allocate range at least above 1% to below 25% as employee compensation, and setup reasonable salary and compensation policy. Meanwhile, departmental key performance Indicators (KPI) should incorporate with related CSR KPI. Employee performance assessment include both quantitative task completion, and qualitative corporate principle implementation appraisal.	N/A

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(1) The Company actively promote green recycling program, reduce raw material and power consumption, decrease the production of waste material during manufacturing process. By 2018, more than 30 customers joined the project, and reclaimed rate reached 80.4%. We put focus to develop the recycling concept incorporate into business cooperation with new customers, having them join the green recycling program early on.	N/A
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(2) The Company has setup environmental policy as “compliance of regulation, preserve resources, reduce waste output, participation of all”. With environmental management system ISO14001 as the basis, performed regular internal system audit and apply the Plan-Do-Check-Action(PDCA) improvement method to ensure proper operation and effectiveness of the system.	N/A
(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 reduction?	V		(3) The Company’s Administration Department is responsible for maintenance and management of environmental issues, and perform the greenhouse gas (GHG) inventory annually. In 2018, total GHG emission was 5,990 ton of CO <sub>2</sub> e, with its prime source of emission from Scope 2 power consumption, which the GHG emission was 5,886 ton of CO <sub>2</sub> e, at the same level as previous year. The major focus in GHG emission deduction was conserving electricity usage. The power conservation task force laid out annual plan, implement carbon reduction process, and setup annual GHG emission reduction rate of 1% as the goal.	N/A
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) The Company has established “Topoint Human Rights Policy” in accordance to relevant regulations.	N/A
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		(2) If any Company employee suspects or discovers any unlawful behavior, may report to Supervisor of the Board, managers, manager of internal auditing office, manager of administration dept. or any other person appropriate. Employees communicating channels include: quarterly employee-management meetings, departmental meetings, employee interview, sexual harassment investigation committee, staff suggestion box, e-mails, that allows employees to reflect opinions. The Company	N/A

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
			ensures to handle cases with discreet and protect confidentiality and rights of reporting employee and persons involved.	
(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		(3) The Company initiates annual regular employee health examination, and monthly in-house physical advisory sessions. There were 11 health promoting courses or seminars held in 2018, total 329 participants. The Company also received Badge of Accredited Healthy Workplace for participating the governmental health promoting program. To further strengthen Company's health and safety management, aside from OHSAS18001 (Occupational Health and Safety Assessment Series) system certification, the Company also certified for TOSHMS (Taiwan Occupational Safety and Health Management System) in 2017. Total annual safety, hygiene, health management program training reached 1,484 man-hours.	N/A
(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		(4) The Company values two-way communications and is committed to keeping the communication channels between the management level and their subordinates. To ensure that employees' opinions and voices are heard, and their issues are addressed effectively, impartial submission mechanisms, including quarterly labor-management communication meetings, are in place to provide timely support. Continuous efforts are made to reinforce mutual and timely employee communications, based on multiple channels and platforms, which, in turn, fosters harmonious labor relations for the Company and its employees. In 2017, the Company conducted a full employees satisfaction survey, to collect first-hand employee opinions from 9 different aspects of work-related topics in questionnaire. Employee Satisfaction Survey is conducted once every two years.	N/A
(5) Does the company provide its employees with career development and training sessions?	V		(5) Constructing a learning organization was Company's strategy in employee development. Through complete training programs, internal and external training courses for newcomers and current employees, certifications, internal lectures training. The Company not only assesses and provides feedback on employees' skills and interests, but also offers training and development activities that match their career development objectives and job requirements. 2018 total training hours reached 10,189hrs, and average hours of training per employee were 28. Which included Key Talent Training - MTP mid-level supervisors' training program, 15 employees completed the program, averaged 35hrs per trainee.	N/A

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		(6) The Company’s purchasing was carried out by bidding or negotiation process, in open and fair competition and by finding quality products in qualified supplier base. Should there be any issues or problems in related to research development, purchasing, producing, operation and services, the party may contact directly with related channel, or appeal thru the stakeholder’s webpage.	N/A
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7) There were no known advertising and labeling regulations specified for the Company’s goods and services. Nonetheless, goods and services of the Company comply with the ISO requirements. Therefore, there were no Incidents of non-compliance concerning product and service information and labeling in 2018.	N/A
(8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?	V		(8) The company requested suppliers to complete “Supplier Corporate Social Responsibility Statement”, and evaluate whether suppliers had any history record of violation in social or environmental issues. 2018 Supplier CSR Statement compliance rate was 100%	N/A
(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?	V		(9) The Company’s business contracts included termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society.	N/A
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	V		The Company’s CSR report has been published both with relevant and reliable information regarding corporate social responsibility on official website and the Market Observation Post System (MOPS).	None
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: N/A				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices : Topoint acquired CSR related awards including : 2018 Taiwan Corporate Sustainability Report Awards – Electronics Industry –Platinum Award; 2018 “Excellence in Corporate Social Responsibility”, ranked no. 13 in Little Giant category by CommonWealth Magazine; ranked top 6-20% in 4th “Corporate Governance Appraisal” by TWSE.  Topoint charity program, adopted 3 major themes of local care, environmental conservation, and community participation. Company resources are effectively consolidated and contributed to those aspects, meanwhile encourages fellow employees to participate in various activities. In 2018, there were total 300 persons participated and 501 man-hrs in social care activities. 1. Tree Seedling Cultivating Project: Sanxia Grass Book House, support after-school care program and institution for underprivileged children. 2. Daddy-Long-Legs project: Sanxia Grass Book House, supports fund raising proposals of bike-the-island team. 3. Early vocational skill training: Sanxia Grass Book House, provided resources supporting vocational training program in traditional wood carving. 4. Charity bakery stand: Sanxia, Spring Sunshine Center, twice a month, 20 times in total in the Company cafeteria. 5. Sanxia River clean-up: Total 46 employees and family members gathered and strolled the riverbank of Sanxia River, cleaned bags of man-made wastes including plastic bottles and carried out an on-site session of environmental education for young and adults. 6. Little Sapling Birthday Party: Sanxia Park, an event to water and fertilize saplings planted the previous year, along with activities promoting environmental conservation. 7. Blood Donation: Topoint, gathered 131 bags of blood. 8. Charity runs: joined several runs meant to support social welfare agencies and thru such act, to call for more caring sponsors. 9. Second-hand shoes and bags donation for the 3 <sup>rd</sup> consecutive years: totaled 82 bags and pairs of shoes 10. Second-hand clothes donation: gathered about 192 cloths for the Spring Sunshine Center. 11. Charity purchase of wafer roll gift boxes: 450 boxes purchaserd from Syin-Lu Social Welfare Foundation. 12. Continuous donations to needing organizations and foundations  For more information, please visit Topoint official website: <a href="http://www.topoint.tw/tw/csr">http://www.topoint.tw/tw/csr</a>				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company's CSR report were verified by SGS Taiwan Ltd. in accordance to GRI Sustainability Reporting Standards: core items and with AA1000 Assurance Standard. The statement release date is expected by June 2019.				

(6) Integrity management company to perform the case and adopt measures:

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<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 Code of Business Conduct have been approved by Board Meeting on Mar. 19, 2013.</p> <p>(2) The aforementioned principles and related regulations were announced and disseminated to employees, managers and Board of Directors to enhance integrity and self-discipline.</p> <p>(3) In order to prevent any unethical conduct, all employees must disclose any matters that have or may have the appearance of undermining the Principle, such as any actual or potential conflict of interest. Key employees and senior officers must periodically declare their compliance status with the Principle.</p>	None
<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> <p>(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(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</p>	V		<p>(1) The Company conveying our integrity requirements to all our business partners. In addition, an ethic-related clause is included in every business contract. If there is any breach of the clause, the Company may terminate the partnership at any time without any further obligation or compensation.</p> <p>(2) The company establish an exclusively dedicated unit supervised by the Board to be in charge of HR</p> <p>(3) Taking the overall interests of the company as consideration shall not be intended to make their own, spouse, parents, children, or relatives within three degrees of improper advantage or prejudice the company's interests.</p> <p>(4) The Company has established accounting and internal control systems to ensure integrity in our operations. After internal auditors have analyzed and reviewed the annual audit program according to</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
basis? (5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		the risk evaluation results, the Company will compile them into an audit report. (5) Please go to “ <a href="http://www.topoint.tw/Pages/CSR/CSR">http://www.topoint.tw/Pages/CSR/CSR</a> ”	
3. Operation of the integrity channel (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?  (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?  (3) Does the company provide proper whistleblower protection?	V  V  V		(1) The Company establishes various reporting channels so that employees and relevant people can report improper business behaviors through the system. After a confidential investigation, anyone who violates the regulations on operational integrity will be punished according to the Company's regulations on reward and punishment. In cases of illegal conduct, legal actions will be taken as well. (2) Please go to “ <a href="http://www.topoint.tw">http://www.topoint.tw</a> ” (3) The Company takes whistleblower protection seriously since the core purpose is protection from unlawful reprisal for diligent employees who step forward to identify potential wrongdoing. The Company has a dedicated hotline for whistleblower protection whether first-line managers and the Board if necessary, can directly review and determine appropriate actions against reprisal of complaints.	None
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 address of the company's website is: <a href="http://www.topoint.tw">www.topoint.tw</a> The company has already posted its governance information on the website. Viewers may also use the website to link to the Market Observation Post System for enquiry of the company's financial and business information.	None
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. None				
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 address of the company's website is: <a href="http://www.topoint.tw">www.topoint.tw</a>				

- (7) Enquiry of corporate governance rules and related regulations: Please go to the corporate governance section of the "Market Observation Post System" .
- (8) The information to help investors more aware of how the company's corporate governance is operated:  
a. Please go to "Investor Relations" of company's website [www.topoint.tw](http://www.topoint.tw)  
b. Advanced study the governance rules of Mangers: Please go to the corporate governance section of the "Market Observation Post System" on [http://newmops .twse.com.tw](http://newmops.twse.com.tw).
- (9) Execution of internal control system:  
a. Internal control declaration: Please go to the "Market Observation Post System"  
b. Entrustment of CPA to audit internal control system: N/A
- (10) The punishments applied to the company and its employees due to law violation, the punishments applied by the company to its internal employee due to violation of internal control system, major drawbacks and improvement in the recent year and the current year as of the annual report publication date:  
As regulated by the company, other than including the violation of internal control system in the rating of personnel annual performance evaluation, the company has also given a detailed account of the punishments, major drawbacks and expected improvement deadline in each audit report. At the same time, the audit unit has continued to track the improvement status and make records. The major drawbacks had been corrected in the recent year and the current year as of the annual report publication date.
- (11) Major resolutions made in shareholders' meetings and board meetings in the recent year and the current year as of the annual report publication date:

**A. The company had the 2018 general shareholders meeting held with the following resolution reached (06/14/2018):**

Resolution Reached (06/14/2018):

Resolutions	Implementation Status																																	
(a) Recognized the financial results for FY2017.	(a) RESOLVED, that the above proposal be and hereby was approved as proposed.																																	
(b) Recognized the FY2017 earnings distribution (Distributed \$0.4 /share of cash dividends . The board of directors is authorized to adjust the ensuing change to be caused by the change in the shareholder’s stock dividend/ cash dividend rate resulting from the outstanding shares which are influenced by the change of capitalization.)	(b) The ex-dividend date Aug. 4, 2018 was determined and the cash dividend was distributed on Aug. 24, 2018.																																	
(c) Passed the company resolves to conduct capital reduction.	(c) RESOLVED, that the above proposal be and hereby was approved as proposed.																																	
(d) Passed the amendment of the Procedure of the Acquisition and Disposal of Assets.	(d) RESOLVED, that the above proposal be and hereby was approved as proposed.																																	
(e) Passed the election for directors and supervisors.	(e)																																	
(f) Passed the release the non-competition restriction of director elected in 8 <sup>th</sup> session.	<table><tr><th>Title</th><th>Name</th><th>Amounts of Voting</th></tr><tr><td>Director</td><td>Hsu-Ting, Lin</td><td>106,264,907</td></tr><tr><td>Director</td><td>Fortune Venture Capital Corporation</td><td>97,559,488</td></tr><tr><td>Director</td><td>Chia-hung, Wang</td><td>95,266,143</td></tr><tr><td>Director</td><td>Macking International Investment Corporation</td><td>94,014,152</td></tr><tr><td>Independent Director</td><td>Tsung-Ming, Lo</td><td>86,193,003</td></tr><tr><td>Independent Director</td><td>Po-Cheng, Ko</td><td>82,255,677</td></tr><tr><td>Independent Director</td><td>Jung-Sheng, Pai</td><td>82,255,278</td></tr><tr><td>Supervisor</td><td>Ken-Ching, Chen</td><td>97,970,599</td></tr><tr><td>Supervisor</td><td>Cheng-Chie, Niu</td><td>93,625,004</td></tr><tr><td>Supervisor</td><td>Fang-Cheng, Siao</td><td>93,619,320</td></tr></table>	Title	Name	Amounts of Voting	Director	Hsu-Ting, Lin	106,264,907	Director	Fortune Venture Capital Corporation	97,559,488	Director	Chia-hung, Wang	95,266,143	Director	Macking International Investment Corporation	94,014,152	Independent Director	Tsung-Ming, Lo	86,193,003	Independent Director	Po-Cheng, Ko	82,255,677	Independent Director	Jung-Sheng, Pai	82,255,278	Supervisor	Ken-Ching, Chen	97,970,599	Supervisor	Cheng-Chie, Niu	93,625,004	Supervisor	Fang-Cheng, Siao	93,619,320
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	(f) RESOLVED, that the above proposal be and hereby was approved as proposed.																																	



**B. Board meetings**

Date	Content
2018.02.23	1. Approved the Financial Statements and Business Report of 2017. 2. Approved the company resolves to conduct capital reduction. 3. Approved dividend distribution of 2017. Cash dividends of NT\$63,191,318(NT\$0.4000 per share) 4. Approved 2017 remuneration of employees & directors.
2018.03.20	1. Approved 2018 AGM agenda.
2018.05.03	1. Approved the Financial Statement for 1st quarter of 2018.
2018.06.14	1. Announces the appointment of chairman. 2. Approved the appointment of the members of Remuneration Committee.
2018.07.12	1. Announcement of the record date for common share dividend.
2018.08.07	1. Approved the Financial Statement for 2nd quarter of 2018. 2. Approved the personnel responsible for corporate governance affairs.
2018.11.07	1. Approved the Financial Statement for 3rd quarter of 2018.
2018.12.18	1. Approved Year 2019 annual audit plan.
2019.02.22	1. Approved the Financial Statements and Business Report of 2018. 2. Approved dividend distribution of 2018. Cash dividends of NT\$170,616,561(NT\$1.2 per share) 3. Approved 2018 remuneration of employees & directors. 4. Approved 2019 AGM agenda.

(12) The directors or supervisors who have objected to the resolutions reached by the board of directors and the objections are recorded or declared in writing in the most recent years and up to the date of the annual report printed: N/A

(13) The resignation or discharge of personnel who are responsible for financial statements in the most recent years and up to the date of the annual report printed: N/A

#### 4.CPAs Fees:

Name of the firm	Names of CPA		During the audit	Notes
Deloitte & Touche	Wan-Yi, Liao	Yung-Fu, Liu	Jan. 1,2018-Dec. 31,2018	

		Audit fees	Non-Audit fees	Total
1	Below \$2,000,000		v	
2	\$2,000,000 ~ \$4,000,000			
3	\$4,000,000 ~ \$6,000,000	v		v
4	\$6,000,000 ~ \$8,000,000			
5	\$8,000,000 ~ \$10,000,000			
6	Over \$10,000,000			

- A. When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:N/A.
- B. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed:N/A.
- C. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed:N/A.

The professional fees for auditing services referred to in item (1) means the professional fees paid by the company to a certified public accountant for auditing, review, and secondary reviews of financial reports, financial forecast reviews, and tax certification.

5. CPA's Information:

Regarding former CPA:

Replacement date	Approved by the board of directors on February 22, 2019.		
Replacement reasons	The CPA certifying the company's 2019 Q1 financial statements were CPA Wan-Yi, Liao and Yung-Fu, Liu at Deloitte & Touche – Taiwan. However, due to the firm's internal task transfer and arrangement, the company's 2017 Q1 financial statements were certified by CPA Zhao-Mei, Chen and Chien-Shin, Shieh		
Please explain whether the termination or refusal of the commission is initiated by the entrusted or CPA.	The party	CPA	Entrustor
	Status	Not applicable	
	Took initiative in terminating the commission		
	Refusal (discontinuation) of the commission		
The opinions on the auditing reports in the recent two years and reasons, except the issue of unqualified opinions.	Not applicable		
Different opinions with the issuer:	Yes		Accounting principle or practice
			Disclosure of financial reports
			Auditing range and steps
			Others
	No	√	
	Why	Not applicable.	
Other disclosure items: ( The items required to be disclosed as per item 4, subparagraph 1 of article 11 in regulations governing the preparation of financial reports by securities issuers.)	None		

(1) Regarding successor CPA:

Name of the firm	Deloitte & Touche – Taiwan
Names of CPA	Zhao-Mei, Chen and Chien-Shin, Shieh
Date of commission	As passed by the board of directors on February 22, 2018.
Items and results of the consultation made before the commission for the possible opinions on the accounting process method or accounting principle and the financial reports of specific transactions	None
The written opinions from the successor CPA against the ones from the former CPA.	None

(2) The response made by former CPA for the issues listed in item 3 of subparagraph 1 of article 22 of “regulations governing the preparation of financial reports by securities issuers”: N/A

6. If the Chairman, General Manager, and financial or accounting manager of the company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: N/A

7. Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads, and Shareholders 10% shareholding or more:

(1) Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads and Shareholders

Unit: share

Title	Name	2018		As of April 30, 2019	
		Net change in Shareholding	Net change in Share Pledged	Net change in Shareholding	Net change in Share Pledged
Chairman	Hsu-Ting, Lin	(302,842)	-	54,154	-
Director	Jia-Hong, Wang	(223,052)	(190,000)	4,154	-
Director	Fortune Venture Capital Corporation	(490,684)	-	-	-
	Zhi-Qiang, Peng	-	-	-	-
Director	Macking International Investment Corporation	1,890,600	900,000	-	-
	Wen-Jin, Li	-	-	-	-
Independent director	Tsung-Ming, Lo	(298)	-	-	-
Independent director	Po-Cheng, Ko	-	-	-	-
Independent director	Jung-Sheng, Pai	-	-	-	-
Supervisor	Gen-Cing, Chen	356,976	-	-	-
Supervisor	Cheng-Chie, Niu	(268)	-	-	-
Supervisor	Fang-Cheng, Siao	-	-	-	-
President, Administration Center	Ruo-Ping, Lin	17,616	-	77,906	-
Vice president	Yin-Ming, Huang	(26,073)	-	3,324	-
Vice president	Zhao-Yang, Chen	(16,176)	-	1,662	-
Vice president	Sheng-Jhou, Wong	65,907	-	3,324	-
Director	Chang-Long, Yan	(4,849)	-	3,324	-
Plant Manager	Tseng-Chien, Huang	(2,191)	-	2,284	-
Financial Manager	Li-ching, Ko	(675)	-	2,284	-

(2) The information of the related party who was the corresponding party of the equity transfer: N/A

(3) The information of the related party who was the corresponding party of the equity pledge: N/A

8. The relation of the top ten shareholders as defined by Finance Standard Article 6:

April 14, 2019

Name	Current shareholding		Shareholding of spouse and minors		Shares held in the names of others		The relation of the top ten shareholders as defined by Finance Standard Article 6	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	relationship
Hsu-Ting, Lin	5,279,276	3.68%	-	N/A	-	N/A	Liu-Ze, Lin Chia-Hung, Wang	Brothers Daughter Affinity
Fortune Venture Capital Corporation	4,416,152	3.08%	-	N/A	-	N/A	-	N/A
Liu-Ze, Lin	4,109,268	2.86%	-	N/A	-	N/A	Hsu-Ting, Lin	Brothers
Gen-Cing, Chen	2,070,211	1.44%	331,316	0.23%	-	N/A	-	N/A
Chia-Hung, Wang	2,011,620	1.40%	11,709	0.01%	990,000	0.69%	Hsu-Ting, Lin	Daughter Affinity
Dimensional Emerging Markets Value Fund	1,969,459	1.37%	-	N/A	-	N/A	-	N/A
Macking International Investment Corporation	1,890,600	1.32%	-	N/A	-	N/A	-	N/A
ASUSPOWER INVESTMENT Co.,Ltd	1,735,891	1.21%	-	N/A	-	N/A	-	N/A
Arcadia Emerging Market Small Capital Securities Fund under the custody of HSBC	1,623,600	1.13%	-	N/A	-	N/A	-	N/A
DFA's Emerging Market Core Securities Investment Account under the custody of CITI	1,581,993	1.10%	-	N/A	-	N/A	-	N/A

9. Investment form Directors, Supervisors, Managers and directly or indirectly controlled businesses:

Unit: Share

Trans-investment business	The company's investment		Investment made by directors, supervisors, managers and the businesses directly or indirectly controlled by the company		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Total shareholding ratio
Topoint Technology Co.,Ltd.(B.V.I)	7,139	100%	-	-	7,139	100%
Unipoint Technology Co., Ltd.	30,696,297	61.76%	-	-	30,696,297	61.76%
Warpspeed Corporation(B.V.I)	50,000	100%	-	-	50,000	100%
Topoint Japan Co., Ltd.	600	100%	-	-	600	100%
Shanghai Topoint Precision Tool Co., Ltd.	-	-	-	100%	-	100%
Sharpoint Technology (Qinhuangdao) Co., Ltd.	-	-	-	100%	-	100%
Unipoint Technology Holdings Co., Ltd.(B.V.I.)	11,200	100%	-	-	11,200	100%
Unipoint Technology Shenzhen Co., Ltd.	-	-	-	100%	-	100%
Sharpoint Technology (Shenzhen) Co., Ltd.	-	-	-	100%	-	100%
Sharpoint Technology (Suzhou) Co., Ltd.	-	-	-	100%	-	100%
Kunshan Restek Technology Co., Ltd.	-	-	-	75%	-	75%
Kunshan Topoint Technology Co., Ltd	-	-	-	100%	-	100%
Sharpoint Electronics (Huaian) Co., Ltd.	-	-	-	100%	-	100%
Chengdu Raypoint Precision Tools Co., Ltd.	-	-	-	94.74%	-	94.74%
Kunshan Raypoint Precision Tools Co., Ltd.	-	-	-	94.74%	-	94.74%
Winpoint Electronics (Huaian) Co., Ltd.	-	-	-	100%	-	100%
Shanghai Hejin Roller Technology Co., Ltd.	-	-	-	86.27%	-	86.27%
Shanghai Ringpoint Nano Material Co., Ltd.	-	-	-	81.83%	-	81.83%
E-point Precision Tools Co., Ltd.	350,000	70%	-	-	350,000	70%
Topmicron Investment Ltd.	-	-	-	61.76%	-	61.76%
Sharpoint Electric (Suzhou) Co., Ltd.	-	-	-	61.76%	-	61.76%

#### IV. Stock subscription

##### 1. Capital and shares:

##### (1) Stock capital

Unit: NT\$1,000/1,000 shares

Month / year	Issued price (\$)	Approved capitalization		Paid-in capitalization		Capital sources		Remarks	
		Shares	Amount	Shares	Amount	Amount	Source	Use of non-cash property to pay for the shares	Others
4/1996	10	1,500	15,000	1,500	15,000	15,000	Cash capital increase	-	04/12/1996 1996 Jien (3) Geng Zi No. 48510
5/1997	10	6,000	60,000	3,250	32,500	17,500	Cash capital increase	-	02/23/1998 1998 Jien (3) Jia Zi No. 124692
6/1998	10	20,000	200,000	9,920	99,200	49,200 17,500	Cash capital increase Capital surplus transfer	-	11/18/1998 1998 Jien (3) Jia Zi No. 259480
9/1999	10	20,000	200,000	13,852	138,253	20,800 18,253	Cash capital increase Earnings transfer	-	10/21/1999 Jing (1999) Shang Zi No. 08813853
5/2000	23	49,000	490,000	27,300	273,000	120,000 14,747	Cash capital increase, earnings and capital surplus transfer	-	06/28/200 Jing (2000) Shang Zi No. 089121529
05/2002	10	49,000	490,000	34,000	340,000	67,000	Earnings and capital surplus transfer	-	09/19/2001 Jing (2001) Shang Zi No. 0901372890
11/2002	20	49,000	490,000	39,000	390,000	50,000	Cash capital increase	-	01/03/2002 Jing (2001) Shang Zi No. 09001523010
12/2003	10	49,000	490,000	41,000	410,000	20,000	Cash capital increase	-	12/29/2003 Jing-Shou-Zhong Zi No. 09233192270
08/2004	10	42,693	426,930	42,693	426,930	16,930	Earnings transfer	-	10/05/2004 Jing-Shou-Zhong Zi No. 09332806590
10/2004	16.8	70,000	700,000	48,393	483,930	57,000	Cash capital increase	-	12/29/2004 Jing-Shou-Zhong Zi No. 09333262600
09/2005	10	70,000	700,000	55,258	552,581	68,651	Earnings and capital surplus transfer	-	09/16/2005 Jing-Shou-Shang Zi No. 09401183300
06/2006	10	140,000	1,400,000	65,258	652,581	100,000	Cash capital increase	-	06/20/2006 Jing-Shou-Shang Zi No 09501118760
09/2006	10	140,000	1,400,000	75,428	754,288	101,707	Earnings transfer	-	09/07/2006 Jing-Shou-Shang Zi No. 09501202460

Month / year	Issued price (\$)	Approved capitalization		Paid-in capitalization		Remarks			
		Shares	Amount	Shares	Amount	Capital sources		Use of non-cash property to pay for the shares	Others
10/2006	10	140,000	1,400,000	76,116	761,161	6,873	Shares transferred from corporate bonds	-	10/07/2006 Jing-Shou-Shang Zi No. 09501232720
01/2007	10	140,000	1,400,000	77,388	773,882	12,721	Shares transferred from corporate bonds	-	10/23/2007 Jing-Shou-Shang Zi No. 09601018460
04/2007	10	140,000	1,400,000	78,605	786,050	12,168	Shares transferred from corporate bonds	-	04/17/2007 Jing-Shou-Shang Zi No. 09601080210
07/2007	10	140,000	1,400,000	84,242	842,421	56,371	Shares transferred from corporate bonds	-	07/23/2007 Jing-Shou-Shang Zi No. 09601175210
08/2007	10	140,000	1,400,000	95,469	954,691	112,270	Earnings transfer	-	08/24/2007 Jing-Shou-Shang Zi No. 09601206420
08/2008	10	140,000	1,400,000	106,868	1,068,680	113,988	Earnings transfer	-	08/28/2008 Jing-Shou-Shang Zi No. 09701219390
10/2008	10	140,000	1,400,000	107,056	1,070,565	1,885	Stock Option transfer	-	10/21/2008 Jing-Shou-Shang Zi No. 09701266600
08/2009	21	200,000	2,000,000	117,056	1,170,564	100,000	Cash capital increase	-	08/26/2009 Jing-Shou-Shang Zi No. 09801191340
09/2009	10	200,000	2,000,000	126,584	1,265,840	95,275	Earnings transfer	-	09/11/2009 Jing-Shou-Shang Zi No. 09801205940
10/2009	10	200,000	2,000,000	126,671	1,266,717	877	Stock Option transfer	-	10/30/2009 Jing-Shou-Shang Zi No. 09801249110
01/2010	10	200,000	2,000,000	127,577	1,275,577	8,860	Stock Option transfer	-	01/19/2010 Jing-Shou-Shang Zi No. 09901011840
04/2010	10	200,000	2,000,000	127,694	1,276,947	1,370	Stock Option transfer	-	04/16/2010 Jing-Shou-Shang Zi No. 09901076220
09/2010	10	300,000	3,000,000	131,551	1,315,519	38,571	Earnings transfer	-	09/03/2010 Jing-Shou-Shang Zi No. 09901203020
11/2010	21.1	300,000	3,000,000	133,921	1,339,216	23,696	CB transfer	-	11/01/2010 Jing-Shou-Shang Zi No. 09901244520



Month / year	Issued price (\$)	Approved capitalization		Paid-in capitalization		Remarks			
		Shares	Amount	Shares	Amount	Amount	Source	Use of non-cash property to pay for the shares	Others
01/2011	10	300,000	3,000,000	134,060	1,340,604	1,388	Stock Option transfer	-	01/25/2011 Jing-Shou-Shang Zi No. 10001017040
04/2011	21.1 10	300,000	3,000,000	139,370	1,393,699	53,096	CB transfer and Stock Option transfer	-	04/21/2011 Jing-Shou-Shang Zi No. 10001080020
07/2011	21.1	300,000	3,000,000	144,109	1,441,093	47,393	CB transfer	-	07/28/2011 Jing-Shou-Shang Zi No. 10001173710
08/2011	21.1 10	300,000	3,000,000	152,569	1,525,685	84,592	CB transfer and Earnings transfer	-	08/26/2011 Jing-Shou-Shang Zi No. 10001199400
08/2012	10	300,000	3,000,000	156,658	1,566,578	40,893	Earnings transfer	-	08/24/2012 Jing-Shou-Shang Zi No. 10101176420
09/2013	10	300,000	3,000,000	157,890	1,578,905	12,327	Earnings transfer	-	09/03/2013 Jing-Shou-Shang Zi No. 10201180390
04/2014	20.7	300,000	3,000,000	157,938	1,579,380	475	Stock Option transfe	-	04/15/2014 Jing-Shou-Shang Zi No. 10301065310
07/2014	20.7	300,000	3,000,000	158,166	1,581,665	2,285	Stock Option transfe	-	07/18/2014 Jing-Shou-Shang Zi No. 10301141790
10/2014	20.7	300,000	3,000,000	158,800	1,588,005	6,340	Stock Option transfe	-	10/16/2014 Jing-Shou-Shang Zi No. 10301216480
01/2015	20.7	300,000	3,000,000	159,046	1,590,465	2,460	Stock Option transfe	-	01/23/2015 Jing-Shou-Shang Zi No. 10401007350
04/2015	20.7	300,000	3,000,000	159,155	1,591,557	1,092	Stock Option transfe	-	04/16/2015 Jing-Shou-Shang Zi No. 10401070200
07/2015	20.7	300,000	3,000,000	159,204	1,592,040	483	Stock Option transfe	-	07/21/2015 Jing-Shou-Shang Zi No. 10401147210
01/2016	20.7	300,000	3,000,000	159,478	1,594,782	2,742	Stock Option transfe	-	01/19/2016 Jing-Shou-Shang Zi No. 10501010900
09/2018	10	300,000	3,000,000	143,530	1,435,304	159,478	capital reduction	-	09/03/2018 Jing-Shou-Shang Zi No. 10701109470

December 31, 2018 / Unit: share

Type of Shares	Authorized Shares			Remarks
	Outstanding shares	Un-issued shares	Total	
Common stock	142,180,467	156,469,533	300,000,000	Treasury stock 1,350,000

## (2) Status of shareholders

April 14, 2019

Status of shareholders Q'ty	Government agencies	Financial institutions	Other institutional investors	Domestic Natural Persons	Foreign institutional & Natural Persons	Total
Number of shareholders	1	4	29	16,771	89	16,894
Shareholding	78	1,071,845	17,106,949	107,442,693	17,908,902	143,530,467
Shareholding ratio	0.00%	0.75%	11.92%	74.86%	12.47%	100.00%

## (3) Status of Shareholding Distributed

Face value per share: \$10

April 14, 2019

Classification	Number of shareholder	Shareholding	Shareholding Ratio(%)
1-999	8,853	2,101,617	1.46%
1000-5,000	4,902	12,484,597	8.70%
5,001-10,000	1,501	11,657,146	8.12%
10,001-15,000	425	5,367,018	3.74%
15,001-20,000	334	6,023,422	4.20%
20,001-30,000	285	7,161,311	4.99%
30,001-40,000	124	4,317,008	3.01%
40,001-50,000	99	4,497,151	3.13%
50,001-100,000	218	15,313,748	10.67%
100,001-200,000	72	10,131,988	7.06%
200,001-400,000	38	10,872,646	7.58%
400,001-600,000	9	4,286,905	2.99%
600,001-800,000	9	6,036,890	4.20%
800,001-1000,000	5	4,511,235	3.14%
1000,001-	20	38,767,785	27.01%
Total	16,894	143,530,467	100.00%

## (4) Roster of Major shareholders:

April 14, 2019

Shareholding Shareholder's Name	Shareholding	Shareholding ratio
Hsu-Ting, Lin	5,279,276	3.68%
Fortune Venture Capital Corporation	4,416,152	3.08%
Liu-Ze, Lin	4,109,268	2.86%
Gen-Cing, Chen	2,070,211	1.44%
Chia-Hng, Wang	2,011,620	1.40%
Dimensional Emerging Markets Value Fund	1,969,459	1.37%
Macking International Investment Corporation	1,890,600	1.32%
ASUSPOWER INVESTMENT Co.,Ltd	1,735,891	1.21%
Arcadia Emerging Market Small Capital Securities Fund under the custody of HSBC	1,623,600	1.13%
DFA's Emerging Market Core Securities Investment Account under the custody of CITI	1,581,993	1.10%

## (5) Market price, net value, earnings, dividend per share and related information in the recent two years. .

Unit: NT\$/share

Year Item		2017	2018	As of Mar. 31, 2019
Market price per share	Highest	29.75	22.60	20.90
	Lowest	19.50	16.70	17.50
	Average	22.99	19.85	19.61
NAV	Pre-distribution	27.90	29.12	31.59(note1)
	Post-distribution	27.50	(note2)	-
EPS	Weighted average shares	159,979,000	150,029,000	142,180,000
	EPS (pre-adjustment) (post-adjustment)	1.50	1.69	0.22 (note1)
DPS	Cash dividend	0.4	(note2)	-
	Scrip issue	Stock dividend from retained earnings	-	--
		Stock dividend from capital reserve	-	--
	Accumulated dividends having yet to be paid		-	-
Analysis of ROI	P/E	15.33	(note2)	-
	Dividend ratio	57.48	(note2)	-
	Cash dividend yield	1.74%	(note2)	-

Note 1 : The NAV and EPS shown above are the data certified by the CPA as of the 1<sup>st</sup> quarter of 2019.

Note 2: Subject to the approval of the annual shareholders meeting.

## (6) Execution of Dividend Policy

- a. In view of the Company's current business growth, and in consideration of its future business development plans, financial structure and shareholders' equity.

Shareholders of the company dividend distribution shall not be lower than 20% of the Distributable Earnings for the same year.

Cash dividends shall not be lower than 10% of the total shareholders' dividends distributed for the same year.

- b. The dividends planned to be distributed this year are as below: (the proposal has been passed by the board of directors, and planned to be submitted to the shareholders' meeting for discussion)  
As passed in the board meeting on February 22, 2019 for 2018 earnings distribution, the company plans to distribute the cash dividend at \$1.2 per share. (It is planned to request shareholders to authorize the board of directors to adjust the ensuing change to be caused by the change in shareholder's stock dividend/cash dividend rate resulting from the outstanding shares which are influenced by the change of capitalization).
- (7) Impact of the proposed stock dividend in shareholders meeting on business performances and EPS:  
Not Applicable  
Note: The Company did not have financial forecast proposed up to the date of the annual report printed.
- (8) Employee bonuses and remuneration of directors and supervisors
- a. The ratio or range of employee bonuses and remuneration of directors and supervisors stated in the corporate constitution:  
Profit before income tax set aside Employees' bonus to employees in the range of 1% to 25%. Remuneration of directors and supervisors shall be no more than 3%.
- b. Information of the employee bonus and director/supervisor remuneration passed by the board of directors:
- 1) The amounts of the employee cash bonus, stock bonus and director/supervisor remuneration planned to be distributed are as below:  
As approved by the board of directors on February 22, 2019, it is expected to distribute \$60,893,798 of employee cash bonuses and \$10,148,967 of director/supervisor remuneration or 2019
  - 2) The shares of employee stock bonuses planned to be distributed and their ratio to the increased capital from earnings transfer: N/A
- c. The actual distributions of dividend to employees and remuneration to directors and supervisors with retained in 2018:

	Resolved in shareholders meeting	Resolved by board of directors	Difference
Distribution status:			
Employee cash bonus	49,890,815	49,890,815	-
Employee stock bonus			
Shares	-	-	-
Amount	-	-	-
Ratio to the outstanding shares at the end of 2017	-	-	-
Director/supervisor remuneration	8,315,136	8,315,136	-
Information of EPS			
Original EPS	\$1.5	\$1.5	-
EPS taking bonuses and remuneration into account	\$1.5	\$1.5	-

(9) Treasury stock:

Frequency of shares repurchased	1
Purpose of the share repurchase	transferring to employees
Original scheduled period for the repurchase	2016/03/15~2016/05/14
Originally determined repurchase price range	NTD \$18~30 per share
Number of shares repurchased	1,500,000 Shares
Total monetary amount of shares repurchased	\$ 31,725,673
Cancellation and transfer	150,000 Shares
Cumulative number of own shares held	1,350,000 Shares
Ratio of cumulative number of own shares held during the repurchase period to the total number of the Company's issued shares	0.94%

2. Corporate bonds: N/A
3. Preferred stock: N/A
4. ADR/GDR: N/A
5. Employee stock option certificates : N/A
6. New restricted employee shares: N/A
7. Merger and acquisition (including merger, acquisition, and split): N/A
8. Fund implementation plan:N/A

## V. Overview of business operation

### 1. Principal activities

#### (1) Scope of Business

- ①. Major Business the Company has Engaged
  - i. Manufacture and sales of micro-drill bits exclusively for printed circuit boards
  - ii. Manufacture and sales of digital drilling machines exclusively for printed circuit boards
  - iii. Manufacture and sales of the peripheral facilities for the process of printed circuit boards
  - iv. General export/import trading and agency businesses
- ②. Major products and their ratios in the company's total businesses

Unit: NT\$1,000

Business items	2017		2018	
	Amount of sales	% in revenue	Amount of sales	% in revenue
Precision metal products and Processing services	3,222,713	98.16	3,204,230	97.62
Others	60,450	1.84	78,214	2.38
Total	3,283,163	100.00	3,282,444	100.00

#### ③. Major Products of the Company

Product		Specification (Diameter)
Drill bit	Micro size	Below 0.25mm
	Mini size	0.30mm~0.45mm
Router bit	Micro size	0.50mm~0.75mm
	Mini size	0.80mm~3.175mm
	Large size	Above 3.175mm

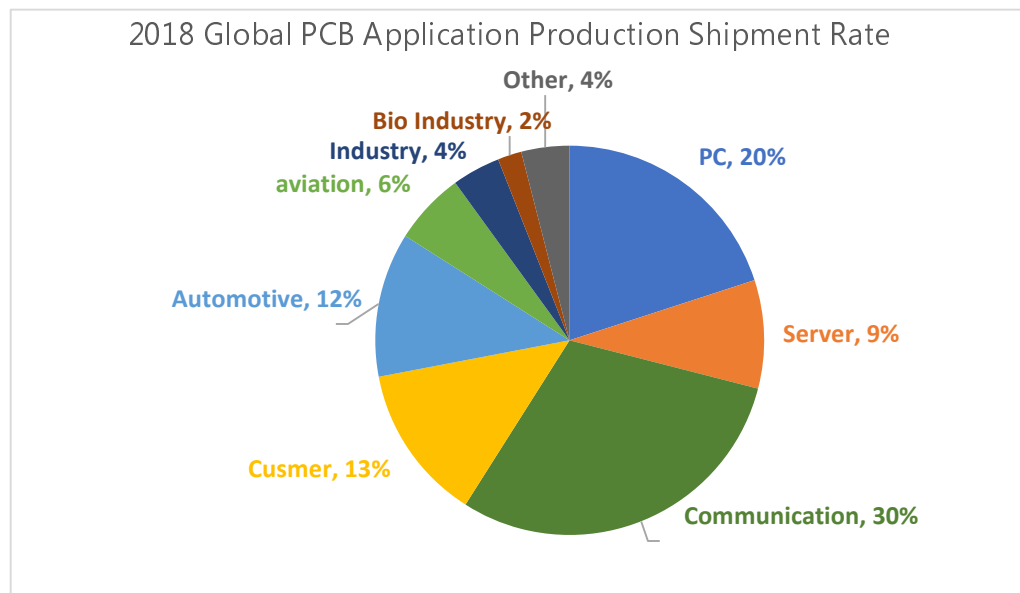
- ④. New Products under Development
  - i. Sustainable development of performance enhancing micro drills.
  - ii. Sustainable development of performance enhancing micro routers.
  - iii. Development of prolonged tool life product and high aspect ratio drills.
  - iv. Development of metal coating drills and router.

#### (2) Industry Overview

##### ①. Industry Status and Development

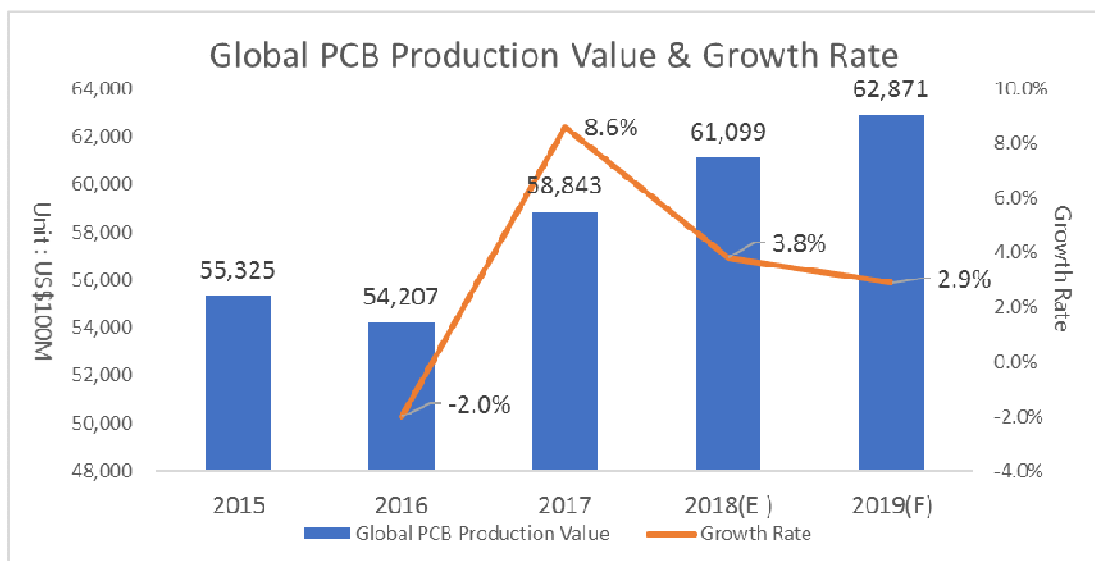
Drill bit is one of the critical materials used in PCB manufacturing process. PCBs fundamentally support the connection among components and wirings assembled in modern electronic devices. Hence, supply and demand condition for drills has a close tie to the PCB industrial development.

In 2018, global PC market shipments declined, The server market is still growing under the diversification of network applications. In addition, although the growth of the global automotive market has slowed down, it is still expected to have a sales growth of around 3%. Together with the increase in PCB penetration, the automotive application market share has increased to 12%

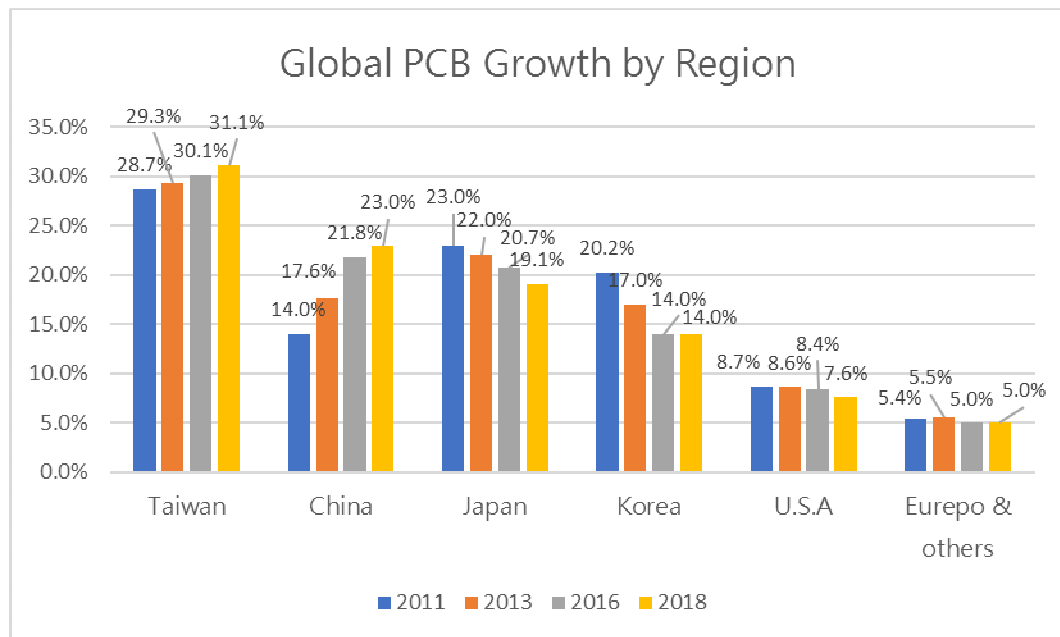


Source : IEK (2019/2), compiled by Topoint

According to information from TRI(2019/2), the total value of 2019 production in PCB industry is estimated around US\$ 62.9 billion, an increase of 2.9% from the previous year. Based on research from IEK (2019/02), China is still the biggest-scale and fastest-growing manufacturing region in PCB industry. China has become the second PCB manufacturer of the world. Its market share is 23%. Even though, Taiwan is the first PCB manufacture of the world and own 31.1% market share. We still need to pay attention on China PCB manufacturers' strong growth on capacity expansion and technological development.



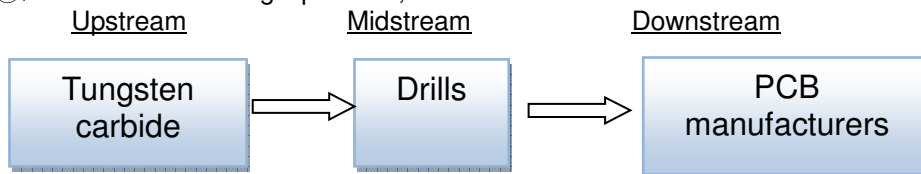
Source: TRI (2019/2), compiled by Topoint.



Source: IEK (2019/2), compiled by Topoint.

With the developments of end-products, PCB industry is facing dramatic changes in technologies and materials. We should continue to focus on the following major trends: 1. The development of 5G base stations and automotive PCBs as well as its competition; 2. China manufacturers entry into high-end market aggressively; 3. The replacement of smartphones has become longer and the market is full and the uncertainty of the economy. Topoint will not only gain shares from current market but also expend business to the new market. To fulfill all the customers' demands and increase value, Topoint devotes ourselves to work closely with customers to develop advanced technologies and products.

## ②. Correlations among Upstream, Midstream and Downstream Industries



## ③. Product Development

- i. Electronic products are built toward high speed transmission and mini-sized design, driving new material and process development for PCB. To further down-size printed circuit boards (PCB) in wearable devices, must tightly line-up electronic components, and adopt higher density PCB product, such as using Any-Layer HDI (High Density Interconnect) and MSAP (Modified Semi-Additive Process). As drilling technology shifting toward high density and efficiency-oriented, pushing quality requirement of drills to a higher level.
- ii. Embedded component technology is to build ICs inside substrates, or bury passive components such as resistor, capacitor, or inductor inside printed circuit board; helps to enhance quality of signals, reduce surface area and lower energy consumption. As proportion of wearable devices increase, the adoption for embedded technology shall be more prominent, become one of PCB suppliers' important technology development.
- iii. Increasing awareness of green environmental protection, made higher standards of Halogen-free, Phosphorus-free and High Tg product progress for copper clad laminate (CCL), eco-friendly CCL products gradually takes up more percentage of the market share. Countermeasures must be developed for drills to cope with changes in material, to ensure drilling quality suffice with the market demand.
- iv. With the future market demand for 5G and automotive industry, PCB will use a large amount of high-frequency material such as thicker copper, rigid-flex board and HDI. The material selection and shape design must be adjusted to match the characteristics of the materials to be processed.

## ④. Competition Status



Global consumer market demand for electronic product has changed. PCB manufactures confront with the changing from the standard mass production modal into "a small number and diverse" and "a large number and diverse" production modal especially the competition from the China PCB manufactures, PCB industry chain's intelligent upgrade, combination of ICT and smart machine to improve the overall production's efficiency and flexibility. All the drill manufactures need to provide the integrated solutions for the PCB industry's changes. Drills applied to general PCB and IC substrates are different in terms of hole diameters and technological requirement. Currently Japan, Taiwan and China manufacturers are the main suppliers for the PCB drills. In Japan, only one manufacturer with the world's largest market share, other manufacturers have gradually scaled down in recent years. In Taiwan, our competitors such as Keyware Electronic Corp. and Tera Auto corporation, each manufacturer has focus on different products to separate the market. Topoint has the highest drills market share in Taiwan and has the abilities to provide the micro sizes (diameter less than 0.25mm) same as Japanese manufactures. In recent years, China manufactures have also actively entered the PCB market, mainly in the small size (diameter above 0.30mm) for traditional PCBs. Due to large number of competitors in this sector, resulted to severe price competition. Topoint also focused on development for micro drills and high-performance drills and have technical competitiveness in the middle and high-end market.

### (3) Technology and R&D Overview

#### ①. R&D personnel and their education as well as work experience

April 30, 2019

Item / Education	PhD / Masters	University graduates	Senior high school	Total	Service seniority
No. of personnel	2	14	5	21	8.09
Ratio	9.5%	66.7%	23.8%	100%	

#### ②. Amounts invested in annual R&D in the recent five years

Unit: NT\$1,000

Item / year	2017	2018
R&D expense	95,937	116,811
Sales revenue	3,283,163	3,282,444
Ratio	3%	4%

#### ③. The products and technology successfully developed

2014	Mass production of patented high-performance drills for IC substrates.
2015	Mass production of high performance product series.
2016	Mass production of high life expectancy and unique performance of coating drill. Mass production of ultra-high aspect ratio coating drill series.
2017	Mass production of new metal coating products series. Mass production of high precision slot and router series.
2018	Mass production of super wear resistant products. Mass production of burrs for thick plates.

#### ④. Long and Short-term Business Development Plans

##### i. Short-term Plan

- Continue to introduce innovative value-added products.
- Develop new markets and strengthen partnerships with customers.
- Cost control and maximization of production efficiency.
- Integrated resource and strengthen system processes.

##### ii. Long-term Plan

- Continue to develop core technology related new business to build up driving momentum for future business growth.
- Continue to seek any opportunity of strategic alliances to strengthen the company's competitive advantage.

## 2. Market analysis and the condition of sale and production

### (1) Market Analysis

#### ①. Sales Breakdown by Region

Unit: NT\$1,000

Region Year	2017		2018	
	Amount of sales	% in revenue	Amount of sales	% in revenue
Domestic sales	672,839	20.49	590,534	17.99
China	2,089,042	63.63	2,273,683	69.27
Others	521,282	15.88	418,227	12.74
Total	3,283,163	100.00	3,282,444	100.00

#### ②. Market Share

The company speculated its global market share approximately 25%, with monthly sales volume at 21 million pieces vs. monthly total demand of 84 million pcs worldwide; making the company a leading drill supplier in the world.

#### ③. The Status of Future Market Demand and Supply and Prospect

##### i. Demand Side

Design trends of electronic products are slimmer, smaller, and packed with multi-functions, circuit layout miniaturization has naturally become the trend. And the annual growth of demand for drills is equivalent to (the growth rate of PCB) X (the growth rate of layout density). Annual global production is estimated at US\$ 62.8 billion and growth rate for 2019 is estimated at 2.9%.

##### ii. Supply Side

The Capacity of top three drill suppliers was took up 75% of global shares at the end of 2018. There were no capacity expansions among drill manufacturers in the past 3 years. It should help balance the demand and supply status as the market demand recover.

#### ④. Competition Niche

- Advanced Core Technology: with high-precision grinding technology, high process yield and consistent mass production quality, these core technologies shall facilitate the company to maintain leading position in the PCB drill supply industry; furthermore, these are stepping stones for the company to cross into drilling services and metal cutting tool business.
- Flexible capacity allocation capabilities on 21 million pcs production base.
- Cost control effectiveness: highly automated production lines, continuous production improvement, advantage in material cost, maintained our cost competitiveness.
- Comprehensive customer base of worldwide well-known manufacturers.

#### ⑤. Advantages/Disadvantages for the Future Development and Solutions

##### i. Advantages

- China PCB market grows fast and technology ability is upgraded. It will drive the demands of high-end products.
- Positive prospects of cloud computing servers and base stations will increase demand for PCB drills and drilling service.
- Continue to hold the leading position in advanced technology along with high-yield and stable production, enabling steady orders and new business.

##### ii. Disadvantages

- China's red supply chain rises, low-end mature products face price pressure
- Major raw material of the company's products is tungsten carbide. The company may not be in best position in material procurement because of its characteristic of rareness.

##### iii. Policy of Response

- Strengthen sales marketing activities.
- To expedite R&D development and put high value-added products to mass production.
- To strengthen process management and effectively reduce production costs.
- Develop new supply of raw material, to further enhance material cost management.

(2) Major Applications and Production Process of the Main Products

①. Major Applications of the Main Products

Item	Major Functions	Major Applications
Drills	To form through-holes for interlayer of IC substrate, HDI, traditional PCB and FPC	Computer : Desktops, Laptops, servers and etc. Communication: cell phones, networking products and etc. Consumer: tablet PCs, game console, TV, wearable devices, automobile and etc.
Routers	To cut out profiles of printed circuit board	

②. Production process



③. Supply Status of Major Materials

The major material of the company's products is tungsten carbide. Its material features and quality stability are the prime concerns in procurement. The company has established good relationship with its suppliers; hence the supply status is properly and stably sustained.

Major material	Suppliers	Supply status
Tungsten carbide	Mitsubishi Sumitomo Kyocera	Good

④. Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years:

a. Material supplier list

Unit: NT\$1,000

2017				2018				2019 Q1			
Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer
A	96,467	15.37	None	A	124,252	18.18	None	A	29,709	22.32	None
B	39,336	6.27	None	B	73,852	10.80	None	B	7,200	5.41	None
Other	491,937	78.36		Other	485,528	71.02		Other	96,208	72.27	
Purchase Amount-Net	627,740	100.00		Purchase Amount-Net	683,632	100.00		Purchase Amount-Net	133,117	100.00	

b. List of major clients

Unit: NT\$1,000

2017				2018				2019 Q1			
Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer
Sales Amount-Net	3,283,163	100.00		Sales Amount-Net	3,282,444	100.00		Sales Amount-Net	655,201	100.00	

⑤. Output values in the recent two years

Unit: NT\$1,000/1,000pcs

Year/output value Major products	2017			2018		
	Production capacity	Output	Output value	Production capacity	Output	Output value
PCB Tool	241,752	222,648	1,189,292	241,752	238,594	1,104,207
Total	241,752	222,648	1,189,292	241,752	238,594	1,104,207

⑥. Sales turnovers in the recent two years

Unit: NT\$1,000/1,000 pcs

Year/sales turnover Major products	2017				2018			
	Domestic sales		Export sales		Domestic sales		Export sales	
	volume	value	Volume	Value	Volume	Value	Volume	value
Precision metal products and Processing services	48,249	662,818	160,271	2,559,894	48,628	580,480	155,557	2,623,751
Others	0	10,021	0	50,430	0	10,054	0	68,159
Total	48,249	672,839	160,271	2,610,324	48,628	590,534	155,557	2,691,910

3. Status of employees:

Year		2017	2018	April 30,2019
Number of employees	Indirect	169	238	227
	Direct	200	126	112
	Total	369	364	339
Average age		36.0	36.5	37.1
Average service years		6.07	6.60	7.06
Education distribution ratio	PhD	0.3%	0.3%	0.3%
	Master	5.7%	4.9%	5.0%
	College	44.4%	43.1%	44.2%
	Senior high school graduate	47.7%	49.5%	48.4%
	senior high school and Below	1.9%	2.2%	2.1%

4. Expenditure on Environmental Protection:

(1) To elaborate on the amount the company spent on loss (including compensation) and punishment caused by environmental pollution for the recent two years and the current year as of the annual report publication date, and disclose the counter measures (including improvement measures) and possible disbursements (covering the estimated amounts of possible losses, punishments and compensation caused by not taking counter measures. If the amounts can not be appropriately estimated, please state why): N/A

(2) Influence of RoHS :

As confirmed by the Industrial Development Bureau of Ministry of Economic Affairs as per doc. Guang-Dian-Zi no. 09500240130 dated March 29, 2006, the company is free from the restriction of RoHS requested by EU for hazardous substances.

## 5. Employee / Employer relation:

### (1) Working environment and personal safety

The Company deeply believes that “sustainable development” is the challenging goal encountered by businesses in the 21<sup>st</sup> century: we will never forget to exercise social responsibilities while pursuing growth. In addition to continuously enhancing production technology and product quality, we also actively establish an environmental management system and safety and health management system, establish social environmental responsibilities and safety and health policies and exercise responsibilities of good social citizens. We are not only devoted to environmental protection, but also establish a safe healthy and comfortable working environment. For standards and compliance rules regarding environmental protection, safety health policies, we commit to the following execution guidelines:

- Comply with various environmental regulations – comply and satisfy environmental protection, labor safety and health regulations and other requirements promulgated by the government, respond to global green environment, labor rights and zero disaster exercise.
- Constant environmental improvement – keep the environmental management system in constant operation, meanwhile being devoted to current environment improvement to enhance overall performance.
- Ongoing waste reduction – reduce the creation of waste and reduce the waste volume created via recycle classification as much as possible
- Ongoing pollution prevention - launch overall planning via stream thinking to reduce the possibility to generate pollution
- Respect of life – safety is my responsibility, superiors in various degrees and all employees including OEM companies, contractors, suppliers, part-time students, contracted employees, temporary employees and outsourcing personnel shall comply with the governmental regulations and various work safety and environmental protection resolutions. In particular, superiors in different levels shall set a good example with their own conduct and execute good supervision.
- Risk management – identify risks and by danger assessment and risk evaluation and control the risk according to risk levels. Meanwhile, carry out safety and health self-management and establish an occupational safety and health management system (OHSAS 18001)
- Pollution Prevention - source management, carry out water reduction, energy saving, reuse, cleaning process, cost reduction, reduction impact to ecological environment and establishment of environmental management system (ISO 14001)
- Ongoing improvement – environmental protection popularization, safety and health training, environmental safety conscious reinforcement, environmental system and regulations implementation, systematic management, ongoing improvement, quality environmental protection construction, safe and healthy working place.
- Carry out health management and promote employees' physical and mental health

### (2) Assessment of employees' behavioral ethics

The company has established "Ethical Corporate Management Best Practice Principles" and “standards of conduct” as standards for compliance by directors, supervisors, managers and employees

- When engaging in commercial activities, directors, supervisors, managers, employees of the company or persons having substantial control over such company ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any

improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.

- When conducting business, The company and their directors, supervisors, managers, employees and substantial controllers, shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, including rebates, commissions, grease payments, or offer or accept improper benefits in other ways to or from clients, agents, contractors, suppliers, public servants, or other interested parties, unless the laws of the territories where the company operate permit so.
- When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, The company and their directors, supervisors, managers, employees and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.
- When making or offering donations and sponsorship, The company and their directors, supervisors, managers, employees and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.
- The company and their directors, supervisors, managers, employees and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.
- Avoid conflict of interest: taking overall Company interest into consideration without intention to gain improper interest for themselves, spouse, parents, children or relative within the third-degree of kinship or impair the Company's interest.
- Avoid chance to make money for one's own: avoid opportunities to make money for one's own by using Company property, information and or taking advantage of duties.
- Confidentiality: information regarding the Company itself or it businesses, unless it is publicized under authorization or legal regulations, shall be kept confidential.
- Fair trade: treat the Company's customers, suppliers and competitors as fair as possible.
- Protect and properly use the Company's assets: protect the Company's assets to ensure that they can be efficiently and legally used for public affairs.
- Comply with laws and regulations: comply with all applicable regulations, rules and laws of the Company.
- Encourage reporting of any illegal conduct or conduct violating ethical behavior standards.
- Punishment: the Company shall investigate the responsibilities of any person that neglects his/her duties according to the violation condition and take appropriate legal actions.

### (3) Employees' welfare

To value employees and take good care of them, the Company has established an employee recreation area, and offered extra life and medical insurance to protect employees, in which the field personnel shall have accident insurance with a higher insurance amount.

There is an employee welfare committee organized to plan a variety of employee welfare matters. In addition to employee travel and various recreational activities, there are also subsidies for marriage, giving birth and education, solicitation money and gifts to three major holidays, birthdays, etc. provided.

### (4) Employee advanced studies and training

Various training courses were implemented under the plan referring to "implementation and management procedures of educational training", which allowed all employees to be capable of

undertaking work. To ensure the efficiency of training, the training system is divided into: internal and external training courses and accreditation appraisal. The Company not only holds training courses for new comer and on service personnel, but also actively cultivates internal lecturers as well as a training system and advanced employee studies for the expectation to cultivate internal talents in different fields, enhance personnel quality and to achieve the goal of speed talent training, skill improvement and experience inheritance.

There were a total of 345 classes of various training courses held in 2018. The total curriculum hours were 10,188.5 hours with 4,720 employees participating and the total educational training expenditure was NT\$167,360 dollars.

Category	Class	Hours	Persons
New comer training	5	243.0	33
Specialization training	195	2,897.5	1,771
Management training	27	1,606.5	435
Labor safety and health training	50	3,075.0	1,201
Others	68	2,366.5	1,280
Total	345	10,188.5	4,720

The best learning environment for all employees, the Company into diverse learning platform, in addition to the physical classroom, and build group video curriculum, and develop a knowledge management system and online teaching system, and motivating employees to the various learning activities.

(5) Retirement system

The Company follows Chapter 6 of the Labor Standard Law to implement employee retirement related affairs and contribute employee pension reserves as regulated in the old system and labor pension as required in the new system monthly pursuant to regulations. The Company has not yet ended December 31, 2018 to retirement-eligible, for retirement applications.

(6) Labor relationship

The Company has emphasized employee welfare and interest since its establishment, and the labor relation is very cohesive. The Company holds labor meetings periodically and provides employee proposal and opinion boxes for employees to respond to problems and constitute good interaction. It is expected to establish a cohesive relationship between labor and capital.

(7) As of the printing date of the annual report, the losses suffered and possible estimate amount in the future arising from disputes between labor and capital and correspondent actions. If it is unable to make a reasonable estimate, please explain the fact that cannot be reasonably estimated: N/A

6. Important agreements (including supply and sales contracts, technical corporation contracts, engineering contracts, long-term loan contracts, and the important contracts which may influence shareholders' equity)

Contract characteristics	The interested party	Contract start and end dates	Major content	Restriction
Long-term loan contract	Mega International Commercial Bank	2016.12~2020.12	Payment due date	N/A



# VI. Financial information

## 1. Condensed balance sheet and Income statement of the last five years

### A-1-1. Condensed Balance Sheet-IFRSs(Consolidated Financial Statements)

Unit: NT\$ 1,000

<div>Year</div> <div>Item</div>		Condensed Balance Sheet of fiscal year 2014~2018					As of March 31, 2019
		2014	2015	2016	2017	2018	
Current Assets		3,424,828	3,596,105	3,578,675	3,869,456	3,982,776	3,930,454
Property, plant and equipment		3,535,826	2,977,495	2,505,790	2,142,951	2,071,314	2,073,632
Intangible Assets		5,687	9,131	35,705	28,114	20,864	18,952
Other Assets		184,142	315,324	176,172	248,825	273,003	324,294
Total Assets		7,150,483	6,898,055	6,296,342	6,289,346	6,347,957	6,347,332
Current Liabilities	Before allocation	1,430,882	1,120,899	1,074,714	1,009,662	1,090,740	954,202
	After allocation	1,625,527	1,336,195	1,218,701	1,072,853	*	*
Non-Current Liabilities		936,485	870,231	585,873	621,185	633,590	644,796
Total Liabilities	Before allocation	2,367,367	1,991,130	1,660,587	1,630,847	1,724,330	1,598,998
	After allocation	2,562,012	2,206,426	1,804,574	1,694,038	*	*
Equity attributable to shareholders of the company		4,592,539	4,688,076	4,384,922	4,408,323	4,369,192	4,492,014
Capital Stock		1,590,466	1,594,783	1,594,783	1,594,783	1,435,305	1,435,305
Capital surplus		1,214,142	1,219,550	1,235,440	1,232,138	1,228,597	1,228,597
Retained earnings	Before allocation	1,528,714	1,704,358	1,733,081	1,823,902	2,014,663	2,046,285
	After allocation	1,334,069	1,489,062	1,589,094	1,760,711	*	*
Other stockholders' equity		259,217	169,385	(146,686)	(210,804)	(279,177)	(187,977)
Treasury stock		-	-	(31,696)	(31,696)	(30,196)	(30,196)
Non-controlling interest		190,577	218,849	250,833	250,176	254,435	256,320
Total equities	Before allocation	4,783,116	4,906,925	4,635,755	4,658,499	4,623,627	4,748,334
	After allocation	4,588,471	4,691,629	4,491,768	4,595,308	*	*

\*2019 regular meeting of shareholders resolution.

## A-1-2. Condensed Balance Sheet-IFRSs(Financial Statements)

Unit: NT\$ 1,000

Year Item		Condensed Balance Sheet of fiscal year 2014~2018					As of March 31, 2019
		2014	2015	2016	2017	2018	
Current Assets		798,503	760,613	727,736	953,931	1,005,391	N/A
Property, plant and equipment		816,805	639,068	463,981	324,122	285,975	
Intangible Assets		2,574	6,996	10,272	7,579	4,793	
Other Assets		3,778,007	4,043,508	3,855,445	3,883,934	3,913,629	
Total Assets		5,395,889	5,450,185	5,057,434	5,169,566	5,209,788	
Current Liabilities	Before allocation	357,418	336,172	350,775	344,952	426,077	
	After allocation	552,063	551,468	494,762	408,143	*	
Non-Current Liabilities		445,932	425,937	321,737	416,291	414,519	
Total Liabilities	Before allocation	803,350	762,109	672,512	761,243	840,596	
	After allocation	997,995	977,405	816,499	824,434	*	
Equity attributable to shareholders of the company		4,592,539	4,688,076	4,384,922	4,408,323	4,369,192	
Capital Stock		1,590,466	1,594,783	1,594,783	1,594,783	1,435,305	
Capital surplus		1,214,142	1,219,550	1,235,440	1,232,138	1,228,597	
Retained earnings	Before allocation	1,528,714	1,704,358	1,733,081	1,823,902	2,014,663	
	After allocation	1,334,069	1,489,062	1,589,094	1,760,711	*	
Other stockholders' equity		259,217	169,385	(146,686)	(210,804)	(279,177)	
Treasury stock		-	-	(31,696)	(31,696)	(30,196)	
Non-controlling interest		-	-	-	-	-	
Total equities	Before allocation	4,592,539	4,688,076	4,384,922	4,408,323	4,369,192	
	After allocation	4,397,894	4,472,780	4,240,935	4,345,132	*	

\*2019 regular meeting of shareholders resolution.

## B-1-1. Condensed Income Statement-IFRSs(Consolidated Financial Statements)

Unit: NT\$1,000

Item \ Year	Condensed Balance Sheet of fiscal year 2014~2018					As of March 31, 2019
	2014	2015	2016	2017	2018	
Net sales	3,238,109	3,505,897	3,282,932	3,283,163	3,282,444	655,201
Gross Profit	958,362	1,111,007	923,091	888,435	909,845	153,174
Operating Income	484,272	556,060	344,741	308,733	328,983	20,647
Non-operating income and expenses	(5,398)	(40,979)	(24,167)	11,344	10,224	12,197
Income before tax	478,874	515,081	320,574	320,077	339,207	32,844
Operating income	372,997	390,210	260,457	233,439	254,676	31,187
Loss of business units	-	-	-	-	-	-
Net income	372,997	390,210	260,457	233,439	254,676	31,187
Other comprehensive income	199,914	(92,719)	(322,922)	(66,708)	(68,379)	93,520
Total comprehensive income	572,911	297,491	(62,465)	166,731	186,297	124,707
Net income attributable to Shareholders of the company	360,453	372,393	246,132	236,418	253,641	30,812
Net income attributable to Non-controlling interest	12,544	17,817	14,325	(2,979)	1,035	375
Total comprehensive income attributable to Shareholders of the company	557,753	280,457	(73,641)	170,690	185,579	122,822
Total comprehensive income attributable to Non-controlling interest	15,158	17,034	11,176	(3,959)	718	1,885
Earnings per share	2.28	2.34	1.55	1.50	1.69	0.22

## B-1-2. Condensed Income Statement- IFRSs(Financial Statements)

Unit: NT\$1,000

Item \ Year	Condensed Balance Sheet of fiscal year 2014~2018					As of March 31, 2019
	2014	2015	2016	2017	2018	
Net sales	1,237,655	1,242,772	1,159,407	1,142,819	1,172,272	N/A
Gross Profit	412,169	423,106	398,225	383,260	441,774	
Operating Income	233,318	205,094	194,835	174,055	208,548	
Non-operating income and expenses	180,492	221,812	99,677	100,345	126,368	
Income before tax	413,810	426,906	294,512	274,400	334,916	
Operating income	360,453	372,393	246,132	236,418	253,641	
Loss of business units	-	-	-	-	-	
Net income	360,453	372,393	246,132	236,418	253,641	
Other comprehensive income	196,417	(91,936)	(319,773)	(65,728)	(68,062)	
Total comprehensive income	557,753	280,457	(73,641)	170,690	185,579	
Net income attributable to Shareholders of the company	360,453	372,393	246,132	236,418	253,641	
Net income attributable to Non-controlling interest	-	-	-	-	-	
Total comprehensive income attributable to Shareholders of the company	557,753	280,457	(73,641)	170,690	185,579	
Total comprehensive income attributable to Non-controlling interest	-	-	-	-	-	
Earnings per share	2.28	2.34	1.55	1.50	1.69	

## C. Auditing by CPAs

CPAs and their auditing opinions in the past five years

Year	CPAs	Opinions
2014	Wan-Yi, Liao & Chien-Shin, Shieh (Deloitte & Touche-Taiwan)	Unqualified
2015	Wan-Yi, Liao & Chien-Shin, Shieh (Deloitte & Touche-Taiwan)	Unqualified
2016	Wan-Yi, Liao & Chien-Shin, Shieh (Deloitte & Touche-Taiwan)	Unqualified
2017	Wan-Yi, Liao & Yung-Fu, Liu (Deloitte & Touche-Taiwan)	Unqualified
2018	Wan-Yi, Liao & Yung-Fu, Liu (Deloitte & Touche-Taiwan)	Unqualified

## 2-1-1. Financial analysis in the past five years-IFRSs(Consolidated Financial Statements)

Item \ Year		Condensed Income Statement of fiscal year 2014~2018					As of March 31, 2019
		2014	2015	2016	2017	2018	
Financial structure (%)	Ratio of liabilities to assets	33.11	28.87	26.37	25.93	27.16	25.19
	Ratio of long-term capital to fixed assets	158.09	188.89	202.23	239.00	245.18	250.95
Solvency (%)	Current Ratio	239.35	320.82	332.99	383.24	365.14	411.91
	Quick Ratio	204.90	271.98	285.10	334.13	315.67	353.73
	Times interest Earned Ratio	15.59	16.48	13.76	16.95	20.10	9.01
Operating ability	Account Receivables Turnover (times)	3.16	2.65	2.38	2.49	2.41	2.03
	Days sales in accounts receivable	115.50	137.73	153.36	146.59	151.45	179.80
	Inventory Turnover (times)	5.09	4.73	4.62	4.98	4.75	3.93
	Account Payable Turnover (times)	13.03	12.08	13.21	12.18	11.58	10.62
	Average days in sales	71.70	77.16	79.00	73.29	76.84	92.88
	Fixed Assets Turnover (times)	0.95	1.08	1.20	1.41	1.56	1.25
	Total Assets Turnover(times)	0.48	0.51	0.52	0.52	0.52	0.41
Profit ability	Ratio of Return on assets (%)	5.99	5.95	4.26	3.97	4.26	2.18
	Ratio of Return on shareholders' equity (%)	8.20	8.05	5.46	5.02	5.49	2.67
	Ratio of Income before tax to Capital stock(%)	30.16	32.35	20.10	20.07	23.63	9.15
	Profit ratio (%)	11.52	11.13	7.93	7.11	7.76	4.76
	EPS (\$)	2.28	2.34	1.55	1.50	1.69	0.22
Cash Flows (%)	Cash flow ratio (%)	49.77	68.28	93.58	71.40	50.92	22.89
	Cash flow adequacy ratio (%)	117.78	112.54	133.57	150.98	147.46	150.88
	Cash reinvestment ratio (%)	6.14	5.65	7.98	5.62	4.69	2.03
Balance	Degree of operating leverage	3.45	3.41	5.00	5.04	4.52	14.30
	Degree of financial leverage	1.07	1.06	1.08	1.07	1.06	1.25

## 2-1-2.Financial analysis in the past five years-IFRSs(Financial Statements)

Item \ Year		Condensed Income Statement of fiscal year 2014~2018					As of March 31, 2019
		2014	2015	2016	2017	2018	
Financial structure (%)	Ratio of liabilities to assets	14.89	13.98	13.30	14.73	16.13	N/A
	Ratio of long-term capital to fixed assets	613.65	798.33	1,011.39	1,483.97	1,667.70	
Solvency (%)	Current Ratio	223.41	226.26	207.47	276.54	235.96	
	Quick Ratio	176.72	176.07	159.63	234.05	194.75	
	Times interest Earned Ratio	41.21	45.61	40.42	35.29	32.00	
Operating ability	Account Receivables Turnover (times)	4.56	4.95	4.58	4.15	4.41	
	Days sales in accounts receivable	80.04	73.74	79.69	87.95	82.77	
	Inventory Turnover (times)	5.18	5.22	5.00	5.35	4.79	
	Account Payable Turnover (times)	15.62	14.56	14.47	14.73	11.42	
	Average days in sales	70.46	69.92	73.00	68.22	76.20	
	Fixed Assets Turnover (times)	1.38	1.71	2.10	2.90	3.84	
	Total Assets Turnover(times)	0.23	0.23	0.23	0.22	0.23	
Profit ability	Ratio of Return on assets (%)	7.12	7.01	4.80	4.75	5.06	
	Ratio of Return on shareholders' equity (%)	8.26	8.03	5.43	5.38	5.78	
	Ratio of Income before tax to Capital stock(%)	26.06	26.82	18.47	17.21	23.33	
	Profit ratio (%)	29.12	29.96	21.23	20.69	21.64	
	EPS (\$)	2.28	2.34	1.55	1.50	1.69	
Cash Flows (%)	Cash flow ratio (%)	82.26	136.96	41.33	82.24	69.13	
	Cash flow adequacy ratio (%)	223.45	194.91	162.21	173.13	165.17	
	Cash reinvestment ratio (%)	2.55	3.90	(1.07)	2.04	3.38	
Balance	Degree of operating leverage	3.18	3.75	3.64	4.14	2.86	
	Degree of financial leverage	1.05	1.05	1.04	1.06	1.05	

Note1:Equations:

1. Financial structure

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

(2)Ratio of long-term capital to fixed assets= (Net Shareholder's equity + Long-term liabilities) / Net fixed assets.

2. Debt-paying ability

(1)Current Ratio=Current assets/Current liabilities

(2)Quick Ratio= (Current assets-Inventory-Prepaid expense) /Current liabilities

(3)Times interest Earned Ratio= Net profit before tax and interest expense/interest expense

3. Operating ability

(1) Receivables (Including accounts receivable and the notes receivable due to operation) turnover ratio= Net sales/Average receivables (including accounts receivable and the notes receivable due to operation) balance

(2)Average cash receiving days=365/Turnover rate of total assets.

(3) Inventory Turnover Ratio=Cost of sales/Average amount of inventory

(4)Payables (including accounts payable and the notes payable due to operation) turnover ratio= Cost of sales/Average Payables (including accounts payable and the notes payable due to operation) balance

(5)Average period of sales=365/Inventory Turnover Ratio

(6)Ratio of Fixed Assets Turnover=Net sales/Net fixed assets

(7)Ratio of Total Assets Turnover=Net sales/Total assets

4. Profitability

(1)Return on assets = [gain and loss after tax + interest expense × (1-tax ratio)]/ Average Total assets

(2)Return on shareholders' equity=gain and loss after tax/Average Net shareholders' equity.

(3)Net profit margin=gain and loss after tax/Net sales

(4)EPS= (Net income -Preferred dividend) /weighted average number of issued shares (Note4)

5. Cash Flows

(1)Cash flow ratio=Operating net Cash Flows/Current liabilities

(2) Net Cash flow adequacy ratio = the past five years' operating net Cash Flows/ the past five years' (capital expense+ inventory increasing amount+ cash dividend).

(3)Ratio of cash reinvestment= (Operating net Cash Flows- cash dividend) / (Gross fixed assets+ Long-term investment+ other financial assets+ operating capital) (Note5)

6. Balance:

(1)Degree of Operating leverage= (Net operating income- operating cost and expense changes) / Operating income (Note6)

(2) Degree of Financial leverage=Operating income / (Operating income-interest expense)

Note2: The notice items for calculating EPS are as follows:

1. Based on weighted average common shares, not the weighted average number of issued shares.
2. For capitalization with cash or Treasury stock trade, the stock circulation must be included for consideration to calculate weighted average stock shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred stock shares are not cumulative, preferred stock dividend should be deducted from net income if there is any but it needs not be added to net loss if there is any.

Note3: The notice items for cash flow analysis are as follows:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Statement of Cash Flow.
2. Capital expenditure meant for the cash outflow of capita investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross fixed assets meant for the total fixed assets before deducting the cumulative depreciation.

Note4: Issuers are to have operating cost and operating expenses classified into the category of fixed and variable. If the classification of operating cost and operating expense involves estimation or discretionary judgment, it must be made reasonably and consistently.

3. Supervisor's Report in the past five years: Please refer to P60 in the annual report for details.
4. Consolidated financial difficulties of the Company and related party on the Company's financial position: Please refer to P61~146 in the annual report for details.
5. Financial statements in the most recent years: Please refer to P147~151 in the annual report for details.
6. Impact of financial difficulties of the Company and related party on the Company's financial position: N/A

**Topoint Technology Co., Ltd.**

**Supervisor's Report**

The 2018 consolidated financial statements, business report, and remuneration of the company and its subsidiaries has been audited and certified by the CPAs: Wan-I, Liao and Yung-Fu, Liu of Deloitte & Touche-Taiwan. The supervisors have reviewed and audited the above-mentioned issued documents, composed and presented by the Board of Directors. It is concluded that the said documents are presented fairly; therefore, the Supervisor's Report is hereby issued in accordance with Article 219 of Company Law.

Sincerely yours,

2019 Shareholder's Meeting of TOP

Supervisor: Gen-Cing, Chen

Supervisor: Cheng-Chie, Niu

Supervisor: Fang-Cheng, Siao

February 22, 2019



## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Topoint Technology Co., Ltd.

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

#### **The Authenticity of Drill Revenue**

Management may feel pressure to achieve planned results and, therefore, auditing standards generally accepted in the Republic of China presume there is a risk of fraud in revenue recognition. We have determined this to apply specifically to the authenticity of transactions of drill sales. Refer to Note 4 to the accompanying consolidated financial statements for the relevant accounting policy of revenue recognition.

By conducting tests of controls, we obtained an understanding of the Group's recognition of drill revenue and of its design and implementation of related controls, and analyzed changes in the top ten drill sales customers and accounts receivable turnover rate to check the rationale of drill revenue recognition based on the transactions. To test the occurrence of drill revenue transactions, we performed journal testing by selecting a sample of drill revenue journals and matching them with the original orders and external shipping documents or customer receipt documents. We reviewed whether there were significant sales returns after the year end to confirm whether there are material misstatements of drill revenue.

#### Estimated Impairment of Accounts Receivable

The Group recognizes impairment loss on accounts receivable by assessing the impairment amount of each past due receivable and also applies the simplified approach to determine expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The Group uses provision matrix to determine expected credit loss rate and evaluate the prospect of recovery based on the past due days of accounts receivable. The degree of default risk and adjustment of loss rate are influenced by the assumptions which concern customer credit risk. We consider management's related provisions to be subjective and, therefore, the associated risk is the estimation of the recoverability of these past due accounts receivable.

Refer to Note 4 to the accompanying consolidated financial statements for the relevant accounting policies for the impairment of receivables. Refer to Note 9 to the accompanying consolidated financial statements for the related disclosures for accounts receivable.

To assess the internal control operating effectiveness of impairment of accounts receivable, we understood and tested the performance of the quarterly detailed review of the provision matrix. At the end of the period, we obtained the aging of the accounts receivable and expected credit loss matrix provided by the Group, and we tested the accuracy and completeness of the aging of the accounts receivable. We reviewed the customer payment history and arrived at an understanding of management's rationale for expected credit loss matrix by referencing payment patterns during the year as well as other available information. We recalculated the correctness of the allowances provided by management. Besides, we also assessed the level of cash collected by the Group on past due receivable balances after the year end to consider any additional provision requirements.

#### **Other Matter**

We have also audited the parent company only financial statements of Topoint Technology Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the independent directors and supervisors, are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wan-I Liao and Yung-Fu Liu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 22, 2019

Notice to Readers

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

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

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

ASSETS	2018		2017	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,758,237	28	\$ 1,736,278	28
Financial assets at fair value through profit or loss (Notes 4, 7 and 32)	189,015	3	200,738	3
Notes receivable (Notes 4, 9 and 24)	155,808	2	135,426	2
Accounts receivable (Notes 4, 5, 9 and 24)	1,138,761	18	1,103,471	18
Accounts receivable - related parties (Notes 4, 9, 24, 32 and 33)	93,046	2	95,256	1
Other receivables (Notes 4 and 9)	34,998	1	32,889	1
Other receivables - related parties (Notes 4 and 33)	6,870	-	-	-
Current tax assets (Notes 4 and 26)	663	-	-	-
Inventories (Notes 4 and 10)	521,981	8	476,342	8
Prepayments (Notes 11 and 17)	83,081	1	88,807	1
Other current assets	316	-	249	-
Total current assets	3,982,776	63	3,869,456	62
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 32)	28,984	-	-	-
Financial assets measured at cost - noncurrent (Notes 4 and 12)	-	-	5,614	-
Investments accounted for using the equity method (Notes 4 and 14)	10,737	-	-	-
Property, plant and equipment (Notes 4, 15 and 34)	2,071,314	33	2,142,951	34
Intangible assets (Notes 4 and 16)	20,864	-	28,114	-
Deferred tax assets (Notes 4 and 26)	125,774	2	125,396	2
Long-term prepayments for leases (Note 17)	52,604	1	53,877	1
Other noncurrent assets (Notes 18 and 30)	54,904	1	63,938	1
Total noncurrent assets	2,365,181	37	2,419,890	38
<b>TOTAL</b>	<b>\$ 6,347,957</b>	<b>100</b>	<b>\$ 6,289,346</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 80,074	1	\$ 67,406	1
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 32)	553	-	1,037	-
Contract liabilities (Note 24)	2,266	-	-	-
Accounts payable (Note 20)	195,770	3	210,452	3
Accounts payable - related parties (Note 33)	3,372	-	260	-
Other payables (Note 21)	708,745	11	603,936	10
Current tax liabilities (Notes 4 and 26)	50,517	1	52,056	1
Long-term borrowings - current portion (Notes 19 and 34)	39,085	1	63,421	1
Other current liabilities	10,358	-	11,094	-
Total current liabilities	1,090,740	17	1,009,662	16
<b>NONCURRENT LIABILITIES</b>				
Long-term borrowings, net of current portion (Notes 19 and 34)	454,792	7	463,218	8
Net defined benefit liability (Notes 4 and 22)	-	-	1,520	-
Guarantee deposits received	13,193	-	10,989	-
Deferred tax liabilities (Notes 4 and 26)	165,605	3	145,458	2
Total noncurrent liabilities	633,590	10	621,185	10
Total liabilities	1,724,330	27	1,630,847	26
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital	1,435,305	23	1,594,783	25
Capital surplus	1,228,597	19	1,232,138	20
Retained earnings				
Legal reserve	402,837	7	379,195	6
Special reserve	210,804	3	198,770	3
Unappropriated earnings	1,401,022	22	1,245,937	20
Total retained earnings	2,014,663	32	1,823,902	29
Other equity	(279,177)	(4)	(210,804)	(3)
Treasury shares	(30,196)	(1)	(31,696)	(1)
Total equity attributable to owners of the Company	4,369,192	69	4,408,323	70
<b>NON-CONTROLLING INTERESTS</b>	254,435	4	250,176	4
Total equity	4,623,627	73	4,658,499	74
<b>TOTAL</b>	<b>\$ 6,347,957</b>	<b>100</b>	<b>\$ 6,289,346</b>	<b>100</b>

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

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 33)	\$ 3,294,620	100	\$ 3,296,850	100
LESS: SALES RETURNS	352	-	1,483	-
SALES DISCOUNTS AND ALLOWANCES	<u>11,824</u>	<u>-</u>	<u>12,204</u>	<u>-</u>
NET OPERATING REVENUE	3,282,444	100	3,283,163	100
OPERATING COSTS				
Operating costs (Notes 10, 25 and 33)	<u>2,372,599</u>	<u>72</u>	<u>2,394,728</u>	<u>73</u>
GROSS PROFIT	<u>909,845</u>	<u>28</u>	<u>888,435</u>	<u>27</u>
OPERATING EXPENSES (Note 25)				
Selling and marketing	124,249	4	136,821	4
General and administrative (Note 33)	344,786	10	345,710	10
Research and development (Note 33)	116,811	4	95,937	3
Expected credit loss reversed	<u>(404)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>585,442</u>	<u>18</u>	<u>578,468</u>	<u>17</u>
OTHER OPERATING INCOME AND EXPENSES (Note 25)	<u>4,580</u>	<u>-</u>	<u>(1,234)</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>328,983</u>	<u>10</u>	<u>308,733</u>	<u>10</u>
NON-OPERATING EXPENSES				
Share of profit or loss of associates (Note 14)	3,631	-	-	-
Interest income (Note 33)	18,025	1	16,085	-
Dividend income	1,198	-	-	-
Other income	14,733	-	19,677	1
Gain or loss on valuation of financial instruments	(1,235)	-	71	-
Other expenses	(1,644)	-	(2,471)	-
Foreign exchange loss, net (Note 25)	(6,726)	-	(1,949)	-
Interest expenses	<u>(17,758)</u>	<u>(1)</u>	<u>(20,069)</u>	<u>(1)</u>
Total non-operating expenses	<u>10,224</u>	<u>-</u>	<u>11,344</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	339,207	10	320,077	10
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(84,531)</u>	<u>(2)</u>	<u>(86,638)</u>	<u>(3)</u>
NET PROFIT	<u>254,676</u>	<u>8</u>	<u>233,439</u>	<u>7</u>

(Continued)

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (331)	-	\$ (1,940)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	4,572	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	285	-	330	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(72,905)</u>	<u>(2)</u>	<u>(65,098)</u>	<u>(2)</u>
Total other comprehensive loss	<u>(68,379)</u>	<u>(2)</u>	<u>(66,708)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 186,297</u>	<u>6</u>	<u>\$ 166,731</u>	<u>5</u>
NET PROFIT (LOSS) ATTRIBUTED TO:				
Owners of the Company	\$ 253,641	8	\$ 236,418	7
Non-controlling interests	<u>1,035</u>	<u>-</u>	<u>(2,979)</u>	<u>-</u>
	<u>\$ 254,676</u>	<u>8</u>	<u>\$ 233,439</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTED TO:				
Owners of the Company	\$ 185,579	6	\$ 170,690	5
Non-controlling interests	<u>718</u>	<u>-</u>	<u>(3,959)</u>	<u>-</u>
	<u>\$ 186,297</u>	<u>6</u>	<u>\$ 166,731</u>	<u>5</u>
EARNINGS PER SHARE (IN NEW TAIWAN DOLLAR) (Note 27)				
Basic	<u>\$1.69</u>		<u>\$1.50</u>	
Diluted	<u>\$1.65</u>		<u>\$1.47</u>	

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

(Concluded)

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company										
	Share Capital (Note 23)	Capital Surplus (Note 23)	Retained Earnings (Notes 4 and 23)			Other Equity (Note 23)		Treasury Shares (Note 23)	Total	Non-controlling Interest (Note 23)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2017	\$ 1,594,783	\$ 1,235,440	\$ 354,582	\$ 198,770	\$ 1,179,729	\$ (146,686)	\$ -	\$ (31,696)	\$ 4,384,922	\$ 250,833	\$ 4,635,755
Appropriation of 2016 earnings											
Legal reserve	-	-	24,613	-	(24,613)	-	-	-	-	-	-
Cash dividends distributed by the Company (NT\$0.9114 per share)	-	-	-	-	(143,987)	-	-	-	(143,987)	-	(143,987)
	-	-	24,613	-	(168,600)	-	-	-	(143,987)	-	(143,987)
Changes in percentage of ownership interests in subsidiaries	-	(3,302)	-	-	-	-	-	-	(3,302)	3,302	-
Net profit (loss) for the year ended December 31, 2017	-	-	-	-	236,418	-	-	-	236,418	(2,979)	233,439
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(1,610)	(64,118)	-	-	(65,728)	(980)	(66,708)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	234,808	(64,118)	-	-	170,690	(3,959)	166,731
BALANCE AT DECEMBER 31, 2017	1,594,783	1,232,138	379,195	198,770	1,245,937	(210,804)	-	(31,696)	4,408,323	250,176	4,658,499
Appropriation of 2017 earnings											
Legal reserve	-	-	23,642	-	(23,642)	-	-	-	-	-	-
Special reserve	-	-	-	12,034	(12,034)	-	-	-	-	-	-
Cash dividends distributed by the Company (NT\$0.4 per share)	-	-	-	-	(63,191)	-	-	-	(63,191)	-	(63,191)
	-	-	23,642	12,034	(98,867)	-	-	-	(63,191)	-	(63,191)
Net profit for the year ended December 31, 2018	-	-	-	-	253,641	-	-	-	253,641	1,035	254,676
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(46)	(72,588)	4,572	-	(68,062)	(317)	(68,379)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	253,595	(72,588)	4,572	-	185,579	718	186,297
Capital reduction	(159,478)	-	-	-	-	-	-	1,500	(157,978)	-	(157,978)
Changes in percentage of ownership interests in subsidiaries	-	(3,541)	-	-	-	-	-	-	(3,541)	3,541	-
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	357	-	(357)	-	-	-	-
BALANCE AT DECEMBER 31, 2018	\$ 1,435,305	\$ 1,228,597	\$ 402,837	\$ 210,804	\$ 1,401,022	\$ (283,392)	\$ 4,215	\$ (30,196)	\$ 4,369,192	\$ 254,435	\$ 4,623,627

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



# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 339,207	\$ 320,077
Adjustments for:		
Depreciation	375,935	490,979
Amortization	9,243	11,358
Expected credit loss reversed/provision for doubtful accounts	(404)	6,647
(Gain) loss on valuation of financial instruments	1,235	(71)
Interest expenses	17,758	20,069
Interest income	(18,025)	(16,085)
Share of profit of associates	(3,631)	-
Net loss (gain) on disposal of property, plant and equipment	(4,580)	1,234
Amortization of prepayments for leases	1,283	752
Net changes in operating assets and liabilities		
Financial assets held for trading	10,004	(28,932)
Notes receivable	(20,382)	(90,083)
Accounts receivable	(34,694)	(7,588)
Accounts receivable - related parties	2,210	65,019
Other receivables	(1,682)	23,589
Inventories	(46,716)	9,949
Prepayments	5,723	23,848
Other current assets	(1,026)	(26,158)
Contract liabilities	(2,595)	-
Accounts payable	(14,682)	28,573
Accounts payable - related parties	3,112	(278)
Other payables	9,812	(26,707)
Other current liabilities	4,125	1,790
Net defined benefit liability	(3,908)	(1,907)
Cash generated from operations	627,322	806,075
Interest received	18,002	17,123
Interest paid	(17,653)	(20,200)
Income tax paid	(72,252)	(82,065)
Net cash generated from operating activities	555,419	720,933
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for financial assets at fair value through other comprehensive income	(24,769)	-
Proceeds from financial assets at fair value through other comprehensive income	5,648	-
Net cash outflow on acquisition of subsidiaries	(7,371)	-
Payments for property, plant and equipment (Note 29)	(271,139)	(215,118)
Proceeds from disposal of property, plant and equipment	24,923	85,740
Decrease (increase) in refundable deposits	21,443	(20,363)
Increase in other receivables from related parties	(6,870)	-

(Continued)

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2018	2017
Payments for intangible assets	\$ (2,273)	\$ (4,329)
Decrease (increase) in other noncurrent assets	<u>2,596</u>	<u>(14,189)</u>
Net cash used in investing activities	<u>(257,812)</u>	<u>(168,259)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in short-term borrowings	12,668	(14,428)
Proceeds from long-term borrowings	31,321	100,000
Repayments of long-term borrowings	(63,827)	(153,637)
Net increase (decrease) in guarantee deposits received	2,204	(457)
Cash dividends	(63,191)	(143,987)
Capital reduction payments to shareholders	<u>(157,978)</u>	<u>-</u>
Net cash used in financing activities	<u>(238,803)</u>	<u>(212,509)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(36,845)</u>	<u>(44,550)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	21,959	295,615
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>1,736,278</u>	<u>1,440,663</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 1,758,237</u>	<u>\$ 1,736,278</u>

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

(Concluded)

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

Topoint Technology Co., Ltd. (the “Company”) was incorporated in 1996. On May 10, 2000, the Securities and Futures Commission (SFC) approved the Company’s application to become a public company. Since December 21, 2004, the Company’s shares have been traded on the Taipei Exchange (TPEX). Later, when the Company’s shares ceased to be traded over the counter, the Company’s shares became listed on the Taiwan Stock Exchange (TWSE) on January 2008. The Company mainly manufactures and markets micro-drills for printed circuit boards (PCBs), numerically controlled drilling machines for PCBs and peripheral equipment used in the manufacture of PCB.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 22, 2019.

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

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

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

- 1) IFRS 9 “Financial Instruments” and related amendments

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

#### Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 1,736,278	\$ 1,736,278	(a)
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	170	170	
Equity securities	Financial assets measured at cost	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	5,614	5,614	(b)
Mutual funds	Held-for-trading	Mandatorily at FVTPL	200,568	200,568	
Notes receivable, accounts receivable, accounts receivable - related parties and other receivables	Loans and receivables	Amortized cost	1,361,287	1,361,287	(a)
		Measure at fair value through profit or loss (i.e. FVTPL)	5,755	5,755	(a)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi- cations	Remea- surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Remark
<u>FVTPL</u>						
Add: Reclassification from loans and receivables (IAS 39)	\$ 200,738	\$ -	\$ -	\$ 200,738	\$ -	(a)
	-	5,755	-	5,755	-	
	<u>200,738</u>	<u>5,755</u>	<u>-</u>	<u>206,493</u>	<u>-</u>	
<u>FVTOCI</u>						
Equity instruments						
Add: Reclassification from FVTPL (IAS 39)	-	5,614	-	5,614	-	(b)
<u>Amortized cost</u>						
Add: Reclassification from loans and receivables (IAS 39)	-	3,097,565	-	3,097,565	-	(a)
	<u>\$ 200,738</u>	<u>\$ 3,108,934</u>	<u>\$ -</u>	<u>\$ 3,309,672</u>	<u>\$ -</u>	

- a) Cash and cash equivalents notes receivable, accounts receivable, accounts receivable - related parties and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

Part of accounts receivable - related parties that were previously classified as loans and receivables under IAS 39 were classified as at FVTPL under IFRS 9, because the objective of the Group's business model was not to collect contractual cash flows nor was it achieved by both collecting contractual cash flows and selling financial assets.

- b) Unlisted shares that were previously classified as amortized cost under IAS 39 were classified as at fair value through other comprehensive income under IFRS 9.

## 2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

If the contract is non-cancellable, the Group will recognize a receivable and a contract liability when it has an unconditional right to the consideration in accordance with IFRS 15. Prior to the application of IFRS 15, consideration was recognized as deferred revenue when received.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

Impact on liabilities for current year

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract assets - current	\$ -	\$ 4,861	\$ 4,861
Other current liabilities	<u>4,861</u>	<u>(4,861)</u>	<u>-</u>
	<u>\$ 4,861</u>	<u>\$ -</u>	<u>\$ 4,861</u>
			<b>December 31, 2018</b>
Increase in contract liability - current			\$ 2,266
Decrease in other current liabilities			<u>(2,266)</u>
			<u>\$ -</u>

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

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

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

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

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

## IFRS 16 “Leases”

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

### Definition of a lease

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

### The Group as lessee

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

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

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.
- 3) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 4) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 5) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

### The Group as lessor

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

	<b>Carrying Amount as of December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
Right-of-use assets	\$ -	\$ 39,406	\$ 39,406
Total effect on assets	\$ -	\$ 39,406	\$ 39,406
Lease liabilities - current	\$ -	\$ 12,037	\$ 12,037
Lease liabilities - non-current	-	27,369	27,369
Total effect on liabilities	\$ -	\$ 39,406	\$ 39,406

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

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

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

## **Basis of Preparation**

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

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

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

## **Classification of Current and Noncurrent Assets and Liabilities**

Current assets include:

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

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

## **Basis of Consolidation**

### Principles for preparing consolidated financial statements

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.



### Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### Changes in the Group's ownership interests in existing subsidiaries

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

See Note 13, Tables 6 and 7 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

### **Foreign Currencies**

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

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

Nonmonetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of nonmonetary items are included in profit or loss for the period, except for exchange differences arising from the retranslation of nonmonetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

### **Inventories**

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

### **Investments in Subsidiaries**

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

The Company uses the equity method to account for its investments in subsidiaries.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

### **Property, Plant and Equipment**

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

Freehold land is not depreciated.

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

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

### **Intangible Assets**

Intangible assets with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets acquired in a business combination are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

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

### **Impairment of Property, Plant and Equipment and Identifiable Intangible Assets**

An impairment loss is recognized when the recoverable amount of an asset is less than its carrying amount. A reversal of the impairment loss is recognized if there is a subsequent recovery in the value of the asset. However, the carrying amount after reversal cannot exceed the original cost less accumulated depreciation or amortization.

## Financial Instruments

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

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

### a. Financial assets

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

#### 1) Measurement category

##### 2018

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

#### a) Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 32.

#### b). Financial assets at amortized cost

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

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

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

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

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

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

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

- iii. Investments in equity instruments at FVTOCI

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

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

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

## 2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss and loans and receivables.

- a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 32.

- b) Loans and receivables

Loans and receivables (including accounts receivables, cash and cash equivalents, and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

## 2) Impairment of financial assets

## 2018

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

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

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

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

## 2017

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

For financial assets carried at amortized cost, such as accounts receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed as not impaired individually.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is based on historical recovery rate.

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

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

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

### 3) Derecognition of financial assets

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

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

#### b. Financial liabilities

The Group derecognizes financial liabilities only when, the Group's obligations are discharged or canceled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### c. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

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

## **Revenue Recognition**

### 2018

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

#### a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of micro-drill bits for PCBs and precision metal products. Sales of these goods are recognized as revenue when the goods are shipped because it is the time when the customer has full the discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable and revenue are recognized concurrently.

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

b. Revenue from the rendering of services

Revenue from the rendering of services comes from testing of drill bits, mounting plate blot holes, manufacturing of metal products and purchasing equipment on behalf of other customers.

As the Group provides drill bits and mounting plate blot holes, customers simultaneously receive and consume the benefits provided by the Groups performance. Consequently, the related revenue is recognized when services are rendered.

For services in purchasing equipment on behalf of customers, the Group does not control the equipment before it is transferred to the customer. The Group neither is responsible for the customer's acceptance of the equipment nor commits itself to obtain the goods from the suppliers before the equipment is purchased by the customer and thus does not take on any inventory risk. Consequently, the Group is an agent and its performance obligation is to procure the equipment on behalf of the customer. The Group recognizes revenue in the net amount of consideration received or receivable when the equipment is transferred to the customer, and the Group has no further obligations to the customer.

2017

Revenue is measured at the fair value of the consideration received or receivable.

a. Sale of goods

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

- 1) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) The amount of revenue can be measured reliably;
- 4) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

b. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

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

**Leasing**

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

a. The Group as lessor

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

b. The Group as lessee

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

## **Employee Benefits**

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

## **Taxation**

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

a. Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.



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

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

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

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

Following are the key assumptions and sources of estimation uncertainty:

### Estimated impairment of accounts receivable

#### 2018

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

2017

When there is objective evidence of an impairment, the Group recognizes the impairment loss by assessing the impairment amount of each receivable and estimating the degree of collectability based on historical experience to determine the uncollectable amount. The estimation was based on management's judgement. The estimation uncertainty may have an impact on the estimation of the impairment.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash on hand	\$ 981	\$ 1,385
Checking accounts and demand deposits	659,237	518,580
Cash equivalents		
Time deposits	<u>1,098,019</u>	<u>1,216,313</u>
	<u>\$ 1,758,237</u>	<u>\$ 1,736,278</u>

The market interest rate intervals of demand deposits and time deposits at the end of reporting period were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Demand deposits	0.001%-0.48%	0.001%-0.46%
Time deposits	0.40%-3.33%	0.40%-3.30%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Mutual funds	\$ 187,580	\$ -
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	<u>1,435</u>	<u>-</u>
	<u>189,015</u>	<u>-</u>
<u>Financial assets held for trading</u>		
Non-derivative financial assets		
Mutual funds	-	200,568
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	<u>-</u>	<u>170</u>
	<u>-</u>	<u>200,738</u>
	<u>\$ 189,015</u>	<u>\$ 200,738</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	<u>\$ 553</u>	<u>\$ 1,037</u>

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

	Currency	Maturity	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
Sell	JPY/NTD	2019.01.25	JPY1,900/NTD523
Sell	JPY/NTD	2019.02.22	JPY1,600/NTD442
Sell	JPY/NTD	2019.03.26	JPY3,700/NTD994
Sell	JPY/NTD	2019.04.26	JPY1,900/NTD514
Buy	NTD/JPY	2019.04.17-04.29	NTD52,427/JPY190,575
Buy	NTD/JPY	2019.05.21-06.21	NTD52,084/JPY190,575
Buy	NTD/JPY	2019.07.20-08.01	NTD36,997/JPY132,510
Sell	KRW/USD	2019.01.10	KRW212,000/USD187
Sell	KRW/USD	2019.02.13	KRW251,000/USD222
Sell	KRW/USD	2019.03.11	KRW230,000/USD204
Sell	USD/NTD	2019.01.10	USD187/NTD5,741
Sell	USD/NTD	2019.02.13	USD222/NTD6,816
Sell	USD/NTD	2019.03.11	USD204/NTD6,248
Sell	EUR/RMB	2019.01.31	EUR61/RMB486
<u>December 31, 2017</u>			
Sell	JPY/NTD	2018.01.26	JPY4,200/NTD1,151
Sell	JPY/NTD	2018.02.26	JPY6,500/NTD1,738
Sell	JPY/NTD	2018.03.26	JPY3,500/NTD922
Sell	JPY/NTD	2018.04.26	JPY6,000/NTD1,592
Sell	KRW/USD	2018.01.08	KRW447,000/USD394
Sell	KRW/USD	2018.02.08	KRW266,000/USD241
Sell	KRW/USD	2018.03.08	KRW189,000/USD175
Sell	USD/NTD	2018.01.08	USD394/NTD11,864
Sell	USD/NTD	2018.02.08	USD241/NTD7,226
Sell	USD/NTD	2018.03.08	USD175/NTD5,217
Sell	EUR/RMB	2018.01.30	EUR150/RMB1,181
Sell	EUR/RMB	2018.03.01	EUR150/RMB1,185
Sell	EUR/RMB	2018.03.29	EUR100/RMB792
Buy	RMB/CHF	2018.10.16	RMB9,049/CHF1,290

The Group entered into forward exchange contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The purpose of its financial hedging strategy is to avoid price volatility of primary markets.

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

**December 31,  
2018**

### Non-current

#### Domestic investments

Listed shares and emerging market shares

Ordinary shares - Zhen Ding Technology Holding Limited \$ 28,984

In January 2018, the Group as \$24,769 thousand acquired ordinary shares of Zhen Ding Technology Holding Limited for medium to long-term strategic purposes; the management designated these investments as at FVTOCI.

Shares of Golden Creation (Cayman) Trade Co., Ltd. are not held for trading. Instead, they are held for medium to long-term strategic purposes. These investments in equity instruments were classified as financial assets measured at cost under IAS 39. Refer to Note 3, Note 12 for information relating to their reclassification and comparative information for 2017.

In October 2018, the Group sold its shares in Golden Creation (Cayman) Trade Co., Ltd. in order to manage its credit concentration risk. The sold shares had a fair value of \$6,159 thousand and the Group transferred a gain of \$357 thousand from other equity to retained earnings.

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Notes receivable</u>		
At amortized cost	<u>\$ 155,808</u>	<u>\$ 135,426</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,149,650	\$ 1,114,956
Less: Allowance for impairment loss	<u>10,889</u>	<u>11,485</u>
	<u>\$ 1,138,761</u>	<u>\$ 1,103,471</u>
<u>Other receivables</u>		
Purchase of equipment on other's behalf	\$ 10,986	\$ 11,304
Export tax rebate	6,173	7,157
Bank retention accounts	2,698	2,742
Others	<u>15,141</u>	<u>11,686</u>
	<u>\$ 34,998</u>	<u>\$ 32,889</u>

Refer to Note 33 for receivables from related parties.

a. Notes receivable

The average credit period of sales of goods was 90 to 120 days. In determining the recoverability of a note receivable, the Group considered any change in the credit quality of the note receivable since the date credit was initially granted to the end of the reporting period. The notes receivable that are past due recognized 100% allowance for bad debt.

As of the reporting date, the Group had no notes receivables that were past due or impaired.

b. Accounts receivable

2018

1) At amortized cost

The average credit period of sales of goods was from 90 to 150 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base. The Group evaluates the prospect of recovery based on the past due days of accounts receivable and determine the credit losses with the respective risks of default occurring as the weights.

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

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

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	120 to 180 Days	180 to 360 Days	Over 361 Days	Total
Expected credit loss rate	0%-0.52%	1.36%-1.85%	0.78%	0.42%	0.4%	50%	100%	
Gross carrying amount	\$ 1,121,446	\$ 11,452	\$ 15	\$ 4,437	\$ 2,365	\$ 4,381	\$ 5,554	\$ 1,149,650
Loss allowance (Lifetime ECL)	(2,919)	(197)	-	(19)	(9)	(2,191)	(5,554)	(10,889)
Amortized cost	<u>\$ 1,118,527</u>	<u>\$ 11,255</u>	<u>\$ 15</u>	<u>\$ 4,418</u>	<u>\$ 2,356</u>	<u>\$ 2,190</u>	<u>\$ -</u>	<u>\$ 1,138,761</u>

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

	<b>2018</b>
Balance at January 1, 2018 per IAS 39	\$ 11,485
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	11,485
Less: Impairment loss reversed	(404)
Foreign exchange gains and losses	<u>(192)</u>
Balance at December 31, 2018	<u>\$ 10,889</u>

## 2) At FVTPL

For accounts receivable from related parties, the Group will sell them to banks without recourse. The sale will result in derecognizing these trade receivables because the Group will transfer the significant risks and rewards relating to them. These trade receivables are classified as at FVTPL because the objective of the Group's business model is neither to collect contractual cash flows nor achieved by collecting contractual cash flows and selling financial assets.

Factored trade receivables for the year ended December 31, 2018 was as follows:

Counterparties	Receivables Sold	Receivables Sold at Year-end	Advances Received at Year-end	Not Yet Received as of Year-end	Retention	Interest Rates for Advances Received (%)	Credit Line
<u>December 31, 2018</u>							
Mega International Commercial Bank	<u>\$ 78,960</u>	<u>\$ 17,110</u>	<u>\$ 14,412</u>	<u>\$ 1,097</u>	<u>\$ 1,601</u>	3.34-3.81	US\$ 3,000 thousand

The above credit line may be used on a revolving basis.

The above factored accounts receivable had not been received and the retention amounts were reclassified to other receivables - bank retention accounts.

## 2017

The average payment term for accounts receivable was 90 to 150 days after monthly closing. When evaluating the recoverability of accounts receivable, the Group takes into account the possible changes in the credit quality of the receivable for the period from the original credit date to the balance sheet date. Accounts receivable are assessed individually when there is objective evidence of impairment. Accounts receivable that are past due for over 360 days are considered unrecoverable and are provided with a 100% allowance for bad debt. For the accounts receivable that are aged between 181 days and 360 days, the Group estimates the allowance for impairment loss on the basis of irrecoverable amounts determined through reference to historical trading experience.

For the accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	<b>2017</b>
Not overdue	\$ 1,067,796
Up to 60 days	27,755
61-120 days	4,595
181-360 days	9,094
More than 360 days	<u>5,716</u>
	<u><b>\$ 1,114,956</b></u>

The above aging schedule was based on the past due days from end of credit term.

The aging of receivables that were past due but not impaired was as follows:

	<b>2017</b>
Up to 60 days	\$ 27,755
61-120 days	<u>4,595</u>
	<u><b>\$ 32,350</b></u>

The above aging schedule was based on the past due days from end of credit term.

Movements in the allowance for impairment loss recognized on accounts receivable were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ 65	\$ 4,799	\$ 4,864
Add: Impairment loss recognized on receivables	-	6,647	6,647
Foreign exchange translation losses	<u>(1)</u>	<u>(25)</u>	<u>(26)</u>
Balance at December 31, 2017	<u><b>\$ 64</b></u>	<u><b>\$ 11,421</b></u>	<u><b>\$ 11,485</b></u>

The Group recognized impairment losses of \$64 thousand on trade receivables as of December 31, 2017, respectively. These amounts mainly related to customers that were in liquidation or in severe financial difficulties. The Group did not hold any collateral for these receivables.

The Group signed contracts for non-recourse factoring of accounts receivable with Mega International Commercial Bank and Fubon Bank.

Factored trade receivables for the year ended December 31, 2017 was as follows:

Counterparties	Receivables Sold	Receivables Sold at Year-end	Advances Received at Year-end	Not Yet Received as of Year-end	Retention	Interest Rates for Advances Received (%)	Credit Line
<u>December 31, 2017</u>							
Mega International Commercial Bank	<u>\$ 92,506</u>	<u>\$ 21,853</u>	<u>\$ 19,111</u>	<u>\$ 619</u>	<u>\$ 2,123</u>	2.39-2.58	US\$ 3,000 thousand

The above credit line may be used on a revolving basis.

The above factored accounts receivable had not been received and the retention amounts were reclassified to other receivables - bank retention accounts.

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Raw materials	\$ 157,929	\$ 131,838
Supplies	82,549	99,038
Work in process	35,809	38,701
Finished goods	211,317	181,189
Merchandise	<u>34,377</u>	<u>25,576</u>
	<u>\$ 521,981</u>	<u>\$ 476,342</u>

The costs of inventories recognized as operating costs were as follows: (a) \$1,572,565 thousand for the year ended December 31, 2018, which included a loss of \$15,234 thousand on inventory write-downs and obsolescence and a loss of \$299 thousand on physical inventory; and (b) \$1,578,187 thousand for the year ended December 31, 2017, which included a loss of \$10,524 thousand on inventory write-downs and obsolescence and a gain of \$229 thousand on physical inventory.

## 11. PREPAYMENTS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Prepaid value-added tax	\$ 26,144	\$ 41,946
Prepaid purchases	24,655	12,199
Prepayment for expense	17,613	19,516
Other prepayments	13,400	13,884
Land use right (Note 17)	<u>1,259</u>	<u>1,262</u>
	<u>\$ 83,081</u>	<u>\$ 88,807</u>

## 12. FINANCIAL ASSETS MEASURED AT COST - 2017

	<b>December 31, 2017</b>
Foreign unlisted ordinary shares	
Golden Creation (Cayman) Trade Co., Ltd.	<u>\$ 5,614</u>

Management believed that the above unlisted equity investments held by the Group had a fair value that could not be reliably measured because the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of the reporting period.



### 13. SUBSIDIARIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			December 31		
			2018	2017	
Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd. (B.V.I.)	International investment	100.00	100.00	
	Unipoint Technology Co., Ltd.	Testing of drill bits and mounting plate blot holes	61.76	61.76	
	Warspeed Corporation (B.V.I.)	International trade	100.00	100.00	
	Topoint Japan Co., Ltd.	Selling electronic components	100.00	100.00	
	Unipoint Technology Holdings Co., Ltd. (B.V.I.)	International investment	100.00	100.00	
	E-point Precision Tools Co., Ltd.	Selling cutting tools	70.00	-	Note a
Topoint Technology Co., Ltd. (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Manufacturing and selling precision equipment and measurement facilities	100.00	100.00	
	Sharpoint Technology (Qinhuangdao) Co., Ltd.	Testing of drill bits and mounting plate blot holes	100.00	100.00	
	Sharpoint Technology (Shenzhen) Co., Ltd.	Testing of drill bits and mounting plate blot holes	100.00	100.00	
	Sharpoint Technology (Suzhou) Co., Ltd.	Testing of drill bits and mounting plate blot holes	100.00	100.00	
	Sharpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate blot holes	84.00	84.00	
Shanghai Topoint Precision Technology Co., Ltd.	Kunshan Restek Technology Co., Ltd.	Manufacturing, processing and selling print circuit board	75.00	75.00	
	Kunshan Topoint Technology Co., Ltd.	Drilling bits	100.00	100.00	
	Sharpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate blot holes	16.00	16.00	
	Chengdu Raypoint Precision Tools Co., Ltd.	Cutting tools	94.74	93.75	
	Shanghai Hejin Roller Technology Co., Ltd.	Manufacturing and selling machinery parts	86.27	83.94	
	Shanghai Ringpoint Nano Material Co., Ltd.	Processing metal products	81.83	81.83	
Sharpoint Electronics (Huaian) Co., Ltd.	Winpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate blot holes	100.00	100.00	
Chengdu Raypoint Precision Tools Co., Ltd.	Kunshan Raypoint Precision Tools Co., Ltd.	Cutting tools	100.00	100.00	
Unipoint Technology Holdings Co., Ltd. (B.V.I.)	Unipoint Technology Shenzhen Co., Ltd.	Testing of drill bits and mounting plate blot holes	100.00	100.00	
Unipoint Technology Co., Ltd.	Topmicron Investment Ltd.	International investment	100.00	-	Note b
Topmicron Investment Ltd.	Sharpoint Electronics (Suzhou) Co., Ltd.	Print circuit board products	100.00	-	Note b

Note a: The Company established E-point Precision Tools Co., Ltd. on May 2018.

Note b: Unipoint Technology Co., Ltd. established Topmicron Investment Ltd. on May 2018 and invested Sharpoint Electronics (Suzhou) Co., Ltd. through Topmicron Investment Ltd.

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Investments in associates	<u>\$ 10,737</u>	<u>\$ -</u>

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Associates that are not individually material		
W.S.G. International Co., Ltd.	<u>\$ 10,737</u>	<u>\$ -</u>

Refer to aggregate information of associates that are not individually material below:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
The Group's share of:		
Profit from continuing operations	<u>\$ 3,631</u>	<u>\$ -</u>
Other comprehensive income (loss)	<u>\$ 3,631</u>	<u>\$ -</u>

For the year ended December 31, 2018, the Group has acquired an associate that is not individually material.

Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of W.S.G. International Co., Ltd. which has not been audited.

#### 15. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Land	\$ 75,652	\$ 75,652
Buildings	274,828	297,538
Machinery and equipment	1,573,899	1,654,722
Transportation equipment	11,206	10,598
Office equipment	3,983	5,009
Miscellaneous equipment	51,107	47,108
Equipment to be inspected	<u>80,639</u>	<u>52,324</u>
	<u>\$ 2,071,314</u>	<u>\$ 2,142,951</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Equipment to be inspected	Total
<b>Cost</b>								
Balance at January 1, 2017	\$ 75,652	\$ 595,108	\$ 6,277,505	\$ 19,273	\$ 12,539	\$ 197,116	\$ 11,390	\$ 7,188,583
Additions	-	245	172,460	6,329	1,659	8,767	64,705	254,165
Disposals	-	(1,276)	(204,973)	(2,711)	(191)	(8,180)	-	(217,331)
Reclassification	-	-	23,977	-	-	-	(23,977)	-
Effect of foreign currency exchange differences	-	(6,584)	(95,426)	(303)	(114)	(1,518)	206	(103,739)
Balance at December 31, 2017	<u>75,652</u>	<u>587,493</u>	<u>6,173,543</u>	<u>22,588</u>	<u>13,893</u>	<u>196,185</u>	<u>52,324</u>	<u>7,121,678</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2017	-	272,463	4,254,876	11,710	7,762	135,982	-	4,682,793
Depreciation expense	-	20,629	446,993	2,792	1,366	19,199	-	490,979
Disposals	-	(1,276)	(121,334)	(2,323)	(171)	(5,253)	-	(130,357)
Effect of foreign currency exchange differences	-	(1,861)	(61,714)	(189)	(73)	(851)	-	(64,688)
Balance at December 31, 2017	-	<u>289,955</u>	<u>4,518,821</u>	<u>11,990</u>	<u>8,884</u>	<u>149,077</u>	-	<u>4,978,727</u>
Carrying amount at December 31, 2017	<u>\$ 75,652</u>	<u>\$ 297,538</u>	<u>\$ 1,654,722</u>	<u>\$ 10,598</u>	<u>\$ 5,009</u>	<u>\$ 47,108</u>	<u>\$ 52,324</u>	<u>\$ 2,142,951</u>
<b>Cost</b>								
Balance at January 1, 2018	\$ 75,652	\$ 587,493	\$ 6,173,543	\$ 22,588	\$ 13,893	\$ 196,185	\$ 52,324	\$ 7,121,678
Additions	-	353	202,089	3,782	405	18,576	127,878	353,083
Disposals	-	-	(72,028)	(2,183)	(509)	(1,744)	-	(76,464)
Reclassification	-	-	97,400	-	-	726	(98,126)	-
Effect of foreign currency exchange differences	-	(5,528)	(73,400)	(184)	(95)	(964)	(1,437)	(81,608)
Balance at December 31, 2018	<u>75,652</u>	<u>582,318</u>	<u>6,327,604</u>	<u>24,003</u>	<u>13,694</u>	<u>212,779</u>	<u>80,639</u>	<u>7,316,689</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2018	-	289,955	4,518,821	11,990	8,884	149,077	-	4,978,727
Depreciation expense	-	19,742	337,027	3,076	1,356	14,734	-	375,935
Disposals	-	-	(52,069)	(2,124)	(461)	(1,467)	-	(56,121)
Effect of foreign currency exchange differences	-	(2,207)	(50,074)	(145)	(68)	(672)	-	(53,166)
Balance at December 31, 2018	-	<u>307,490</u>	<u>4,753,705</u>	<u>12,797</u>	<u>9,711</u>	<u>161,672</u>	-	<u>5,245,375</u>
Carrying amount at December 31, 2018	<u>\$ 75,652</u>	<u>\$ 274,828</u>	<u>\$ 1,573,899</u>	<u>\$ 11,206</u>	<u>\$ 3,983</u>	<u>\$ 51,107</u>	<u>\$ 80,639</u>	<u>\$ 2,071,314</u>

There was no indication of impairment of the property, plant and equipment for the years ended December 31, 2018 and 2017.

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful lives of the assets:

Buildings	
Main buildings	10-50 years
Elevators	8-15 years
Decorating constructions	3-10 years
Machinery and equipment	3-10 years
Transportation equipment	3-5 years
Office equipment	3-5 years
Miscellaneous equipment	3-10 years

Refer to Note 34 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings.

## 16. INTANGIBLE ASSETS

		<b>December 31</b>	
		<b>2018</b>	<b>2017</b>
<u>Carrying value for each classification</u>			
Computer software		\$ 5,180	\$ 8,347
Patents		<u>15,684</u>	<u>19,767</u>
		<u>\$ 20,864</u>	<u>\$ 28,114</u>
	<b>Computer Software</b>	<b>Patents</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2017	\$ 19,587	\$ 29,653	\$ 49,240
Additions	4,329	-	4,329
Decrease	(5,891)	-	(5,891)
Effect of foreign currency exchange differences	<u>(63)</u>	<u>(603)</u>	<u>(666)</u>
Balance at December 31, 2017	<u>17,962</u>	<u>29,050</u>	<u>47,012</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2017	8,016	5,519	13,535
Amortization expense	7,523	3,835	11,358
Decrease	(5,891)	-	(5,891)
Effect of foreign currency exchange differences	<u>(33)</u>	<u>(71)</u>	<u>(104)</u>
Balance at December 31, 2017	<u>9,615</u>	<u>9,283</u>	<u>18,898</u>
Carrying amount at December 31, 2017	<u>\$ 8,347</u>	<u>\$ 19,767</u>	<u>\$ 28,114</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ 17,962	\$ 29,050	\$ 47,102
Additions	2,273	-	2,273
Decrease	(2,854)	-	(2,854)
Effect of foreign currency exchange differences	<u>(27)</u>	<u>(505)</u>	<u>(532)</u>
Balance at December 31, 2018	<u>17,354</u>	<u>28,545</u>	<u>45,899</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2018	9,615	9,283	18,898
Amortization expense	5,433	3,810	9,243
Decrease	(2,854)	-	(2,854)
Effect of foreign currency exchange differences	<u>(20)</u>	<u>(232)</u>	<u>(252)</u>
Balance at December 31, 2018	<u>12,174</u>	<u>12,861</u>	<u>25,035</u>
Carrying amount at December 31, 2018	<u>\$ 5,180</u>	<u>\$ 15,684</u>	<u>\$ 20,864</u>

There was no indication of impairment of the intangible assets for the years ended December 31, 2018 and 2017.

The intangible assets were amortized on a straight-line basis over the following estimated useful lives of the assets:

Computer software	1-5 years
Patents	5-13 years

## 17. LONG-TERM PREPAYMENTS FOR LEASES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Land-use right		
Current (classified under prepayments)	\$ 1,259	\$ 1,262
Noncurrent	<u>52,604</u>	<u>53,877</u>
	<u>\$ 53,863</u>	<u>\$ 55,139</u>

The above land use right is amortized by the straight-line method over 49-50 years.

## 18. OTHER NONCURRENT ASSETS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Prepayments for equipment	\$ 23,793	\$ 10,845
Refundable deposits	13,966	35,409
Long-term prepaid expenses	11,958	12,355
Certificates of deposit - restricted	3,130	5,329
Net defined benefit asset	<u>2,057</u>	<u>-</u>
	<u>\$ 54,904</u>	<u>\$ 63,938</u>

## 19. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Unsecured borrowings	<u>\$ 80,074</u>	<u>\$ 67,406</u>
Interest rate	3.38%-3.68%	2.18%-2.64%

b. Long-term borrowings

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Secured borrowings</u>		
China Development Bank	\$ 30,637	\$ 68,539
Taiwan Cooperative Bank	<u>1,556</u>	<u>19,569</u>
	<u>32,193</u>	<u>88,108</u>
<u>Unsecured borrowings</u>		
Syndicated borrowing - Mega International Commercial Bank, et al.	400,000	400,000
CTBC Bank	<u>61,684</u>	<u>38,531</u>
	<u>461,684</u>	<u>438,531</u>
Less: Current portion	<u>39,085</u>	<u>63,421</u>
Long-term borrowings	<u>\$ 454,792</u>	<u>\$ 463,218</u>

- 1) Secured loan from China Development Bank: In November 2014, Chengdu Raypoint Precision Tools Co., Ltd. signed a contract for a loan, under which the principal is repayable from November 2015 to November 2019. As of December 31, 2018 and 2017, the loan balances were \$30,637 thousand and \$68,539 thousand, respectively, at annual interest rate of 4.75%-5.08%.
- 2) Secured loan from Taiwan Cooperative Bank: The Company signed a contract for a loan repayable monthly from April 2014 to March 2019. As of December 31, 2018 and 2017, the loan balances were \$1,556 thousand and \$7,725 thousand, respectively, at annual interest rates of 1.50%. Unipoint Technology Co., Ltd. signed a contract for a loan repayable monthly from October 2011 to September 2018. As of December 31, 2017, the loan balance was \$11,844 thousand, at annual interest rate of 2.17%.
- 3) Syndicated loan from Mega International Commercial Bank, et al.: In October 2016, the Company obtained an unsecured borrowing of \$1,000,000 thousand from a banking syndicate comprising Mega International Commercial Bank, Taiwan Cooperative Bank, Taipei Fubon Commercial Bank, Bank of Taiwan, Hua Nan Commercial Bank, E.SUN Bank, The Bank of East Asia, and CTBC Bank. The maximum term of loans shall not exceed 180 days, and the loan shall be repaid by the maturity date. By contract, the loan can be used on a revolving basis and does not need to go through a capital transfer process if the amount remains the same.

Related information as of December 31, 2018 and 2017 is as follow:

	<b>Credit Line</b>	<b>Amount to Be Paid</b>	<b>Interest Rate</b>	<b>Repayment</b>
<u>December 31, 2018</u>				
Unsecured borrowing	\$ 900,000	\$ 400,000	1.797%	Principal repayable on maturity in December 2020. The credit line balance begins to diminish 24 months after the date loan is obtained, and will keep diminishing every 12 months for three times. If the principal exceeds the diminishing credit line balance on certain dates, the Company should pay the lending banks the excess.
<u>December 31, 2017</u>				
Unsecured borrowing	1,000,000	400,000	1.797%	Principal repayable on maturity in December 2020. The credit line balance begins to diminish 24 months after the date loan is obtained, and will keep diminishing every 12 months for three times. If the principal exceeds the diminishing credit line balance on certain dates, the Company should pay the lending banks the excess.

Under the borrowing agreement, certain financial ratios (current ratio, debt to asset ratio, interest coverage and net tangible assets) based on audited annual and semiannual consolidated financial statements of the Company must be in accordance with the criteria stated in the agreements. As of December 31, 2018 and 2017, the Company had all met such criteria.

- 4) Unsecured loan from CTBC Bank: Chengdu Raypoint Precision Tools Co., Ltd. signed a loan agreement in October 2016. The loan is repayable semiannually from April 2017 to October 2021. As of December 31, 2018 and 2017, the loan balance were \$61,684 thousand and \$38,531 thousand, respectively, at annual interest rate of 4.75%.

The Group's assets mortgaged or pledged as collaterals for the above long-term borrowings are disclosed in Note 34.

## 20. ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Accounts payable - operating	<u>\$ 195,770</u>	<u>\$ 210,452</u>

The average credit period for purchases was 90 to 150 days. The Group has established financial risk management policies to ensure that all payables are repaid within pre-agreed credit periods.

## 21. OTHER PAYABLES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Accrued payroll and employee benefits	\$ 301,518	\$ 272,754
Payable for purchase equipment	162,095	67,203
Employees' compensation and remuneration of directors and supervisors	100,578	98,551
Payable for annual leave	6,754	13,008
Payable for purchase of equipment - on others' behalf	106	2,322
Others	<u>137,694</u>	<u>150,098</u>
	<u>\$ 708,745</u>	<u>\$ 603,936</u>

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company and Unipoint Technology Co., Ltd. of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in mainland China are members of a state-managed retirement benefit plan operated by the government of mainland China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

There were no regular employees for Topoint Technology Co., Ltd. (B.V.I.), Warspeed Corporation (B.V.I.), Unipoint Technology Holdings Co., Ltd. (B.V.I.) and Topmicron Investment Ltd.

Pension expenses for these defined contribution plans are classified under the following accounts:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating costs	<u>\$ 32,813</u>	<u>\$ 34,164</u>
Operating expenses	<u>\$ 17,153</u>	<u>\$ 16,323</u>

### b. Defined benefit plan

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



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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Present value of defined benefit obligation	\$ 27,772	\$ 26,451
Fair value of plan assets	<u>(29,829)</u>	<u>(24,931)</u>
Deficit (surplus)	<u>\$ (2,057)</u>	<u>\$ 1,520</u>
Net defined benefit liability (asset)	<u>\$ (2,057)</u>	<u>\$ 1,520</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2017	<u>\$ 24,267</u>	<u>\$ (22,780)</u>	<u>\$ 1,487</u>
Net interest expenses (income)	<u>364</u>	<u>(347)</u>	<u>17</u>
Recognized in profit or loss	<u>364</u>	<u>(347)</u>	<u>17</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	120	120
Actuarial loss - changes in demographic assumptions	1	-	1
Actuarial loss - changes in financial assumptions	974	-	974
Actuarial loss - experience adjustments	<u>845</u>	<u>-</u>	<u>845</u>
Recognized in other comprehensive income	<u>1,820</u>	<u>120</u>	<u>1,940</u>
Contributions from employer	<u>-</u>	<u>(1,924)</u>	<u>(1,924)</u>
Balance at December 31, 2017	<u>26,451</u>	<u>(24,931)</u>	<u>1,520</u>
Net interest expenses (income)	<u>330</u>	<u>(316)</u>	<u>14</u>
Recognized in profit or loss	<u>330</u>	<u>(316)</u>	<u>14</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(660)	(660)
Actuarial gain - changes in demographic assumptions	(4)	-	(4)
Actuarial loss - changes in financial assumptions	964	-	964
Actuarial loss - experience adjustments	<u>31</u>	<u>-</u>	<u>31</u>
Recognized in other comprehensive income	<u>991</u>	<u>(660)</u>	<u>331</u>
Contributions from employer	<u>-</u>	<u>(3,922)</u>	<u>(3,922)</u>
Balance at December 31, 2018	<u>\$ 27,772</u>	<u>\$ (29,829)</u>	<u>\$ (2,057)</u>

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

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

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate(s)	1.00%	1.25%
Expected rate(s) of salary increase	1.00%	1.00%

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate(s)		
0.25% increase	\$ (964)	\$ (974)
0.25% decrease	\$ 1,010	\$ 1,022
Expected rate(s) of salary increase		
0.25% increase	\$ 1,007	\$ 1,022
0.25% decrease	\$ (966)	\$ (979)

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
The expected contributions to the plan for the next year	\$ 754	\$ 763
The average duration of the defined benefit obligation	14 years	15 years

## 23. EQUITY

### a. Share capital - ordinary shares

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Registered shares (thousands)	<u>300,000</u>	<u>300,000</u>
Registered capital	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Issued shares (thousands)	<u>143,531</u>	<u>159,479</u>
Issued capital	<u>\$ 1,435,305</u>	<u>\$ 1,594,783</u>

The par value of the issued ordinary shares is NT\$10. Each share entitles its holder to a right to vote and to receive dividends.

Of the authorized capital, a total of 30,000 thousand shares should be reserved for on employee share option plan, preference shares with warrant and bonds with warrant attached.

In order to increase the return on shareholders' equity and improve financial indicators, the board of directors held a shareholders' meeting on June 14, 2018 and approved the capital reduction through cash return to shareholders. The total reduction amounted to \$159,478 thousand, denoting the cancellation of 15,948 thousand shares. The capital reduction was approved by the Securities and Futures Bureau of the Financial Supervisory Commission on August 15, 2018, and the record date of capital reduction was August 17, 2018. The record date of the replacement of share certificates is October 25, 2018. The total reduction amounted has paid in October 29, 2018.

### b. Capital surplus

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 1,147,166	\$ 1,147,166
<u>May be used to offset a deficit only</u>		
Exercise of employee share options	63,976	63,976
Changes in percentage of ownership interest in subsidiaries	9,047	12,588
Expiry of employee share options	<u>8,408</u>	<u>8,408</u>
	<u>\$ 1,228,597</u>	<u>\$ 1,232,138</u>

The capital surplus from shares issued in excess of par and donations could be used to offset deficits; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

The capital surplus from long-term investments, employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the conditions on distribution of employees' compensation and remuneration of directors and supervisors after amendment, refer to employee's compensation and remuneration of directors and supervisors in Note 25,d.

To meet the requirements for present and future operational expansion and to satisfy the shareholders' need for cash inflow, the Company's dividend policy states that total dividends should be at least 20% of net income and cash dividends should be at least 10% of total dividends.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 14, 2018 and June 13, 2017, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 23,642	\$ 24,613		
Special reserve	12,034	-		
Cash dividends	63,191	143,987	\$0.4	\$0.9114

The Company's shareholders on June 14, 2018, resolved to a cash return at NT\$1 per share from capital reduction.

The appropriation of earnings for 2017 had been proposed by the Company's board of directors on February 22, 2019. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 23,364	
Special reserve	68,373	
Cash dividends	170,616	\$1.2

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 12, 2019.

d. Other equity items

Exchange differences on translating foreign operations

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e., New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) were reclassified to profit or loss on the disposal of the foreign operation.

Unrealized gain/(loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1 per IFRS 9	\$ -
Recognized for the year	
Unrealized gain	4,572
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(357)</u>
Balance at December 31	<u>\$ 4,215</u>

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ 250,176	\$ 250,833
Attributable to non-controlling interests:		
Share of profit (loss) for the year	1,035	(2,979)
Exchange difference arising on translation of foreign entities	(317)	(980)
Subscribed for additional new shares at a percentage difference from its existing ownership percentage	<u>3,541</u>	<u>3,302</u>
Balance at December 31	<u>\$ 254,435</u>	<u>\$ 250,176</u>

f. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>
Number of shares at December 31, 2017	1,500
Decrease during the year	<u>(150)</u>
Number of shares at December 31, 2018	<u>1,350</u>

On March 14, 2016, the Company's board of directors passed a resolution to buy back 1,500 thousand shares from the open market to transfer to employees. The purchase period was between March 14, 2016 to May 14, 2016, and the purchase price ranged from \$18 to \$30 per share. If the Company's share price is lower than this price range, the Company may continue to buy back its shares. The Company had bought back 1,500 thousand shares totaling \$31,696 thousand during the repurchase period.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

The board of directors held a shareholders' meeting on June 14, 2018 and approved the capital reduction by 20%. The record date of capital reduction was August 17, 2018. Treasury shares was reduced by 150 thousand shares upon capital reduction.

## 24. REVENUE

### a. Contract balances

	<b>December 31, 2018</b>
Trade receivables (Note 9)	<u>\$ 155,808</u>
Accounts receivable (Note 9)	<u>\$ 1,138,761</u>
Accounts receivable - related parties (Note 33)	<u>\$ 93,046</u>
Contract liabilities	
Sale of goods	<u>\$ 2,266</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities and from the performance obligations which were satisfied in the previous periods is as follows:

	<b>For the Year Ended December 31, 2018</b>
From the beginning contract liabilities	
Sale of goods	<u>\$ 4,861</u>

### b. Disaggregation of revenue

Refer to Note 37 for information about disaggregation of revenue.

c. Partially completed contracts

	<b>For the Year Ended December 31, 2018</b>
Sale of goods - in 2019	<u>\$ 2,266</u>

## 25. NET PROFIT

a. Depreciation, and amortization expenses

	<b>For the Year Ended December 31 2018</b>	<b>2017</b>
An analysis of depreciation by function		
Operating costs	\$ 350,502	\$ 467,493
Operating expenses	<u>25,433</u>	<u>23,486</u>
	<u>\$ 375,935</u>	<u>\$ 490,979</u>
An analysis of amortization by function		
Operating costs	\$ 4,085	\$ 4,075
Operating expenses	<u>5,158</u>	<u>7,283</u>
	<u>\$ 9,243</u>	<u>\$ 11,358</u>

b. Other operating income and expenses

	<b>For the Year Ended December 31 2018</b>	<b>2017</b>
Gain (loss) on disposal of property, plant and equipment	<u>\$ 4,580</u>	<u>\$ (1,234)</u>

c. Employee benefit expenses

	<b>For the Year Ended December 31 2018</b>	<b>2017</b>
Post-employment benefit (Note 22)		
Defined contribution plans	\$ 49,966	\$ 50,487
Defined benefit plans	<u>14</u>	<u>17</u>
	49,980	50,504
Payroll expenses	766,546	760,498
Labor and health insurance expenses	24,703	25,116
Other employee benefits	<u>12,598</u>	<u>18,111</u>
Total employee benefit expenses	<u>\$ 853,827</u>	<u>\$ 854,229</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 538,254	\$ 554,268
Operating expenses	<u>315,573</u>	<u>299,961</u>
	<u>\$ 853,827</u>	<u>\$ 854,229</u>

d. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates between 1% to 25% and no higher than 3%, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017 which have been approved by the Company's board of directors on February 22, 2019 and February 23, 2018, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Employees' compensation	15.0%	15.0%
Remuneration of directors and supervisors	2.5%	2.5%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 60,894	\$ 49,891
Remuneration of directors and supervisors	10,149	8,315

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Foreign currency exchange gains	\$ 45,581	\$ 52,435
Foreign currency exchange losses	<u>(52,307)</u>	<u>(54,384)</u>
Net loss	<u>\$ (6,726)</u>	<u>\$ (1,949)</u>



## 26. INCOME TAXES

- a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Current tax</u>		
In respect of the current year	\$ 73,817	\$ 69,993
Income tax on unappropriated earnings	14,189	12,693
Adjustments for prior year	<u>(17,293)</u>	<u>5,539</u>
	70,713	88,225
<u>Deferred tax</u>		
In respect of the current year	15,234	(1,106)
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>(1,416)</u>	<u>(481)</u>
	<u>13,818</u>	<u>(1,587)</u>
Income tax expense recognized in profit or loss	<u>\$ 84,531</u>	<u>\$ 86,638</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before tax	<u>\$ 339,207</u>	<u>\$ 320,077</u>
Income tax expense calculated at the statutory rate (20% and 17% at 2018 and 2017, respectively)	\$ 67,841	\$ 54,413
Nondeductible expenses in determining taxable income	7,165	1,362
Deferred tax effect of earnings of subsidiaries	15,403	13,182
Non-taxable income	(22,930)	(16,714)
Tax preference	(5,747)	(3,733)
Income tax on unappropriated earnings	14,189	12,693
Unrealized loss carryforwards	3,327	6,540
Effect of tax rate changes	(1,416)	(481)
Effect of different tax rate of group entities operating in other jurisdictions	7,792	12,265
Adjustments for prior years' tax	(17,293)	5,539
Others	<u>16,200</u>	<u>1,572</u>
Income tax expense recognized in profit or loss	<u>\$ 84,531</u>	<u>\$ 86,638</u>

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

Warpspeed Corporation (B.V.I.), Topoint Technology Co., Ltd. (B.V.I.), Unipoint Technology Holdings Co., Ltd. (B.V.I.) and Topmicron Investment Ltd. are tax-exempt under the tax laws.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Deferred tax</u>		
Effect of change in tax rate	\$ 219	\$ -
In respect of the current year		
Remeasurement on defined benefit plan	<u>66</u>	<u>330</u>
Total income tax recognized in other comprehensive income	<u>\$ 285</u>	<u>\$ 330</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax assets		
Tax refund receivable	<u>\$ 663</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 50,517</u>	<u>\$ 52,056</u>

The balances of current tax liabilities on December 31, 2018 and 2017 are net amounts after deducting related prepaid tax.

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Difference</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Deferred revenue	\$ 17,077	\$ 653	\$ -	\$ -	\$ 17,730
Investment loss recognized under the equity method	28,224	(14,004)	-	(160)	14,060
Depreciation difference between financial accounting and taxation	3,579	(2,203)	-	(21)	1,355
					(Continued)

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Difference</b>	<b>Closing Balance</b>
Unpaid expense	\$ 1,450	\$ (7)	\$ -	\$ (25)	\$ 1,418
Write-down of inventories	7,303	2,416	-	(106)	9,613
Others	<u>6,063</u>	<u>(955)</u>	<u>285</u>	<u>162</u>	<u>5,555</u>
	63,696	(14,100)	285	(150)	49,731
Tax losses	<u>61,700</u>	<u>15,559</u>	<u>-</u>	<u>(1,216)</u>	<u>76,043</u>
	<u>\$ 125,396</u>	<u>\$ 1,459</u>	<u>\$ 285</u>	<u>\$ (1,366)</u>	<u>\$ 125,774</u>

Deferred tax liabilities

Temporary differences

Investment gain recognized under the equity method	\$ 144,823	\$ 13,742	\$ -	\$ 4,878	\$ 163,443
Pension expenses difference between financial accounting and taxation	477	320	-	-	797
Unrealized foreign exchange gains	158	809	-	-	967
Others	<u>-</u>	<u>406</u>	<u>-</u>	<u>(8)</u>	<u>398</u>
	<u>\$ 145,458</u>	<u>\$ 15,277</u>	<u>\$ -</u>	<u>\$ 4,870</u>	<u>\$ 165,605</u> (Concluded)

For the year ended December 31, 2017

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Difference</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Deferred revenue	\$ 19,360	\$ (2,283)	\$ -	\$ -	\$ 17,077
Investment loss recognized under the equity method	28,965	(649)	-	(92)	28,224
Depreciation difference between financial accounting and taxation	6,816	(3,065)	-	(172)	3,579 (Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Difference	Closing Balance
Unpaid expense	\$ 903	\$ 559	\$ -	\$ (12)	\$ 1,450
Write-down of inventories	5,269	2,082	-	(48)	7,303
Others	<u>4,384</u>	<u>1,352</u>	<u>330</u>	<u>(3)</u>	<u>6,063</u>
	65,697	(2,004)	330	(327)	63,696
Tax losses	<u>43,314</u>	<u>19,058</u>	<u>-</u>	<u>(672)</u>	<u>61,700</u>
	<u>\$ 109,011</u>	<u>\$ 17,054</u>	<u>\$ 330</u>	<u>\$ (999)</u>	<u>\$ 125,396</u>

Deferred tax liabilities

Temporary differences

Investment gain recognized under the equity method	\$ 140,926	\$ 15,045	\$ -	\$ (11,148)	\$ 144,823
Financial instruments at fair value through profit or loss	211	(211)	-	-	-
Unrealized foreign exchange gains	2	475	-	-	477
Pension expenses difference between financial accounting and taxation	<u>-</u>	<u>158</u>	<u>-</u>	<u>-</u>	<u>158</u>
	<u>\$ 141,139</u>	<u>\$ 15,467</u>	<u>\$ -</u>	<u>\$ (11,148)</u>	<u>\$ 145,458</u>

(Concluded)

- e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2018
Loss carryforwards	
Expiry in 2019	\$ 41,612
Expiry in 2020	6,371
Expiry in 2021	13,284
Expiry in 2022	<u>4,526</u>
	<u>\$ 65,793</u>

f. Loss carryforwards as of December 31, 2018

<b>Company Name</b>	<b>Unused Amount</b>	<b>Expiry Year</b>
Unipoint Technology Shenzhen Co., Ltd.	\$ 9,359	2019
	7,299	2020
	4,572	2021
	2,267	2022
	<u>1,420</u>	2023
	<u>24,917</u>	
Kunshan Restek Technology Co., Ltd.	1,044	2019
	1,082	2020
	911	2021
	374	2022
	<u>275</u>	2023
	<u>3,686</u>	
Kunshan Raypoint Precision Tools	511	2020
	2,409	2021
	758	2022
	<u>901</u>	2023
	<u>4,579</u>	
Sharpoint Technology (Qinhuangdao) Co., Ltd.	<u>2,753</u>	2022
Sharpoint Technology (Shenzhen) Co., Ltd.	7,535	2021
	9,499	2022
	<u>10,318</u>	2023
	<u>27,352</u>	
Shanghai Hejin Roller Technology Co., Ltd.	5,270	2021
	7,603	2022
	<u>7,621</u>	2023
	<u>20,494</u>	
Winpoint Electronics (Huaian) Co., Ltd.	<u>919</u>	2023
E-point Precision Technology Co., Ltd.	<u>214</u>	2028
Unipoint Technology Co., Ltd.	5,338	2026
	<u>2,239</u>	2028
	<u>7,577</u>	
	<u>\$ 92,491</u>	

Refer to Note 26 e for unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets.

g. Income tax assessments

Income tax returns of the Company and Unipoint Technology Co., Ltd. through 2016 have been examined and cleared by the tax authorities.

## 27. EARNINGS PER SHARE

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

### Net Profit for the Year

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Profit for the year attributable to owners of the Company	<u>\$ 253,641</u>	<u>\$ 236,418</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares in computation of basic earnings per share	150,029	157,979
Effect of potentially dilutive ordinary shares:		
Employee s' compensation issue to employees	<u>3,773</u>	<u>2,676</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>153,802</u>	<u>160,655</u>

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On March 31, and September 27, 2017, Shanghai Topoint participated in share subscriptions of Shanghai Hejin resulting in an ownership percentage different from its original ownership interest. Therefore, the ownership interest in Shanghai Hejin increased from 79.96% to 83.94%.

On January 11, 2018, Shanghai Topoint participated in share subscriptions of Shanghai Hejin resulting in an ownership percentage different from its original ownership interest. Therefore, the ownership interest in Shanghai Hejin increased from 83.94% to 86.27%.

On August 22, 2018, Shanghai Topoint participated in a share subscription of Chengdu Raypoint Precision Tools Co., Ltd. resulting in an ownership percentage different from its original ownership interest. Therefore, the ownership interest in Chengdu Raypoint Precision Tools Co., Ltd. increased from 93.75% to 94.74%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

## 29. PARTIAL CASH TRANSACTIONS

### a. Non-cash transaction

For the years ended December 31, 2018 and 2017, the Group entered into the following partial cash investing activities, which were not reflected in the consolidated statements of cash flows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash paid for property, plant and equipment acquisition		
Increase in property, plant and equipment	\$ 353,083	\$ 254,165
Net increase (decrease) in prepayments for equipment	12,948	(3,293)
Net decrease in payable for purchase of equipment	<u>(94,892)</u>	<u>(35,754)</u>
Cash paid	<u>\$ 271,139</u>	<u>\$ 215,118</u>

### b. Changes in liabilities arising from financing activities

#### For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes Foreign Exchange</b>	<b>Closing Balance</b>
Short-term borrowings	\$ 67,406	\$ 12,668	\$ -	\$ 80,074
Long-term borrowings and Long-term borrowings - current portion	526,639	(32,506)	(256)	493,877
Guarantee deposits received	<u>10,989</u>	<u>2,204</u>	<u>-</u>	<u>13,193</u>
	<u>\$ 605,034</u>	<u>\$ (17,634)</u>	<u>\$ (256)</u>	<u>\$ 587,144</u>

#### For the year ended December 31, 2017

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes Foreign Exchange</b>	<b>Closing Balance</b>
Short-term borrowings	\$ 81,834	\$ (14,428)	\$ -	\$ 67,406
Long-term borrowings and Long-term borrowings - current portion	592,044	(53,637)	(11,768)	526,639
Guarantee deposits received	<u>11,446</u>	<u>(457)</u>	<u>-</u>	<u>10,989</u>
	<u>\$ 685,324</u>	<u>\$ (68,522)</u>	<u>\$ (11,768)</u>	<u>\$ 605,034</u>

### 30. OPERATING LEASE AGREEMENTS

#### The Group as Lessee

The operating lease agreement refers to a plant. The lease term is 5-10 years. The Group does not have a bargain purchase option to acquire the leased plant at the end of the lease periods.

As of December 31, 2018 and 2017, the refundable deposits under the operating lease agreement were \$2,062 thousand and \$2,078 thousand, respectively.

The future minimum lease payments on the noncancelable operating lease commitments were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Less than 1 year	\$ 11,908	\$ 13,807
1 to 5 years	34,909	45,068
Over 5 years	<u>-</u>	<u>4,342</u>
	<u>\$ 46,817</u>	<u>\$ 63,217</u>

### 31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

### 32. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values (or their fair values cannot be reliably measured).

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

##### 1) Fair value hierarchy

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 1,435	\$ -	\$ 1,435
Mutual funds	187,580	-	-	187,580
Accounts receivable - related parties	-	-	6,016	6,016
Other receivables	<u>-</u>	<u>-</u>	<u>2,698</u>	<u>2,698</u>
	<u>\$ 187,580</u>	<u>\$ 1,435</u>	<u>\$ 8,714</u>	<u>\$ 197,729</u>

(Continued)



	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Listed shares	\$ 28,984	\$ -	\$ -	\$ 28,984
<u>Financial liabilities at FVTPL</u>				
Derivative financial instrument	\$ -	\$ 553	\$ -	\$ 553 (Concluded)

December 31, 2017

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 170	\$ -	\$ 170
Nonderivative financial assets held for trading	200,568	-	-	200,568
	\$ 200,568	\$ 170	\$ -	\$ 200,738
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 1,037	\$ -	\$ 1,037

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and assumption applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- a) The fair values of mutual funds and listed shares are determined at their net asset value at the end of the reporting period.
- b) Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. The use of estimates and hypotheses of valuation method group entity adopt is in consistent with the market participants, when pricing such financial instruments.
- c) For accounts receivable - related parties and other receivables that are measured at FVTPL, the fair value is measured according to the original invoice amount and the effect of discounting is immaterial.

c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ -	\$ 200,738
Mandatorily classified as at FVTPL	197,729	-
Loans and receivables (Note 1)	-	3,103,320
Available-for-sale financial assets (Note 2)	-	5,614
Financial assets at amortized cost (Note 3)	3,179,006	-
Financial assets at FVTOCI	28,984	-
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	553	1,037
Amortized cost (Note 4)	935,774	872,441

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, accounts receivable - related parties, and other receivables.

Note 2: The balances included the carrying amount of available-for-sale financial assets measured at cost.

Note 3: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, part of accounts receivable - related parties, part of other receivables and other receivable - related parties.

Note 4: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payables, accounts payable - related parties, and part of other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, accounts receivable, accounts payables and borrowings. The Group's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 12% of the Group's sales were denominated in currencies other than the functional currency of the Group entity making the sale, while almost 8% of costs were denominated in the Group entity's functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets, monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Notes 7 and 35.

Sensitivity analysis

The Group was mainly exposed to U.S. dollars, Korea won, Japanese yen, Euros and Swiss franc.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	U.S. Dollars				Korea Won	
	USD:NTD		USD:RMB		KRW:NTD	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017	2018	2017
Profit (loss)	\$ (316)	\$ (258)	\$ (15)	\$ (715)	\$ (68)	\$ (134)
	Japanese Yen		Euros		Swiss Franc	
	JPY:NTD		EUR:RMB		CHF:RMB	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017	2018	2017
Profit (loss)	\$ (27)	\$ (69)	\$ (107)	\$ (170)	\$ 6	\$ 7

This was mainly attributable to the exposure outstanding on U.S. dollars, Korea won, Japanese yen, Euros and Swiss franc cash in the bank, bank loans, receivables and payables.

b) Interest rate risk

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value interest rate risk		
Financial assets	\$ 1,098,597	\$ 1,216,890
Cash flows interest rate risk		
Financial assets	658,659	518,003
Financial liabilities	573,951	594,045

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for nonderivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the Group's pretax profits for the year ended December 31, 2018 would have increased/decreased by \$212 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its demand deposits and variable-rate borrowings.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the Group's pretax profits for the years ended December 31, 2017 would have decreased/increased by \$190 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its demand deposits and variable-rate borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by \$1,449 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation, is primary from the book value of its financial assets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's concentration of credit risk of 33.79% and 30.93% in total trade receivables as of December 31, 2018 and 2017, respectively, were related to the Group's five largest customers.

### 3) Liquidity risk

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

The Group manages liquidity risk by maintaining adequate bank balance and banking facilities, and continuously monitoring forecast and actual cash flows as well as the maturity profiles of financial assets and liabilities.

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

The Group's noninterest-bearing liabilities pertaining on nonderivative financial liabilities are paid in succession within one year.

The following table details the Group's remaining maturity for its borrowings with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

#### December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Nonderivative financial liabilities</u>				
Variable interest rate liabilities	<u>\$ 518</u>	<u>\$ 81,112</u>	<u>\$ 37,529</u>	<u>\$ 454,792</u>

#### December 31, 2017

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Nonderivative financial liabilities</u>				
Variable interest rate liabilities	<u>\$ 18,377</u>	<u>\$ 60,588</u>	<u>\$ 51,862</u>	<u>\$ 463,218</u>

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

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Net settled</u>				
Foreign exchange forward contracts	\$ (101)	\$ (187)	\$ (14)	\$ -
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 2,176	\$ -	\$ 142,644	\$ -
Outflows	(2,128)	-	(141,508)	-
	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ 1,136</u>	<u>\$ -</u>

December 31, 2017

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Net settled</u>				
Foreign exchange forward contracts	\$ (561)	\$ (191)	\$ 12	\$ -
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 5,377	\$ 9,006	\$ 40,920	\$ -
Outflows	(5,330)	(8,884)	(41,216)	-
	<u>\$ 47</u>	<u>\$ 122</u>	<u>\$ 296</u>	<u>\$ -</u>

e. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2018 and 2017. Refer to Note 9.

### 33. TRANSACTIONS WITH RELATED PARTIES

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

#### a. The Group's related parties

<b>Related Party</b>	<b>Relationship with the Group</b>
Other related parties	
Unimicron Technology Corporation	The parent company of the equity-method investor of Unipoint Technology Co., Ltd.
Unimicron Technology (Shenzhen) Corp.	Investee of Unimicron Technology Corporation
Unimicron Technology (Kunshan) Corp.	Investee of Unimicron Technology Corporation
Unimicron Technology (FPC) Corp.	Investee of Unimicron Technology Corporation
Unimicron Technology (Suzhou) Corp.	Investee of Unimicron Technology Corporation
Qun Hong Technology Inc.	Subsidiary of Unimicron Technology Corporation
Associate	
W.S.G. International Co., Ltd.	Investee of Shanghai Topoint Precision Technology Co., Ltd.
Key management personnel	
Macking International Investment Corporation	Director of the Company

#### b. Operating revenue

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Other related parties	<u>\$ 240,665</u>	<u>\$ 334,069</u>

#### c. Purchases of goods

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Other related parties	<u>\$ 3,437</u>	<u>\$ 3,360</u>

#### d. Manufacturing

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Other related parties	<u>\$ 1,192</u>	<u>\$ -</u>

#### e. General and administrative - service fees

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Key management personnel		
Macking International Investment Corporation	<u>\$ 2,100</u>	<u>\$ -</u>

The Group paid for the consulting fee to Macking International Investment Corporation.

- f. Research and development - material being used

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Other related parties	\$ <u>-</u>	\$ <u>51</u>

- g. Receivables from related parties

Related Party Category/Name	December 31	
	2018	2017
Other related parties	\$ <u>93,046</u>	\$ <u>95,256</u>

The accounts receivable from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for accounts receivables from related parties.

As of December 31, 2018, the balance of accounts receivable from related parties includes \$6,016 thousand, which is expected to sell to banks without recourse. It is measured at FVTPL. Refer to Notes 9 and 32.

- h. Payables to related parties

Related Party Category/Name	December 31	
	2018	2017
Key management personnel	\$ 2,100	\$ -
Other related parties	<u>1,272</u>	<u>260</u>
	\$ <u>3,372</u>	\$ <u>260</u>

The accounts payable to related parties are unsecured.

- i. Loans to related parties

Related Party Category/Name	December 31	
	2018	2017
<u>Other receivable</u>		
Associate		
W.S.G. International Co., Ltd.	\$ <u>6,870</u>	\$ <u>-</u>

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
<u>Interest income</u>		
Associate		
W.S.G. International Co., Ltd.	\$ <u>218</u>	\$ <u>-</u>



j. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Short-term employee benefits	\$ 46,395	\$ 47,110
Post-employment benefits	<u>108</u>	<u>108</u>
	<u>\$ 46,503</u>	<u>\$ 47,218</u>

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

### 34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	<u>\$ 325,481</u>	<u>\$ 420,474</u>

### 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,054	30.715 (USD:NTD)	\$ 247,385
USD	3,338	6.8632 (USD:RMB)	102,530
KRW	938,731	0.0278 (KRW:NTD)	26,097
JPY	33,624	0.2782 (JPY:NTD)	9,354
EUR	365	7.8473 (EUR:RMB)	12,849
<u>Financial liabilities</u>			
Monetary items			
USD	7,025	30.715 (USD:NTD)	215,787
USD	3,288	6.8632 (USD:RMB)	101,003
JPY	528,535	0.2782 (JPY:NTD)	147,038
CHF	21	6.9494 (CHF:RMB)	647

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,679	29.760 (USD:NTD)	\$ 198,754
USD	5,694	6.5342 (USD:RMB)	169,465
KRW	1,379,693	0.0281 (KRW:NTD)	38,769
JPY	46,687	0.2642 (JPY:NTD)	12,335
EUR	778	7.8023 (EUR:RMB)	27,687

Financial liabilities

Monetary items			
USD	5,812	29.760 (USD:NTD)	172,952
USD	3,293	6.5342 (USD:RMB)	97,995
JPY	308	0.2642 (JPY:NTD)	81
CHF	1,313	6.6779 (CHF:RMB)	39,977

For the years ended December 31, 2018 and 2017, (realized and unrealized) net foreign exchange losses were \$6,726 thousand and \$1,949 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign functional currency transactions and currencies of the Group entities.

### 36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1 (attached)
- 2) Endorsements/guarantees provided: Table 2 (attached)
- 3) Marketable securities held (excluding investment in subsidiaries): Table 3 (attached)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- 9) Trading in derivative instruments: Notes 7 and 32
- 10) Intercompany relationships and significant intercompany transactions: Table 9 (attached)

11) Information on investees (excluding investees in mainland China): Table 6 (attached)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7 (attached)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 8 (attached)
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 8 (attached)
  - c) The amount of property transactions and the amount of the resultant gains or losses: Table 8 (attached)
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2 (attached)
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1 (attached)
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None

### 37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on regional operating performance. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows: Taiwan area, mainland China area and other areas. These segments mainly process PCBs and design, manufacture and sell related cutting equipment.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from operations by reportable segment.

	<b>Taiwan</b>	<b>Mainland China</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
<u>Year ended December 31, 2018</u>					
Revenues from external customers	\$ 780,895	\$ 2,462,788	\$ 38,761	\$ -	\$ 3,282,444
Intersegment revenues	\$ 490,951	\$ 38,944	\$ -	\$ (529,895)	\$ -
Segment income (loss)	\$ 217,719	\$ 130,871	\$ (1,481)	\$ (7,902)	\$ 339,207
<u>Year ended December 31, 2017</u>					
Revenues from external customers	\$ 837,372	\$ 2,397,145	\$ 48,646	\$ -	\$ 3,283,163
Intersegment revenues	\$ 474,199	\$ 30,358	\$ -	\$ (504,557)	\$ -
Segment income (loss)	\$ 185,534	\$ 128,812	\$ (1,170)	\$ 6,901	\$ 320,077

b. Segment total assets

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Taiwan	\$ 2,048,289	\$ 1,934,588
Mainland China	4,283,262	4,334,076
Others	<u>16,406</u>	<u>20,682</u>
Consolidated total assets	<u>\$ 6,347,957</u>	<u>\$ 6,289,346</u>

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	<u>For the Year Ended December 31</u>	
	<b>2018</b>	<b>2017</b>
Precision metal products and processing services	\$ 3,204,230	\$ 3,222,713
Others	<u>78,214</u>	<u>60,450</u>
	<u>\$ 3,282,444</u>	<u>\$ 3,283,163</u>

d. Geographical information

The Group operates in two principal geographical areas - Taiwan and mainland China.

The Group's revenue from external customers by location of operations and information about its noncurrent assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Noncurrent Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Taiwan	\$ 590,534	\$ 672,839	\$ 512,044	\$ 456,704
Mainland China	2,273,683	2,089,042	1,725,368	1,835,359
Others	<u>418,227</u>	<u>521,282</u>	<u>1,995</u>	<u>2,431</u>
	<u>\$ 3,282,444</u>	<u>\$ 3,283,163</u>	<u>\$ 2,239,407</u>	<u>\$ 2,294,494</u>

Noncurrent assets exclude deferred tax assets and post-employment benefit assets.

e. Information about major customers

No single customer contributed 10% or more to the Group's revenue for the years ended December 31, 2018 and 2017.

TABLE 1

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 3)	Ending Balance (Note 3)	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits	Note
													Item	Value			
1	Topoint Technology Co., Ltd. (B.V.I.)	Topoint Japan Co., Ltd.	Other receivables	Yes	\$ 6,955 (JPY 25,000 thousand)	\$ 6,955 (JPY 25,000 thousand)	\$ 6,955 (JPY 25,000 thousand)	0.61	Short-term financing	\$ -	Operating turnover	\$ -	-	\$ -	\$ 4,369,192 (Note 1)	\$ 4,369,192 (Note 1)	(Note 4)
3	Shanghai Topoint Precision Technology Co., Ltd.	Kunshan Restek Technology Co., Ltd.	Other receivables	Yes	13,426 (RMB 3,000 thousand)	13,426 (RMB 3,000 thousand)	10,741 (RMB 2,400 thousand)	4.75	Short-term financing	-	Operating turnover	-	-	-	1,168,336 (Note 2)	1,168,336 (Note 2)	(Note 4)
		Kunshan Topoint Technology Co., Ltd.	Other receivables	Yes	161,112 (RMB 36,000 thousand)	107,408 (RMB 24,000 thousand)	107,408 (RMB 24,000 thousand)	4.75	Short-term financing	-	Operating turnover	-	-	-	4,369,192 (Note 1)	4,369,192 (Note 1)	(Note 4)
		Chengdu Raypoint Precision Tools Co., Ltd.	Other receivables	Yes	290,896 (RMB 65,000 thousand)	255,094 (RMB 57,000 thousand)	255,094 (RMB 57,000 thousand)	4.35-4.75	Short-term financing	-	Operating turnover	-	-	-	1,168,336 (Note 2)	1,168,336 (Note 2)	(Note 4)
		Unipoint Technology Shenzhen Co., Ltd.	Other receivables	Yes	71,605 (RMB 16,000 thousand)	71,605 (RMB 16,000 thousand)	71,605 (RMB 16,000 thousand)	4.75	Short-term financing	-	Operating turnover	-	-	-	4,369,192 (Note 1)	4,369,192 (Note 1)	(Note 4)
		Shanghai Ringpoint Nano Material Co., Ltd.	Other receivables	Yes	22,377 (RMB 5,000 thousand)	22,377 (RMB 5,000 thousand)	8,951 (RMB 2,000 thousand)	4.75	Short-term financing	-	Operating turnover	-	-	-	1,168,336 (Note 2)	1,168,336 (Note 2)	(Note 4)
		Sharpoin Technology (Qinhuangdao) Co., Ltd.	Other receivables	Yes	44,753 (RMB 10,000 thousand)	44,753 (RMB 10,000 thousand)	22,377 (RMB 5,000 thousand)	4.75	Short-term financing	-	Operating turnover	-	-	-	4,369,192 (Note 1)	4,369,192 (Note 1)	(Note 4)
		Shanghai Hejin Roller Technology Co., Ltd.	Other receivables	Yes	22,377 (RMB 5,000 thousand)	22,377 (RMB 5,000 thousand)	22,377 (RMB 5,000 thousand)	4.35	Short-term financing	-	Operating turnover	-	-	-	1,168,336 (Note 2)	1,168,336 (Note 2)	(Note 4)
		W.S.G. International Co., Ltd.	Other receivables	Yes	8,951 (RMB 2,000 thousand)	8,951 (RMB 1,500 thousand)	6,713 (RMB 1,500 thousand)	4.35	Short-term financing	-	Operating turnover	-	-	-	1,168,336 (Note 2)	1,168,336 (Note 2)	-
9	Sharpoin Technology (Suzhou) Co., Ltd.	Unipoint Technology Shenzhen Co., Ltd.	Other receivables	Yes	22,377 (RMB 5,000 thousand)	22,377 (RMB 5,000 thousand)	22,377 (RMB 5,000 thousand)	4.75	Short-term financing	-	Operating turnover	-	-	-	4,369,192 (Note 1)	4,369,192 (Note 1)	(Note 4)
12	Sharpoin Electronics (Huaian) Co., Ltd.	Sharpoin Technology (Qinhuangdao) Co., Ltd.	Other receivables	Yes	22,377 (RMB 5,000 thousand)	22,377 (RMB 5,000 thousand)	22,377 (RMB 5,000 thousand)	4.50	Short-term financing	-	Operating turnover	-	-	-	4,369,192 (Note 1)	4,369,192 (Note 1)	(Note 4)
		Winpoint Electronics (Huaian) Co., Ltd.	Other receivables	Yes	8,951 (RMB 2,000 thousand)	8,951 (RMB 2,000 thousand)	8,951 (RMB 2,000 thousand)	4.35	Short-term financing	-	Operating turnover	-	-	-	4,369,192 (Note 1)	4,369,192 (Note 1)	(Note 4)

Note 1: The maximum financing allowed for a foreign company in which the lender directly and indirectly held 100% voting shares of is limited to the net value of the lender as of December 31, 2018.

Note 2: The maximum financing allowed for a single party or the total financing provided is limited to 40% of the net value of Shanghai Topoint Precision Technology Co., Ltd. as of December 31, 2018.

Note 3: The maximum balance for the period and ending balances were approved by the board of directors.

Note 4: Eliminated from the consolidated financial statements.

**TABLE 2**

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd. (B.V.I.)	b.	\$ 2,621,515 (Note 2)	\$ 92,145 (US\$ 3,000 thousand)	\$ 92,145 (US\$ 3,000 thousand)	\$ -	\$ -	2	\$ 4,369,192 (Note 2)	Y	-	-	-
		Chengdu Raypoint Precision Tools Co., Ltd.	b.	2,621,515 (Note 2)	182,920 (US\$ 1,000 thousand and CHF 1,293 thousand and RMB 25,000 thousand)	128,814 (US\$ 1,000 thousand and RMB 21,920 thousand)	61,684 (US\$ 1,000 thousand and RMB 6,920 thousand)	-	3	4,369,192 (Note 2)	Y	-	Y	-
3	Shanghai Topoint Precision Technology Co., Ltd.	Sharpoint Technology (Shenzhen) Co., Ltd.	b.	1,752,503 (Note 3)	15,171 (RMB 3,390 thousand)	13,292 (RMB 2,970 thousand)	13,292 (RMB 2,970 thousand)	-	-	2,920,839 (Note 3)	-	-	Y	-
		Chengdu Raypoint Precision Tools Co., Ltd.	b.	1,752,503 (Note 3)	69,660 (US\$ 1,570 thousand and RMB 4,790 thousand)	30,636 (US\$ 690 thousand and RMB 2,110 thousand)	30,636 (US\$ 690 thousand and RMB 2,110 thousand)	-	1	2,920,839 (Note 3)	-	-	Y	-

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

- a. The Company in relation to business.
- b. A company in which endorsement/guarantee provider holds directly and indirectly over 50% of voting shares.
- c. A company holds directly and indirectly over 50% voting shares of endorsement/guarantee provider.
- d. A company directly and indirectly holds more than 90% voting shares of endorsement/guarantee provider.
- e. Based on contract projects among their peers in accordance with contract provisions which need mutual insurance company.
- f. Owing to the joint venture funded by the shareholders on its endorsement of its holding company.
- g. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The maximum of total endorsement/guarantee provided is limited to the net value of the Company as of December 31, 2018. The maximum endorsement/guarantee provided for a single party is limited to 60% of the net value of the Company as of December 31, 2018.

Note 3: The maximum of total endorsement/guarantee provided is limited to the net value of Shanghai Topoint Precision Technology Co., Ltd. as of December 31, 2018. The maximum endorsement/guarantee provided for a single party is limited to 60% of the net value of Shanghai Topoint Precision Technology Co., Ltd. as of December 31, 2018.

Note 4: The rate is calculated in accordance with the financial statements of the endorsement/guarantee provider.

Note 5: The maximum balance for the period and ending balance were approved by the board of directors.

Note 6: Indicate “Y” if the endorsement/guarantee is given by parent on behalf of subsidiaries, gain by subsidiaries on behalf of parent or given on behalf of companies in mainland China.

**TABLE 3****TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
Topoint Technology Co., Ltd. (the “Company”)	<u>Share certificates</u> Cooperative Money Market Fund	-	Financial assets at fair value through profit or loss (FVTPL)	4,954,922	\$ 50,271	-	\$ 50,271	Note 1
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss (FVTPL)	1,872,714	30,171	-	30,171	Note 1
	Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss (FVTPL)	1,640,076	24,218	-	24,218	Note 1
	Allianz Global Investors All Seasons Harvest Fund of Bond Funds	-	Financial assets at fair value through profit or loss (FVTPL)	2,031,480	24,268	-	24,268	Note 1
	UPAMC Emerging Markets Corporate Bond Fund	-	Financial assets at fair value through profit or loss (FVTPL)	645,478	5,000	-	5,000	Note 1
	Capital Asian Bond Fund	-	Financial assets at fair value through profit or loss (FVTPL)	518,242	5,000	-	5,000	Note 1
	<u>Share</u> Zhen Ding Technology Holding Limited	-	Financial assets at fair value through other comprehensive income (FVTOCI)	363,000	28,984	0.05	28,984	Note 2
Unipoint Technology Co., Ltd.	<u>Share certificates</u> Allianz Global Investors All Seasons Harvest Fund of Bond Funds	-	Financial assets at fair value through profit or loss (FVTPL)	2,038,470	24,352	-	24,352	Note 1
	Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss (FVTPL)	1,645,614	24,300	-	24,300	Note 1

Note 1: The fair value of the financial assets at FVTPL was calculated at the net assets value of the mutual fund on December 31, 2018.

Note 2: The fair value of listed shares of the financial assets at FVTOCI was calculated on the closing price of the shares as of December 31, 2018.

Note 3: For the information of the investment in subsidiaries and associates, refer to Tables 6 and 7.



**TABLE 4**

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total (Note 1)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 1)	
Topoint Technology Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary	Sales	\$ 319,599	27	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	\$ 49,316	18	(Note 2)
Shanghai Topoint Precision Technology Co., Ltd.	Topoint Technology Co., Ltd.	Parent company	Purchase	319,599	32	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(49,316)	27	(Note 2)
Topoint Technology Co., Ltd.	Warpspeed Corporation (B.V.I.)	Subsidiary	Sales	138,099	12	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	12,622	5	(Note 2)
Warpspeed Corporation (B.V.I.)	Topoint Technology Co., Ltd.	Parent company	Purchase	138,099	96	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(12,622)	100	(Note 2)
Warpspeed Corporation (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd.	Sales	191,689	98	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	22,476	99	(Note 2)
Shanghai Topoint Precision Technology Co., Ltd.	Warpspeed Corporation (B.V.I.)	Subsidiary of Topoint Technology Co., Ltd.	Purchase	191,689	19	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(22,476)	12	(Note 2)
Kunshan Topoint Technology Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	Parent company	Sales	134,947	75	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	11,719	41	(Note 2)
Shanghai Topoint Precision Technology Co., Ltd.	Kunshan Topoint Technology Co., Ltd.	Subsidiary	Purchase	134,947	13	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(11,719)	6	(Note 2)

Note 1: The rate is calculated in accordance with individual financial statements of the companies.

Note 2: Eliminated from the consolidated financial statements.

**TABLE 5**

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars and US Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Accounts Receivable - Related Parties		Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
			Account	Ending Balance (Note 2)		Amount	Actions Taken		
Shanghai Topoint Precision Technology Co., Ltd.	Kunshan Topoint Technology Co., Ltd.	Subsidiary	Other receivables	\$ 107,564	Note 1	\$ -	-	\$ -	\$ -
			Accounts receivable	32	21.6	-	-	32	-
	Chengdu Raypoint Precision Tools Co., Ltd.	Subsidiary	Other receivables	255,456	Note 1	-	-	-	-

Note 1: Other receivables refer to financing provided and interest receivable.

Note 2: Eliminated from the consolidated financial statements.

TABLE 6

TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Notes 2 and 3)
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount (Notes 2 and 3)		
Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd. (B.V.I.)	British Virgin Islands	International investment	\$ 1,755,695	\$ 1,755,695	7,139	100.00	\$ 3,482,243	\$ 106,458	\$ 104,284 (Note 1)
	Unipoint Technology Co., Ltd.	Republic of China	Testing of drill bits and mounting plate bolt holes	305,299	305,299	30,696,297	61.76	339,246	14,304	8,834
	Warspeed Corporation (B.V.I.)	British Virgin Islands	International trade	1,569	1,569	50,000	100.00	136	272	272
	Topoint Japan Co., Ltd.	Japan	Selling electronic components	7,667	7,667	600	100.00	(2,798)	(1,481)	(1,481)
	Unipoint Technology Holdings Co., Ltd. (B.V.I.)	British Virgin Islands	International investment	178,814 (US\$ 5,600 thousand)	178,814 (US\$ 5,600 thousand)	11,200	100.00	22,534	(4,424)	(4,424)
	E-point Precision Tools Co., Ltd.	Republic of China	Selling cutting tools	3,500	-	350,000	70.00	2,901	(856)	(599)
Unipoint Technology Co., Ltd.	Topmicron Investment Ltd.	British Virgin Islands	International investment	59,944 (US\$ 2,000 thousand)	-	2,000,000	100.00	61,074	3,983	3,983

Note 1: Investment gain is the investee’s net income of \$106,458 thousand minus unrealized profits of \$2,174 thousand from upstream and side stream intercompany transactions.

Note 2: The investees’ financial statements used as basis for calculating investment gains (losses) recognized had all been audited.

Note 3: Eliminated from the consolidated financial statements.

Note 4: For information on investee companies in mainland China, refer to Table 7.

TABLE 7

## TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Investor Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee (Note 7)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 7 and 12)	Carrying Amount as of December 31, 2018 (Notes 7 and 12)	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
						Outflow	Inflow							
Topoint Technology Co., Ltd. (the "Company")	Shanghai Topoint Precision Technology Co., Ltd.	Manufacturing and selling precision equipment and measurement facilities	\$ 1,443,066 (US\$ 44,200 thousand)	Indirect: Through an investment company registered in a third region (Note 2)	\$ 914,337 (US\$ 27,300 thousand)	\$ -	\$ -	\$ 914,337 (US\$ 27,300 thousand)	\$ 140,614	100.00	\$ 140,614	\$ 2,920,839	\$ -	(Notes 9 and 15)
	Sharpoint Technology (Qinhuangdao) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	250,222 (US\$ 7,800 thousand)	Indirect: Through an investment company registered in a third region (Note 2)	250,222 (US\$ 7,800 thousand)	-	-	250,222 (US\$ 7,800 thousand)	8,438	100.00	8,438	277,645	-	(Notes 9 and 15)
	Sharpoint Technology (Shenzhen) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	147,583 (US\$ 5,000 thousand)	Indirect: Through an investment company registered in a third region (Note 2)	147,583 (US\$ 5,000 thousand)	-	-	147,583 (US\$ 5,000 thousand)	(32,267)	100.00	(32,267)	87,833	-	(Notes 9 and 15)
	Sharpoint Technology (Suzhou) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	177,872 (US\$ 6,000 thousand)	Indirect: Through an investment company registered in a third region (Note 2)	177,872 (US\$ 6,000 thousand)	-	-	177,872 (US\$ 6,000 thousand)	2,943	100.00	2,943	188,882	-	(Notes 9 and 15)
	Sharpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	308,875 (US\$ 10,000 thousand) (Note 12)	Indirect: Through an investment company registered in a third region (Note 2)	259,808 (US\$ 8,400 thousand)	-	-	259,808 (US\$ 8,400 thousand)	2,419	100.00 (Note 12)	2,419	299,037 (Note 12)	-	(Notes 9 and 15)
	Unipoint Technology Shenzhen Co., Ltd.	Testing of drill bits and mounting plate bolt holes	178,814 (US\$ 5,600 thousand)	Indirect: Through an investment company registered in a third region (Note 3)	178,814 (US\$ 5,600 thousand) (Note 13)	-	-	178,814 (US\$ 5,600 thousand)	(4,426)	100.00	(4,426)	21,907	-	(Notes 9 and 15)
Shanghai Topoint Precision Technology Co., Ltd.	Kunshan Restek Technology Co., Ltd.	Manufacturing, processing and selling print circuit board	30,480 (US\$ 1,000 thousand)	Other (Note 4)	- (Note 4)	-	-	- (Note 4)	(4,606)	75.00	(3,455)	(6,447)	-	(Notes 9 and 15)
	Kunshan Topoint Technology Co., Ltd.	Drilling bits	97,228 (RMB 20,800 thousand)	Other (Note 4)	- (Note 4)	-	-	- (Note 4)	4,790	100.00	4,790	109,483	-	(Notes 9 and 15)
	Sharpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	308,875 (US\$ 10,000 thousand) (Note 12)	Other (Note 4)	- (Note 12)	-	-	- (Note 12)	- (Note 12)	- (Note 12)	- (Note 12)	- (Note 12)	-	(Notes 9 and 15)
	Chengdu Raypoint Precision Tools Co., Ltd.	Cutting equipment	279,074 (RMB 57,000 thousand)	Other (Note 4)	- (Note 4)	-	-	- (Note 4)	(7,477)	94.74	(7,021)	290,462	-	(Notes 9 and 15)
	Shanghai Hejin Roller Technology Co., Ltd.	Manufacturing and selling machinery parts	185,162 (RMB 38,600 thousand)	Other (Note 4)	- (Note 4)	-	-	- (Note 4)	(23,218)	86.27	(22,595)	87,176	-	(Notes 9 and 15)
	Shanghai Ringpoint Nano Material Co., Ltd.	Processing metal products	54,302 (RMB 10,998 thousand)	Other (Note 4)	- (Note 4)	-	-	- (Note 4)	9,452	81.83	7,734	41,684	-	(Notes 9 and 15)
	W.S.G. International Co., Ltd.		16,564 (US\$ 500 thousand)	Other (Note 5)	- (Note 5)	-	-	- (Note 5)	7,913	50.00	3,631	10,737	-	(Note 10)
Chengdu Raypoint Precision Tools Co., Ltd.	Kunshan Raypoint Precision Tools Co., Ltd.	Cutting equipment	34,839 (RMB 7,000 thousand)	Other (Note 6)	- (Note 6)	-	-	- (Note 6)	(6,708)	94.74	(6,708)	12,668	-	(Notes 9 and 15)
Sharpoint Electronics (Huaian) Co., Ltd.	Winpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	25,341 (RMB 5,000 thousand)	Other (Note 7)	- (Note 7)	-	-	- (Note 7)	(2,764)	100.00	(2,764)	20,026	-	(Notes 9 and 15)
Unipoint Technology Co., Ltd.	Sharpoint Electronics(Suzhou) Co., Ltd.	Manufacturing, processing and selling print circuit board	59,944 (US\$ 2,000 thousand)	Indirect: Through an investment company registered in a third region (Note 8)	-	59,944 (US\$ 2,000 thousand)	-	59,944 (US\$ 2,000 thousand) (Note 8)	3,983	61.76	3,983	61,074	-	(Notes 9 and 15)

(Continued)

Investor Company Name	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 14)
Topoint Technology Co., Ltd. (the “Company”)	\$ 1,755,695 (US\$ 54,689 thousand)	\$ 2,312,900 (US\$ 72,360 thousand) (Note 11)	\$ 2,621,515
Unipoint Technology Co., Ltd.	59,944 (US\$ 2,000 thousand)	236,480 (US\$ 8,000 thousand)	333,240

- Note 1: The amount includes the capitalization of retained earnings of US\$16,700 of Shanghai Topoint Precision Technology Co., Ltd. and US\$200 thousand invested by Topoint Technology Co., Ltd. (B.V.I.).
- Note 2: The investment company required in third region is Toping Technology Co., Ltd. (B.V.I.).
- Note 3: The investment company required in third region is Unipoint Technology Holdings Co., Ltd. (B.V.I.).
- Note 4: Invested and established by the owned fund of Shanghai Topoint Precision Technology Co., Ltd.
- Note 5: Invested by the owned fund of Shanghai Topoint Precision Technology Co., Ltd.
- Note 6: Invested and established by the owned fund of Chengdu Raypoint Precision Tools Co., Ltd.
- Note 7: Invested and established by the owned fund of Sharpoint Electronics (Huaian) Co., Ltd.
- Note 8: The investment company required in third region is Topmicron Investment., Ltd.
- Note 9: Investment gains (losses) and carrying values were recognized on the basis of the investee’s financial statements audited by the independent CPA of the Company.
- Note 10: Investment gains (losses) and carrying values were recognized on the basis of the investee’s financial statements unaudited by the independent CPA of the Company.
- Note 11: Investment amounts authorized by Investment Commission under the Ministry of Economic Affairs (MOEA) included the capitalization of retained earnings of US\$16,700 thousand of Shanghai Topoint Precision Technology Co., Ltd., US\$200 thousand invested by Topoint Technology Co., Ltd. (B.V.I.) and US\$771 thousand for purchasing Unipoint Technology Holdings Co., Ltd. (B.V.I.) from Unipoint Technology Co., Ltd.
- Note 12: The investment amounts from Topoint Technology Co., Ltd. (B.V.I.) and Shanghai Topoint Precision Technology Co. are US\$8,400 thousand (84%) and US\$1,600 thousand (16%), respectively. The recognition of gain on investment are \$2,032 thousand and \$387 thousand, respectively, which lead to the ending balances of investment account \$251,191 thousand and \$47,846 thousand.
- Note 13: Unipoint Technology Shenzhen Co., Ltd. was established through Unipoint Technology Holding Co., Ltd. (B.V.I.) by Unipoint Technology Co., Ltd. for a total investment of US\$5,600 thousand. As a result of the reorganization of the Group, the Company holds a 100% interest in Unipoint Technology Holdings Co., Ltd. (B.V.I.).
- Note 14: According to the Investment Commission under the MOEA, the Company’s issued capital is between \$80,000 thousand and \$5,000,000 thousand, and the upper limit on the Company’s investment is at the highest of 60% of the capital or \$80,000 thousand.
- Note 15: Eliminated from the consolidated financial statements.

(Concluded)

**TABLE 8**

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS AND UNREALIZED GAINS OR LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investor Company	Investee Company	Transaction Details	Amount	% to Total Sales or Purchase	Transaction Details		Notes/Accounts Receivable (Payable)		Deferred Gain (Loss)	Note
						Payment Terms	Comparison with Normal Transactions	Ending Balance	% to Total		
0	Topoint Technology Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	Sales	\$ 456,498	39	Based on mutual agreement	Based on mutual agreement	\$ 61,693	23	\$ 17,805	Notes 1 and 2
			Purchase	36,434	8	Based on mutual agreement	Based on mutual agreement	(6,319)	8	264	Notes 1 and 2
			Purchase machinery and equipment on behalf of other	28,632	-	Based on mutual agreement	Based on mutual agreement	-	-	15,300	Notes 1 and 2
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	Sales	8,358	1	Based on mutual agreement	Based on mutual agreement	2,072	-	(7,426)	Notes 1 and 2
		Sharpoint Technology (Suzhou) Co., Ltd.	Sales	14,139	1	Based on mutual agreement	Based on mutual agreement	2,236	1	(2,482)	Notes 1 and 2
		Chengdu Raypoint Precision Tools Co., Ltd.	Sales	762	-	Based on mutual agreement	Based on mutual agreement	99	-	243	Notes 1 and 2
			Purchase	2,467	-	Based on mutual agreement	Based on mutual agreement	(844)	1	-	Notes 1 and 2

Note 1: Except for the Company’s direct transaction with Shanghai Topoint Precision Technology Co., Ltd., Sharpoint Technology (Qinhuangdao) Co., Ltd., Sharpoint Technology (Suzhou) Co., Ltd. and Chengdu Raypoint Precision Tools Co., Ltd., other transactions were made indirectly through Warpspeed Corporation (B.V.I.), Shanghai Topoint Precision Technology Co., Ltd. and Sharpoint Technology (Qinhuangdao) Co., Ltd. The prices and payment terms were based on mutual agreement.

Note 2: Eliminated from the consolidated financial statements.

**TABLE 9**

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Amounts in Thousands of New Taiwan Dollars)**

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
0	Topoint Technology Co., Ltd.	Warpspeed Corporation (B.V.I.)	a	Accounts receivable - related parties	\$ 12,622	-	-
				Sales	138,099	-	4
				Cost of goods sold	2,284	-	-
		Shanghai Topoint Precision Technology Co., Ltd.	a	Accounts receivable - related parties	49,316	-	1
				Inventories	358	-	-
				Accounts payable - related parties	6,319	-	-
				Deferred credits	53,585	-	1
				Sales	319,599	-	10
				Unrealized profit	17,805	-	1
				Cost of goods sold	1,705	-	-
				Gain on disposal of property, plant and equipment	1,950	-	-
		Topoint Japan Co., Ltd.	a	Accounts receivable - related parties	7,626	-	-
				Deferred credits	1,505	-	-
				Sales	11,194	-	1
				Unrealized profit	726	-	-
				Cost of goods sold	1,505	-	-
				Rental revenue	6,441	-	-
				Other income	3,261	-	-
		Unipoint Technology Co., Ltd.	a	Accounts receivable - related parties	6,202	-	-
				Refundable deposits	300	-	-
				Guarantee deposits received	3	-	-
				Deferred credits	431	-	-
				Sales	9,499	-	-
				Unrealized profit	224	-	-
				Cost of goods sold	1,969	-	-
				Rental revenue	36	-	-
				Other income	7,200	-	-
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	a	Accounts receivable - related parties	1,827	-	-
				Deferred credits	8,217	-	-
				Sales	7,158	-	-
				Unrealized profit	7,426	-	-
				Other income	382	-	-
				Cost of goods sold	4,812	-	-
		Sharpoint Technology (Suzhou) Co., Ltd.	a	Accounts receivable - related parties	2,236	-	-
				Sales	14,139	-	-
				Unrealized profit	2,482	-	-

(Continued)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
		Kunshan Topoint Technology Co., Ltd.	a	Deferred credits Cost of goods sold Other income Deferred credits Gain on disposal of property, plant and equipment Other income	\$ 2,556 849 190 25,194 735 4,549	- - - - - -	- - - - - -
		Chengdu Raypoint Precision Tools Co., Ltd.	a	Accounts receivable - related parties Accounts payable - related parties Unrealized profit Deferred credits Sales	99 844 243 366 762	- - - - -	- - - - -
		E-point Precision Tools Co., Ltd.	a	Cost of goods sold Accounts receivable - related parties Sales Rental revenue	2,101 775 830 24	- - - -	- - - -
1	Topoint Technology Co., Ltd. (B.V.I.)	Topoint Japan Co., Ltd.	c	Accounts receivable - related parties	6,955	-	-
2	Warpspeed Corporation (B.V.I.)	Topoint Technology Co., Ltd.	b	Accounts payable - related parties Cost of goods sold Sales	12,622 138,099 2,284	- - -	- 4 -
		Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts receivable - related parties Sales	22,476 191,689	- -	- 6
		Sharpont Technology (Qinhuangdao) Co., Ltd.	c	Sales Accounts receivable - related parties	1,200 245	- -	- -
3	Shanghai Topoint Precision Technology Co., Ltd.	Topoint Technology Co., Ltd.	b	Accounts receivable - related parties Inventories Machinery and equipment Accumulated depreciation Accounts payable - related parties Sales	6,319 38,139 239,801 255,247 49,316 36,434	- - - - - -	- 1 4 4 1 1
		Warpspeed Corporation (B.V.I.)	c	Cost of goods sold Accounts payable - related parties Cost of goods sold	341,525 22,476 191,689	- - -	10 - 6
		Sharpont Technology (Qinhuangdao) Co., Ltd.	c	Accounts receivable - related parties Accounts payable - related parties Sales	42,226 1,460 37,700	- - -	1 - 1
		Unipoint Technology Shenzhen Co., Ltd.	c	Cost of goods sold Interest income Accounts receivable - related parties Accounts payable - related parties Sales Cost of goods sold Interest income Rental revenue	1,051 1,861 94,306 11,115 23,165 2,940 3,450 1,484	- - - - - - - -	- - 1 - 1 - - -

(Continued)



No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
		Sharpoint Technology (Shenzhen) Co., Ltd.	c	Accounts receivable - related parties	\$ 50,810	-	1
				Sales	60,493	-	2
				Cost of goods sold	1,529	-	-
				Accounts payable - related parties	193	-	-
		Sharpoint Technology (Suzhou) Co., Ltd.	c	Accounts receivable - related parties	289	-	-
				Sales	921	-	-
				Cost of goods sold	735	-	-
		Kunshan Restek Technology Co., Ltd.	c	Accounts receivable - related parties	10,741	-	-
				Interest income	518	-	-
		Kunshan Topoint Technology Co., Ltd.	c	Accounts receivable - related parties	107,596	-	2
				Accounts payable - related parties	11,719	-	-
				Sales	5,692	-	-
				Rental revenue	281	-	-
				Interest income	4,972	-	-
				Cost of goods sold	134,947	-	4
		Chengdu Raypoint Precision Tools Co., Ltd.	c	Accounts receivable - related parties	255,456	-	4
				Accounts payable - related parties	29	-	-
				Cost of goods sold	3,059	-	-
				Interest income	9,828	-	-
				Sales	60	-	-
		Sharpoint Electronics (Huaian) Co., Ltd.	c	Accounts receivable - related parties	24,883	-	-
				Sales	74,816	-	2
				Cost of goods sold	1,355	-	-
		Winpoint Electronics (Huaian) Co., Ltd.	c	Sales	3,100	-	-
				Accounts receivable - related parties	1,442	-	-
				Rental revenue	236	-	-
				Cost of goods sold	128	-	-
				Accounts payable - related parties	9	-	-
		Shanghai Hejin Roller Technology Co., Ltd.	c	Accounts receivable - related parties	33,576	-	1
				Rental revenue	4,684	-	-
				Sales	3,476	-	-
				Interest income	590	-	-
		Shanghai Ringpoint Nano Material Co., Ltd.	c	Accounts receivable - related parties	8,964	-	-
				Accounts payable - related parties	14,319	-	-
				Rental revenue	357	-	-
				Sales	2,738	-	-
				Cost of goods sold	36,979	-	-
				Interest income	1,017	-	-
4	Topoint Japan Co., Ltd.	Topoint Technology Co., Ltd.	b	Inventories	1,505	-	-
				Accounts payable - related parties	7,625	-	-
				Cost of goods sold	23,127	-	1
		Topoint Technology Co., Ltd. (B.V.I.)	c	Accounts payable - related parties	6,955	-	-

(Continued)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
5	Unipoint Technology Co., Ltd.	Topoint Technology Co., Ltd.	b	Refundable deposits	\$ 3	-	-
				Inventories	431	-	-
				Accounts payable - related parties	6,202	-	-
				Guarantee deposits received	300	-	-
				Cost of goods sold	16,906	-	1
				Rental revenue	2,400	-	-
		Unipoint Technology Shenzhen Co., Ltd. Sharpoint Electronics (Suzhou) Co., Ltd.	c c	Rental expenses	36	-	-
				Cost of goods sold	43	-	-
				Accounts payable - related parties	24,143	-	-
6	Unipoint Technology Shenzhen Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	c	Inventories	272	-	-
				Accounts payable - related parties	94,306	-	1
				Cost of goods sold	24,649	-	1
				Interest expenses	3,450	-	-
				Accounts receivable - related parties	11,115	-	-
				Rental revenue	3,212	-	-
		Unipoint Technology Co., Ltd. Sharpoint Technology (Shenzhen) Co., Ltd.	c c	Sales	43	-	-
				Accounts payable - related parties	32	-	-
				Accounts receivable - related parties	6	-	-
				Rental revenue	38	-	-
				Cost of goods sold	28	-	-
				Sales	194	-	-
		Sharpoint Technology (Suzhou) Co., Ltd.	c	Accounts receivable - related parties	52	-	-
				Rental revenue	547	-	-
				Accounts payable - related parties	22,377	-	-
				Cost of goods sold	9	-	-
				Interest expenses	502	-	-
				Sales	816	-	-
		Kunshan Topoint Technology Co., Ltd.	c	Accounts receivable - related parties	73	-	-
				Accounts payable - related parties	13,509	-	-
				Cost of goods sold	12,115	-	-
				Accounts payable - related parties	110	-	-
				Cost of goods sold	1,970	-	-
7	Sharpoint Technology (Qinhuangdao) Co., Ltd.	Topoint Technology Co., Ltd.	b	Inventories	4,812	-	-
				Accounts payable - related parties	1,827	-	-
				Cost of goods sold	19,778	-	1
				Machinery and equipment	3,818	-	-
				Accumulated depreciation	413	-	-
				Cost of goods sold	1,200	-	-
		Warpspeed Corporation (B.V.I.)	c	Accounts payable - related parties	245	-	-
				Inventories	4,723	-	-
				Interest expenses	1,861	-	-
		Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts payable - related parties	42,226	-	1
				Sales	1,033	-	-
				Cost of goods sold	37,700	-	1
				Accounts receivable - related parties	1,460	-	-
				Rental revenue	2,639	-	-

(Continued)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
		Sharpoint Electronics (Huaian) Co., Ltd.	c	Cost of goods sold	\$ 8	-	-
				Accounts payable - related parties	22,908	-	-
				Interest expenses	987	-	-
		Winpoint Electronics (Huaian) Co., Ltd.	c	Accounts receivable - related parties	2,263	-	-
				Accounts payable - related parties	5	-	-
				Rental revenue	1,917	-	-
				Cost of goods sold	4	-	-
				Sales	8	-	-
		Sharpoint Technology (Shenzhen) Co., Ltd.	c	Sales	47	-	-
				Accounts receivable - related parties	2	-	-
				Cost of goods sold	19	-	-
		Kunshan Topoint Technology Co., Ltd.	c	Accounts receivable - related parties	479	-	-
				Accounts payable - related parties	522	-	-
				Rental revenue	1,118	-	-
				Cost of goods sold	1,108	-	-
		Sharpoint Technology (Suzhou) Co., Ltd.	c	Accounts payable - related parties	20	-	-
				Rental revenue	20	-	-
				Cost of goods sold	21	-	-
		Unipoint Technology Shenzhen Co., Ltd.	c	Accounts receivable - related parties	110	-	-
				Rental revenue	284	-	-
				Sales	1,686	-	-
8	Sharpoint Technology (Shenzhen) Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	c	Cost of goods sold	60,493	-	2
				Accounts payable - related parties	50,810	-	1
				Sales	1,529	-	-
				Accounts receivable - related parties	193	-	-
		Unipoint Technology Shenzhen Co., Ltd.	c	Accounts receivable - related parties	32	-	-
				Accounts payable - related parties	6	-	-
				Sales	28	-	-
				Cost of goods sold	232	-	-
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	c	Cost of goods sold	47	-	-
				Accounts payable - related parties	2	-	-
				Sales	19	-	-
		Sharpoint Electronics (Huaian) Co., Ltd.	c	Sales	6	-	-
9	Sharpoint Technology (Suzhou) Co., Ltd.	Topoint Technology Co., Ltd.	b	Inventories	849	-	-
				Accounts payable - related parties	2,236	-	-
				Machinery and equipment	3,356	-	-
				Accumulated depreciation	1,649	-	-
				Cost of goods sold	17,660	-	1
		Kunshan Topoint Technology Co., Ltd.	c	Accounts payable - related parties	157	-	-
				Cost of goods sold	414	-	-
		Shanghai Topoint Precision Technology Co., Ltd.	c	Inventories	821	-	-
				Sales	86	-	-
				Accounts payable - related parties	289	-	-
				Cost of goods sold	921	-	-

(Continued)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
		Unipoint Technology Shenzhen Co., Ltd.	c	Accounts payable - related parties Cost of goods sold Accounts receivable - related parties Sales Interest income	\$ 52 547 22,377 9 502	- - - - -	- - - - -
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	c	Accounts receivable - related parties Cost of goods sold Sales	20 20 21	- - -	- - -
10	Kunshan Restek Technology Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts payable - related parties Interest expenses	10,741 518	- -	- -
11	Kunshan Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd.	b	Machinery and equipment Accumulated depreciation Cost of goods sold	52,211 27,017 5,284	- - -	1 - -
		Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts receivable - related parties Accounts payable - related parties Sales Cost of goods sold Interest expenses	11,719 107,596 134,947 5,973 4,972	- - - - -	- 2 4 - -
		Sharpoint Technology (Suzhou) Co., Ltd.	c	Accounts receivable - related parties Rental revenue	157 414	- -	- -
		Unipoint Technology Shenzhen Co., Ltd.	c	Cost of goods sold Accounts payable - related parties Accounts receivable - related parties Sales	816 73 13,509 12,115	- - - -	- - - -
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	c	Accounts receivable - related parties Accounts payable - related parties Rental revenue Cost of goods sold	522 479 1,108 1,118	- - - -	- - - -
		Sharpoint Electronics (Huaian) Co., Ltd.	c	Accounts receivable - related parties	26	-	-
12	Sharpoint Electronics (Huaian) Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	c	Inventories Accounts payable - related parties Cost of goods sold Sales	1,709 24,883 74,816 354	- - - -	- - 2 -
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	c	Sales Accounts receivable - related parties Interest income	8 22,908 987	- - -	- - -
		Sharpoint Technology (Shenzhen) Co., Ltd.	c	Cost of goods sold	6	-	-
		Kunshan Topoint Technology Co., Ltd.	c	Accounts payable - related parties	26	-	-
		Winpoint Electronics (Huaian) Co., Ltd.	c	Accounts receivable - related parties Interest income	8,998 48	- -	- -

(Continued)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
13	Chengdu Raypoint Precision Tools Co., Ltd.	Topoint Technology Co., Ltd.	b	Accounts payable - related parties	\$ 99	-	-
				Accounts receivable - related parties	844	-	-
				Sales	2,467	-	-
				Inventories	366	-	-
				Cost of goods sold	885	-	-
		Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts payable - related parties	255,456	-	4
				Accounts receivable - related parties	29	-	-
				Sales	3,059	-	-
				Interest expenses	9,828	-	-
				Cost of goods sold	60	-	-
		Kunshan Raypoint Precision Tools Co., Ltd.	c	Accounts receivable - related parties	6,150	-	-
				Accounts payable - related parties	6,776	-	-
				Rental revenue	8,127	-	-
				Sales	3,491	-	-
				Cost of goods sold	42,989	-	1
		Shanghai Ringpoint Nano Material Co., Ltd. Shanghai Hejin Roller Technology Co., Ltd.	c c	Sales	780	-	-
				Sales	7	-	-
14	Kunshan Raypoint Precision Tools Co., Ltd.	Chengdu Raypoint Precision Tools Co., Ltd.	c	Accounts receivable - related parties	6,776	-	-
				Accounts payable - related parties	6,150	-	-
				Sales	42,989	-	1
				Cost of goods sold	11,523	-	-
				Rental expenses	95	-	-
15	Winpoint Electronics (Huaian) Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	c	Inventories	194	-	-
				Sales	66	-	-
				Accounts payable - related parties	1,442	-	-
				Accounts receivable - related parties	-	-	-
				Cost of goods sold	3,336	-	-
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	c	Accounts payable - related parties	2,263	-	-
				Accounts receivable - related parties	5	-	-
				Cost of goods sold	1,925	-	-
				Sales	4	-	-
				Accounts payable - related parties	8,998	-	-
				Interest expenses	48	-	-
16	Shanghai Ringpoint Nano Material Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts payable - related parties	8,964	-	-
				Accounts receivable - related parties	14,319	-	-
				Cost of goods sold	3,095	-	-
				Sales	36,979	-	1
				Interest expenses	1,017	-	-
		Chengdu Raypoint Precision Tools Co., Ltd.	c	Cost of goods sold	780	-	-

(Continued)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
17	Shanghai Hejin Roller Technology Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts payable - related parties	\$ 33,576	-	1
				Cost of goods sold	6,989	-	-
		Chengdu Raypoint Precision Tools Co., Ltd.	c	Rental expenses	1,171	-	-
				Interest expenses	590	-	-
				Cost of goods sold	7	-	-
18	E-point Precision Tools Co., Ltd.	Topoint Technology Co., Ltd.	b	Accounts payable - related parties	775	-	-
				Cost of goods sold	830	-	-
				Rental expenses	24	-	-
19	Sharpoint Electronics (Suzhou) Co., Ltd.	Unipoint Technology Co., Ltd.	c	Accounts receivable - related parties	24,143	-	-

Note 1: Companies are numbered as follows:

- a. The number of Topoint Technology Co., Ltd. (“Topoint”) is “0.”
- b. Subsidiaries are numbered from “1” onward.

Note 2: The flow of transactions is as follows:

- a. From Topoint to the subsidiary.
- b. From the subsidiary to Topoint.
- c. Between subsidiaries.

Note 3: The prices and payment terms for related-party transactions were based on agreements.

Note 4: If the transaction amounts are related to the balance sheet accounts, the percentages are those of the year-end balances to the consolidated total assets. If the transaction amounts are related to the income statement accounts, the percentages are the total amounts of the year to the consolidated total sales.

Note 5: Eliminated from the consolidated financial statements.

(Concluded)

**TOPOINT TECHNOLOGY CO., LTD.**

**BALANCE SHEETS**

(In Thousands of New Taiwan Dollars)

ASSETS	2018/12/31		2017/12/31		LIABILITIES AND EQUITY	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 386,117	7	\$ 371,443	7	\$ 80,074	2
Financial assets at fair value through profit or loss	138,941	3	149,760	3	315	-
Notes receivable	17,816	-	10,012	-	67,415	1
Accounts receivable	157,329	3	186,834	4	9,569	-
Accounts receivable - related parties	93,868	2	65,221	1	218,277	4
Other receivables	13,798	-	14,134	-	45,435	1
Inventories	168,223	3	136,675	3	1,556	-
Prepayments	29,221	1	19,838	-	3,436	-
Other current assets	78	-	14	-	426,077	8
Total current assets	1,005,391	19	953,931	18	344,952	7
<b>NONCURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income	28,984	1	-	-	400,000	8
Investments accounted for using the equity method	3,847,060	74	3,827,470	74	-	-
Property, plant and equipment	285,975	5	324,122	7	10,753	-
Intangible assets	4,793	-	7,579	-	2,798	-
Deferred tax assets	29,352	1	50,599	1	968	-
Other noncurrent assets	8,233	-	5,865	-	414,519	8
Total noncurrent assets	4,204,397	81	4,215,635	82	840,596	16
					761,243	15
<b>EQUITY</b>						
Share capital					1,435,305	27
Capital surplus					1,228,597	24
Retained earnings						
Legal reserve					402,837	8
Special reserve					210,804	4
Unappropriated earnings					1,401,022	27
Total retained earnings					2,014,663	39
Other equity					(279,177)	(5)
Treasury shares					(30,196)	(1)
Total equity					4,369,192	84
					4,408,323	85
<b>TOTAL</b>						
	\$ 5,209,788	100	\$ 5,169,566	100	\$ 5,209,788	100
					\$ 5,169,566	100

(With Deloitte & Touche auditors' report dated February 22, 2019)

**TOPOINT TECHNOLOGY CO., LTD.**
**STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES				
Sales	\$ 1,182,287	101	\$ 1,156,044	101
Less : Sales returns	353	-	1,418	-
Sales discounts and allowances	9,662	1	11,807	1
Net Operating Revenues	1,172,272	100	1,142,819	100
OPERATING COSTS				
Cost of goods sold	730,498	62	759,559	67
GROSS PROFIT	441,774	38	383,260	33
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(7,638)	(1)	-	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	-	-	6,814	1
REALIZED GROSS PROFIT	434,136	37	390,074	34
OPERATING EXPENSES				
Marketing and selling	36,821	3	37,484	4
General and administrative	151,382	13	150,589	13
Research and development	40,489	3	35,158	3
Total operating expenses	228,692	19	223,231	20
OTHER OPERATING INCOME AND EXPENSES	3,104	-	7,212	1
NET OPERATING INCOME	208,548	18	174,055	15
NONOPERATING INCOME AND EXPENSES				
Share of the profit of subsidiaries	106,886	9	84,043	7
Other income	20,957	2	20,466	2
Dividend income	1,198	-	-	-
Rental income	6,501	1	6,034	1
Interest income	2,670	-	1,116	-
Loss on valuation of financial instruments	(1,300)	-	(824)	-
Foreign exchange loss, net	260	-	(2,488)	-
Interest expenses	(10,804)	(1)	(8,002)	(1)
Total nonoperating income and expenses	126,368	11	100,345	9
PROFIT BEFORE INCOME TAX	334,916	29	274,400	24
INCOME TAX EXPENSE	(81,275)	(7)	(37,982)	(3)
NET PROFIT	253,641	22	236,418	21

(Continued)



**TOPOINT TECHNOLOGY CO., LTD.**

**STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2018</b>		<b>2017</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(331)	-	(1,940)	-
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	4,215	-	-	-
Share of other comprehensive income (loss) of subsidiaries accounted for using the	357	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	285	-	330	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(72,588)	(6)	(64,118)	(6)
Total other comprehensive loss	(68,062)	(6)	(65,728)	(6)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 185,579</b>	<b>16</b>	<b>\$ 170,690</b>	<b>15</b>
<b>EARNINGS PER SHARE</b>				
Basic	\$ 1.69		\$ 1.50	
Diluted	\$ 1.65		\$ 1.47	

(Concluded)

(With Deloitte & Touche auditors' report dated February 22, 2019)

**TOPOINT TECHNOLOGY CO., LTD.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(In Thousands of New Taiwan Dollars)**

	<b>2018</b>	<b>2017</b>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	\$ 334,916	\$ 274,400
Adjustments for :		
Depreciation	82,709	145,987
Amortization	5,019	7,022
Loss on valuation of financial instruments	1,300	824
Interest expenses	10,804	8,002
Interest income	(2,670)	(1,116)
Dividend income	(1,198)	-
Share of the profit of subsidiaries	(106,886)	(84,043)
Net gain on disposal of property, plant and equipment	(3,104)	(7,212)
Unrealized gain on transactions with subsidiaries	7,638	-
Realized gain on transactions with subsidiaries	-	(6,814)
Net changes in operation assets and liabilities		
Financial assets held for trading	9,094	(38,942)
Notes receivable	(7,804)	(79)
Accounts receivable	29,505	(6,357)
Accounts receivable - related parties	(28,647)	33,613
Other receivables	359	1,279
Inventories	(31,548)	10,667
Prepayments	(9,383)	16,060
Other current assets	(64)	91
Accounts payable	21,939	(288)
Accounts payable - related parties	4,056	(895)
Other payables	11,656	(12,312)
Other current liabilities	10,318	1,002
Net defined benefit liability	(3,908)	(1,907)
Cash provided by operating	334,101	338,982
Interest received	2,647	1,086
Interest paid	(10,751)	(7,762)
Income tax paid	(31,456)	(48,626)
Net cash provided by operating activities	294,541	283,680

(Continued)

**TOPOINT TECHNOLOGY CO., LTD.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(In Thousands of New Taiwan Dollars)**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(24,769)	-
Acquisition of investments accounted for using equity method	(3,500)	-
Acquisition of property, plant and equipment	(36,602)	(3,939)
Proceeds from disposal of property, plant and equipment	419	67
Decrease (increase) in refundable deposits	(44)	2,231
Acquisition of intangible assets	(2,233)	(4,329)
Dividends received	1,198	-
Net cash used in investing activities	<u>(65,531)</u>	<u>(5,970)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in short-term borrowings	12,111	17,128
Proceeds from long-term borrowings	-	100,000
Repayment of long-term borrowings	(6,169)	(6,077)
Net increase (decrease) in guarantee deposits received	334	(871)
Cash dividends	(63,191)	(143,987)
Capital reduction payments to shareholders	(157,978)	-
Net cash used in financing activities	<u>(214,893)</u>	<u>(33,807)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<u>557</u>	<u>(1,322)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	14,674	242,581
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>371,443</u>	<u>128,862</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 386,117</u></u>	<u><u>\$ 371,443</u></u>

(Concluded)

(With Deloitte & Touche auditors' report dated February 22, 2019)

## VII. Review of financial position, management performance and risk management

### 1. Financial position

#### A. Financial status comparison analysis

Unit:NT\$1,000

Item \ Year	2018	2017	Difference	
			Amount	%
Current assets	\$3,982,776	\$3,869,456	113,320	2.93
Property, plant and equipment	2,071,314	2,142,951	(71,637)	(3.34)
Other noncurrent assets	293,867	276,939	16,928	6.11
Total assets	6,347,957	6,289,346	58,611	0.93
Current liabilities	1,090,740	1,009,662	81,078	8.03
Noncurrent liabilities	633,590	621,185	12,405	2.00
Total liabilities	1,724,330	1,630,847	93,483	5.73
Common stock	1,435,305	1,594,783	(159,478)	(10.00)
Capital surplus	1,228,597	1,232,138	(3,541)	(0.29)
Retained earnings	2,014,663	1,823,902	190,761	10.46
Total shareholders' equity	4,623,627	4,658,499	(34,872)	(0.75)

Note:

(1) Other noncurrent assets increase is mainly due to the increase of Financial assets at FVTPL.

(2) Noncurrent liabilities increase is mainly due to the increase of Deferred tax.

## 2. Management performance

### A. Comparison of business performance

Unit: NT\$ 1,000

Item \ Year	2018	2017	Amount change	Ratio change (%)
Net operating income	\$3,282,444	\$3,283,163	(719)	(0.02)
Operating cost	2,372,599	2,394,728	(22,129)	(0.92)
Gross profit	909,845	888,435	21,410	2.41
Operating expense	585,442	578,468	6,974	1.21
Operating income	328,983	308,733	20,250	6.56
Non-operating income and expenses	10,224	11,344	(1,120)	(9.87)
Net income before tax	339,207	320,077	19,130	5.98
Income tax expense(gain)	84,531	86,638	(2,107)	(2.43)
Net income	254,676	233,439	21,237	9.10
Net profit attributed to: Owner of the Company	253,641	236,418	17,223	7.28
Analysis of financial ratio change:				
(1) Non-operating income and expenses decrease is mainly due to the increase of Foreign exchange loss, net.				

### B. KPI

Industry-specific Key Performance Indicator (KPI):

The Company periodically reviews various financial and industrial key performance indicators among businesses in the same industry to control the competitive advantages and industrial movements in a timely manner. The key performance indicator analyses in 2018 are as follows (consolidated number):

Market Share (%)	25.0%
Quality Yield Rate (%)	99.0%
Production Utilization (%)	98.7%

## 3. Analysis of Cash Flows

### A. Liquidity analysis of the last two years

Item \ Year	2018	2017	Fluctuation ratio %
Cash flow ratio	50.92	71.40	(28.68)
Cash adequacy ratio	147.46	150.98	(2.33)
Cash reinvestment ratio	4.69	5.62	(16.55)
Analysis of financial ratio change:			
The cash flow ratio decrease is mainly due to the decrease of net cash flow from operating activity.			

B. Analysis of cash liquidity in one year

Unit:NT\$ 1,000

Beginning cash balance	Expected net cash flow from operating activity of the year	Expected cash outflow of the year	Expected cash surplus (deficit)	Remedial measures for the expected insufficient cash	
				Investing activity	Financing activity
1,758,237	529,347	429,605	1,857,979	-	-
Remedial measures for the expected insufficient cash and liquidity analysis: N/A					

4. Impact of major capital expenditure on finance and business: N/A
5. Most recent fiscal year investment policies, reasons for gain or loss and action plan in regard to investment plans in current year and the next year:
- (1) Most recent fiscal year investment policies: The degree of reinvestment profit, mainly integrated platform to increase revenues and profits as the main policies.
  - (2) The main reason for reinvestment profit: The company in 2018 under the equity method Investment income is NT\$106,886,000, mainly overseas investee companies operating in good condition, due to profit.
  - (3) Investment plans next year:Based on “discipline, insistence and innovation”, the perspective of long-term strategic investment plan carefully assessed.

6. Risk Management

(1) Organization structure of risk management:

Name	Responsibility
High-ranked management level (CEO, president)	-Establish risk management decision and structure -Ensure the effectiveness of risk management policy
Chairman's Office	-Implement risk management policy -Coordinate the risk management interaction and communication between cross departments -Organize the implementation results of risk management activity -Assist and supervise the risk management activities of the branches
Headquarters and the various departments	-Implement daily risk management activities -Self-evaluate the process of risk control activity

(2) Risk Factors

- ①. Management of Economy Risk: the impact of changes of recent annual interest rate and exchange rate, and inflation on company income and future countermeasures:
  - a. Interest rate: The Company's interest expenses in 2018 and 2017 are respectively \$17,758,000 and 20,069,000, which is reduce the amount of borrowing and interest rates. The company is in accordance with the fund demand and received a more favorable market loan financing interest rate and fund raising pathway, and has the most effective fund scheduling to reduce the interest expense.
  - b. Exchange rate: The Company's exchange profit in 2018 and 2017 are respectively Foreign exchange loss \$6,726,000 and Foreign exchange loss \$1,949,000, therefore, the exchange profit does not have a significant influence on company profit. In exchange rate fluctuations, the company closely monitors the changes in foreign exchange rate, the foreign currency assets and liabilities adopted long-term foreign exchange risk hedging trading strategy to reduce currency exchange risk.
  - c. Inflation: There is no significant influence on the company's profit due to inflation this year.
  - d. Future corresponding measures: The Company has grasped the changing situation of the upstream raw material price to reduce the impact on the company profit due to the raw material cost difference.

**The economic risks control is responsible by the finance department.**

- ②. Management of Finance Risk: transactions of high risk, high leverage investment, loan funds to others, endorsement, and derivatives commodity:
- Transactions of high risk or high leverage investment: N/A.
  - The company has set up "loan funds to others", "endorsement" and "transaction of derivatives commodity", etc. operation measures to be the base of the operation. Transactions of loaning funds to others is due to the invested subsidiary having the demand for short-term financing, therefore, until the end of December 31, 2018, the balance of loan funds to others See pages 130 of the annual report. The balance of endorsement for subsidiaries, due to business relations, is See pages 131 of the annual report till the end of December 31, 2018. The balance of transaction of derivatives commodity for subsidiaries, due to business relations, is See pages 86~87 and 116~122 of the annual report till the end of December 31, 2018.  
The finance risks control is responsible by the finance department.
- ③. Future R&D plans and expected R&D investment expense  
Topoint has seen significant results in our efforts to achieve product high performance and low cost goals. The expected investment amount is about 3% of the operating revenue. This will help to cope with the industrial technology demand to increase the development of Flipchip drill performance and DDRII tools.
- ④. The impact of change in major policies, and laws, in Taiwan, and abroad, upon the financial standing of the company and the countermeasures:  
The operations of the company have all followed the relevant laws and regulations, and noticed the policy direction and corresponded with the strategy appropriately; therefore, the company can always effectively correspond and grasp the domestic and international important policy and legal changes.
- ⑤. The impact of change in technology and industry upon the financial standing of the company and the countermeasures:  
The company always attaches great attention to the relevant technology changes of the industry to grasp the market trend and assess the impact it may cause to the company operations.
- ⑥. The impact of change in corporate image upon corporate risk management and the countermeasures:  
Since the establishment of the company, it has been actively strengthening internal management, improving management quality and effectiveness, continuing to follow and implement various corporate governance requirements, setting up independent directors, and appointing relevant experts to provide timely advice to reduce the occurrence of risks and the impact of risks to the company.
- ⑦. Expected benefit(s) and possible risk(s) for M&A activities: N/A
- ⑧. Expected profit and possible risk of plant expansion: N/A
- ⑨. Purchase and sales risks and the countermeasures: The Company sought to scatter suppliers or customers to reduce its risk caused by excessive concentration.
- ⑩. The impact upon and potential risks for the company due to a significant transfer and the impact upon and potential risks for the company due to a significant transfer and change in shareholding of the directors and supervisors or major shareholders holding over 10%: N/A
- ⑪. The impact of change in management and its potential risks: N/A
- ⑫. Litigation and non-litigation matters:
- The company's major legal issues, non-legal issues, or administrative lawsuits settled or pending that may have a significant impact on shareholders' equity or security price in the past two years: N/A.
  - The major legal issues, non-legal issues, or administrative lawsuits settled or pending involved with the directors, supervisors, president and essential persons in charge, shareholders holding over 10% of shares that may have a significant impact on shareholders' equity or security price in the past two years: N/A.

⑬. Other major risks and countermeasures:

a. Market risk

The Corporation's available-for-sale assets were publicly traded securities, with fair values that are affected by changes in market prices. Since the Corporation carefully chooses its investments, there is no significant market risk. In addition, the Corporation uses forward exchange contracts to offset the exchange rate fluctuations of net assets, net liabilities or firm commitments. Thus, no significant market risk is anticipated.

b. Credit risk

The Corporation is exposed to credit risk on the default by counter-parties to forward contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. As a result, no material losses resulting from counter-party defaults are anticipated.

c. Liquidity risk

The Corporation's available-for-sale financial instruments are publicly traded in an active market and can be sold in the market at their fair values. In addition, the Corporation has enough operating capital to meet cash demand. Thus, no significant demand for extra cash is expected.

7. Other important matters: N/A

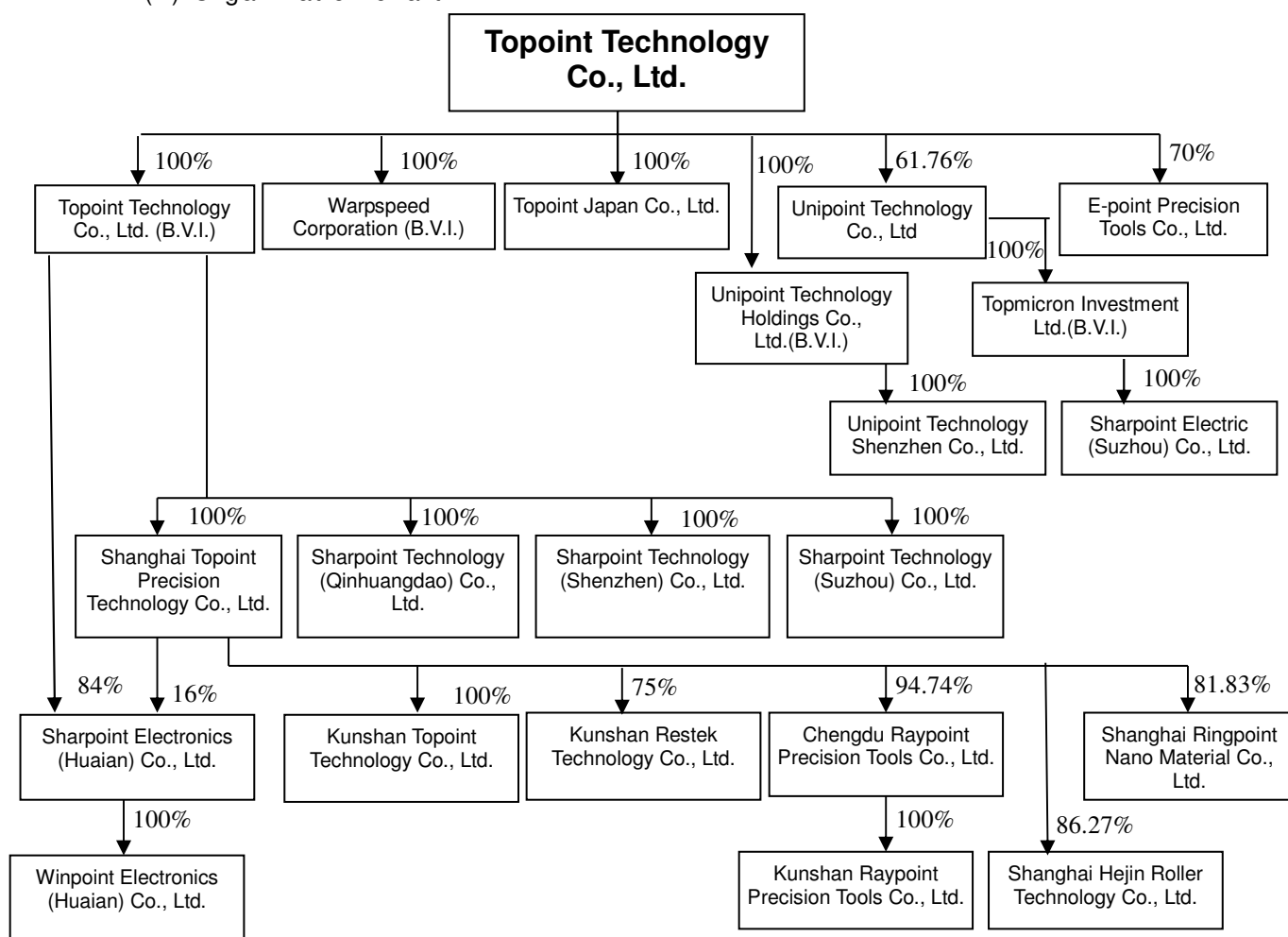


## VIII. Special Disclosures

### 1. Information of Affiliated Firms

#### A. Affiliates Consolidated Business Report

##### (1) Organization chart



##### (2) Basic information

Name of the invested company	Area	Major business	Paid-up capital Unit: NT\$ 1,000
Topoint Technology Co., Ltd.(B.V.I.)	British Virgin Islands	International investment	1,755,695
Unipoint Technology Co., Ltd.	Republic of China	Testing of drill bits and mounting plate bolt holes	497,000
Warpspeed Corporation (B.V.I.)	British Virgin Islands	International trade	1,569
Topoint Japan Co., Ltd.	Japan	Selling electronic components	7,667
Topmicron Investment Ltd.(B.V.I.)	British Virgin Islands	International investment	59,944

Name of the invested company	Area	Major business	Paid-up capital Unit: NT\$ 1,000
E-point Precision Tools Co., Ltd.	Republic of China	Selling Cutting equipment	5,000
Shanghai Topoint Precision Technology Co., Ltd.	China	Manufacturing and selling precision equipment and measurement facilities	1,443,066
Sharpoint Technology (Qinhuangdao) Co., Ltd.	China	Testing of drill bits and mounting plate bolt holes	250,222
Unipoint Technology Holdings Co., Ltd.(B.V.I)	British Virgin Islands	International investment	178,814
Unipoint Technology Shenzhen Co., Ltd.	China	Testing of drill bits and mounting plate bolt holes	178,814
Sharpoint Technology (Shenzhen) Co., Ltd.	China	Testing of drill bits and mounting plate bolt holes	147,583
Sharpoint Technology (Suzhou) Co., Ltd.	China	Testing of drill bits and mounting plate bolt holes	177,872
Kunshan Restek Technology Co., Ltd.	China	Manufacturing, processing and selling print circuit board	30,480
Kunshan Topoint Technology Co., Ltd.	China	Drilling bits	97,228
Sharpoint Electronics (Huaian) Co., Ltd	China	Testing of drill bits and mounting plate bolt holes	308,875
Chengdu Raypoint Precision Tools Co., Ltd.	China	Cutting equipment	279,074
Kunshan Raypoint Precision Tools Co., Ltd.	China	Cutting equipment	34,839
Winpoint Electronics (Huaian) Co., Ltd.	China	Testing of drill bits and mounting plate bolt holes	25,341
Shanghai Hejin Roller Technology Co., Ltd.	China	Manufacturing and selling machinery parts	185,162
Shanghai Ringpoint Nano Material Co., Ltd.	China	Processing metal products	54,302
Sharpoint Electric (Suzhou) Co., Ltd.	China	Testing of drill bits and mounting plate bolt holes	59,994

(3) The shareholder's information presumed to have control and subordination: N/A

(4) The industry covered by the overall affiliates operating business

The operating business of the company and its affiliated enterprises include the R&D, manufacture, and sales of drills, etc.

## (5) Affiliated enterprises directors, supervisors, and presidents

Company Name	Position	Name/Representative	Share holding	
			Amount	%
Topoint Technology Co., Ltd. (B.V.I.)	Major Shareholder	Topoint Technology Hsu-Ting, Lin	7,139	100%
Unipont Technology Co., Ltd.	Major Shareholder	Topoint Technology Hsu-Ting, Lin	30,696,297	61.76%
Warspeed Corporation (B.V.I.)	Major Shareholder	Topoint Technology Hsu-Ting, Lin	50,000	100%
Topoint Japan Co., Ltd.	Major Shareholder	Topoint Technology Hsu-Ting, Lin	600	100%
Topmicron Investment Ltd.(B.V.I.)	Major Shareholder	Topoint Technology Hsu-Ting, Lin	1,235,200	67.76%
E-point Precision Tools Co., Ltd.	Major Shareholder	Topoint Technology Hsu-Ting, Lin	350,000	70%
Shanghai Topoint Precision Technology Co., Ltd.	Director	Hsu-Ting, Lin	-	-
	Director	Chia-Hung, Wang	-	-
	Director	Xiu-Tao, Chen	-	-
	Supervisor	Ching-Wen, Chen	-	-
Sharpoint Technology (Qinhuangdao) Co., Ltd.	Director	Chia-Hung, Wang	-	-
	Director	Hsu-Ting, Lin	-	-
	Director	Chang-Long, Yan	-	-
	Supervisor	Sheng-Chou, Weng	-	-
Unipoint Technology Holdings Co., Ltd. (B.V.I.)	Major Shareholder	Topoint Technology Hsu-Ting, Lin	11,200	100%
Unipoint Technology Shenzhen Co., Ltd.	Director	Zhen-Jian, Liu	-	-
	Director	Hsu-Ting, Lin	-	-
	Director	Guo-Tong, Yang	-	-
	Supervisor	Re-Ping, Lin	-	-
Sharpoint Technology (Shenzhen) Co., Ltd.	Director	Hsu-Ting, Lin	-	-
	Director	Chia-Hung, Wang	-	-
	Director	Chang-Long, Yan	-	-
	Director	Ying-Ming, Huang	-	-
	Supervisor	Sheng-Chou, Weng	-	-
Sharpoint Technology (Suzhou) Co., Ltd.	Director	Hsu-Ting, Lin	-	-
	Director	Chia-Hung, Wang	-	-
	Director	Chang-Long, Yan	-	-
	Supervisor	Ying-Ming, Huang	-	-
Kunshan Restek Technology Co., Ltd.	Director	Chia-Hung, Wang	-	-
	Director	Hsu-Ting, Lin	-	-
	Director	Xiu-Tao, Chen	-	-
	Supervisor	Chang-Long, Yan	-	-
Kunshan Topoint Technology Co., Ltd.	Director	Chia-Hung, Wang	-	-
	Director	Chang-Long, Yan	-	-
	Director	Sheng-Chou, Weng	-	-
	Supervisor	Xiu-Tao, Chen	-	-

Company Name	Position	Name/Representative	Share holding	
			Amount	%
Sharpoint Electronics (Huaian) Co., Ltd.	Director	Chia-Hung, Wang	-	-
	Director	Chang-Long, Yan	-	-
	Director	Yin-Min, Huang	-	-
	Supervisor	Xiu-Tao, Chen	-	-
Chengdu Raypoint Precision Tools Co., Ltd.	Director	Chia-Hung, Wang	-	-
	Director	Zhan-Yang, Chen	-	-
	Director	Chang-Long, Yan	-	-
	Supervisor	Xiu-Tao, Chen	-	-
Kunshan Raypoint Precision Tools Co., Ltd.	Director	Chia-Hung, Wang	-	-
	Director	Zhan-Yang, Chen	-	-
	Director	Chang-Long, Yan	-	-
	Supervisor	Xiu-Tao, Chen	-	-
Winpoint Electronics (Huaian) Co., Ltd.	Director	Chia-Hung, Wang	-	-
	Director	Chang-Long, Yan	-	-
	Director	Ying-Ming, Huang	-	-
	Supervisor	Xiu-Tao, Chen	-	-
Shanghai Hejin Roller Technology Co., Ltd.	Director	Chia-Hung, Wang	-	-
	Director	Chang-Long, Yan	-	-
	Director	Ci-Fong, Hong	-	-
	Supervisor	Sheng-Chou, Weng	-	-
Shanghai Ringpoint Nano Material Co., Ltd.	Director	Chia-Hung, Wang	-	-
	Director	Hsu-Ting, Lin	-	-
	Director	Sheng-Chou, Weng	-	-
	Director	Chang-Long, Yan	-	-
	Director	Huei-Lin, Fong	-	-
	Director	Jin-Cai, Lu	-	-
	Director	Lhun-Cing, Ma	-	-
	Supervisor	Lian-Qing, Jhang	-	-
	Supervisor	Xiu-Tao, Chen	-	-
Sharpoint Electric (Suzhou) Co., Ltd.	Director	Chia-Hung, Wang		
	Director	Chang-Long, Yan		
	Director	Ying-Ming, Huang		
	Supervisor	Xiu-Tao, Chen		

**B. Affiliates Consolidated Financial Statements: See P61~P146**

The affiliates of Topoint Technology Co., Ltd., which should have been included in the combined financial statements of Topoint Technology and its affiliates, as of 2018 (from January 1, 2018 to December 31, 2018), based on the “Principles and Guidelines for Preparation of the Affiliates Consolidated Business Report, Affiliates Consolidated Financial Statements, and the Report.”, are the same as those included in the consolidated financial statements of Topoint Technology and its subsidiaries as of 2018, prepared under the Statement of International Financial Reporting Standards (IFRS) No.10. The information required to be disclosed in the consolidated financial statements has already been disclosed in the above consolidated financial statements. Consequently, there is no need to prepare a separate consolidated financial statement of Topoint Technology and its affiliates.

C. Affiliation Report: N/A

2. Subscription of marketable securities privately in the most recent years: N/A
3. The stock shares of the company held or disposed by the subsidiaries in the most recent years: N/A
4. Supplementary disclosures: N/A
5. Occurrence of events defined in Securities Transaction Law Article 36.3.2 that has great impact on shareholder's equity or security price in the most years and up to the date of the report printed: N/A

TOPOINT TECHNOLOGY CO., LTD.

Chairman: Hsu-Ting, Lin