

股票代號:8480

泰昇國際(控股)有限公司

TAISUN INT'L (HOLDING) CORP



Annual report

2018

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公司網址：www.taisunholding.com

中華民國一〇八年六月十日刊印

107年度年報

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Spokesperson's name: Keng-Ping Lin Tel: (+886)-2-2568-2830
Occupational title: Chief Financial Officer Email address: IR@taisun.com.vn
Acting spokesperson's name: Jui-Hao Li Tel: (+886)-2-2568-2830
Occupational title: Vice President of Trade and Procurement Division Email address: IR@taisun.com.vn

II. Names, occupational titles, contact numbers and email addresses of agents for litigious and non-litigious matters within the territory of the Republic of Taiwan (R.O.C.):

Agent's name: Yu-Hsueh Chen Tel: (+886)-2-2568-2830
Occupational title: Director Representative Email address: IR@taisun.com.vn

III. Addresses and contact numbers of the head office, branches and plants:

(I) Company name: 泰昇國際(控股)有限公司 Taisun Int'l (Holding) Corp.

(II) Operational Headquarters: Vietnam-based subsidiary

Name: Taisun Vietnam Co., Ltd.

Website: <http://www.taisunholding.com/>

Address: Lot A1-6, N5 Street, Tay Bac Cu Chi IZ, Cu Chi District, HCM City, Vietnam

Tel: (+84-8) 3790-8681

(III) Mauritius-based subsidiary

Name: Taipoly (Far East) Corporation

Website: <http://www.taisunholding.com/>

Address: Suite 802, St James Court, St Denis Street, Port Louis, Mauritius

Tel: (+84-8) 3790-8681

(IV) Cambodia-based subsidiary

Name: Winsun (Cambodia) Co., Ltd.

Website: <http://www.taisunholding.com/>

Address: National Road No.4, Khan Posenchey, Phnom Penh, Cambodia

Tel: (+855) (0)2372-9798

(V) Taiwan Branch

Name: TAISUN INT'L (HOLDING) CORP., TAIWAN BRANCH

Website: <http://www.taisunholding.com/>

Address: Unit 705, 7F, No. 96, Sec. 2, Zhongshan N. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

Tel: (+886)-2-2568-2830

IV. Board Members

Occupational title	Nationality or place of registration	Name	Major work experience (education)
Chairman	R.O.C.	Representative: Chao-Rong Tai	Department of Industrial Engineering and Management, Ming Chi University of Technology Department of Business Administration, University of Economics, Ho Chi Minh City Chairman's special assistant and spokesperson of the former company of ADVANCETEK ENTERPRISE CO., LTD. President of TAISUN INT'L (HOLDING) CORP. Chairman of TAISUN VIETNAM CO., LTD. Chairman of Taipoly Chairman of WINSUN (CAMBODIA) CO., LTD.
	British Virgin Islands	Everlink Overseas Inc.	-
Director	R.O.C.	Representative: Yu-Hsueh Chen	Department of International Trade, Tamkang University (TKU) Export Sales Manager of Taipoly
	British Virgin Islands	KT Look Int'l Inc.	-
Director	R.O.C.	Jui-Hao Lee	Department of Business Administration, West Coast University Export Sales Head of FUBURG INDUSTRIAL CO., LTD. Export Sales Head of Lianji Industrial Company Limited Vice President of Trade and Procurement Division, TAISUN VIETNAM CO., LTD.
Director	R.O.C.	Hsin-Wu Wang	Master, Department of Financial Management, National Central University Director of Kaori Heat Treatment Co., Ltd. Director of Kaori Technology (Ningbo) Co., Ltd. Supervisor of Long Tech Photoelectronics Co., Ltd. Vice President of Kaori Heat Treatment Co., Ltd. Vice President of Financial Division and Investment Office of

Occupational title	Nationality or place of registration	Name	Major work experience (education)
			Kaori Heat Treatment Co., Ltd.
Independent Director	R.O.C.	Shang-Wu Yu	PhD in Finance, University of Birmingham Dean of College of Business & Management, Jinwen University of Science and Technology Chair Professor & Dean of College of Management and Language, Yuanpei University of Medical Technology Vice President & Dean of College of Management, TUNGNAN UNIVERSITY Dean of College of Informatics, Takming University of Science and Technology Head & Dean of Student Affairs, Department of Information Management, National Taiwan University of Science and Technology Director of First Financial Holding Co., Ltd. Director of International Securities Holding Co., Ltd. Secretary of the Minister's Office, Fair Trade Commission (FTC), Executive Yuan Secretary of the Deputy Minister's Office, Ministry of Economic Affairs (MOEA) Director of First Commercial Bank Director of Taiwan Stock Exchange Independent director of TXC Corporation Chair Professor of College of Management and Design, Ming Chi University of Technology (MCUT)
Independent Director	R.O.C.	Jau-Hwang Hsieh	Department of Accounting, National Cheng Kung University (NCKU) Chief Financial Officer of Vedan International (Holdings) Limited Vice President of Financial Division, Central Trading & Development Corporation Manager of Vietnam Branch Office, Chinfon Commercial Bank Co., Ltd. Manager of Foreign Department, Chinfon Commercial Bank Co., Ltd. Chief Strategy Officer of Vedan International (Holdings) Limited Director of Jia Han International Company Limited Supervisor of Taicera Enterprise Company
Independent Director	R.O.C.	Ming-Hun Chen	Department of Economics, Soochow University Director of Sales Department, China Steel Corporation (CSC) Assistant Vice President, Operations Department, China Steel Corporation (CSC) Chairman of China Steel Structure Co., Ltd. (CSSC) Chairman & President, China Steel Sumikin Vietnam Joint Stock Company (CSVN) Chairman of Tang Eng Iron Works Co., Ltd.

V. Name, address, website and contact number of share administration agency

Name: Mega Securities Co., Ltd. Website: www.emega.com.tw
Address: 1F, No. 95, Section 2, Zhongxiao East Road, Zhongzheng District, Taipei City 100, Taiwan (R.O.C.)
Tel: (02)3393-0898

VI. Names of CPAs and the name, address, website and contact number of the accounting firm for the latest financial statements

Names of CPAs: Shuang-Hsiung Kung and Yu-Hsiu Su
Name of accounting firm: Deloitte Taiwan Website: www.deloitte.com.tw
Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.) Tel: (02)2725-9988

VII. Name of overseas exchange where securities are listed, and method of inquiry: Not applicable

VIII. Company website: www.taisunholding.com

TAISUN INT'L (HOLDING) CORP.

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Part One - Message to Shareholders

Dear Ladies and gentlemen,

First of all, we express our sincere gratitude on behalf of TAISUN for your attendance in our regular shareholders meeting and all shareholders' support and encouragement, as well as all staff's hard work and contributions in last year. TAISUN's operation conditions in 2018, prospects and future targets are represented as follows:

I. Operating Results in 2018:

With the efforts of all staff under the leadership of our management team, TAISUN's net revenue in 2018 was NT\$1,744,175 thousand, with an increase by 16.28% compared with NT\$1,500,010 thousand in the previous year; the operating income in 2018 was increased to NT\$284,515 thousand from NT\$247,835 thousand in 2017, with a growth by 14.8%; the net income after tax in 2018 was increased to NT\$298,691 thousand from NT\$253,853 thousand in 2017, with a growth by 17.66%; and the EPS after tax was NT\$7.61. Generally, TAISUN's growth in 2018 was driven by the fast economic development of the ASEAN's new members, such as Vietnam, Cambodia and Burma. In spite of the impacts of some adverse factors on the gross margin including the rise in the prices of major raw materials and higher initial trial production costs of the new plant in Cambodia, TAISUN's net income after tax still had an increase by nearly 20%.

II. Budget Execution

No financial forecast was published by TAISUN in 2018.

III. Analysis of Income, Expenses and Profitability

(I) In terms of the income and expenses: i) the net cash inflow from operating activities in 2018 was NT\$236,413 thousand because of the overall growth of revenue and profit; ii) the net cash outflow from investing activities in 2018 was NT\$253,415 thousand because of the plant construction and equipment acquisition in Cambodia; and iii) the net cash outflow from financing activities in 2018 was NT\$32,273 thousand because of the distribution of dividends.

(II) Profitability

Return on asset: 15.93%

Return on shareholders' equity: 19.29%

Profit margin before tax: 17.13%

EPS: NT\$7.61

IV. Research and Development

TAISUN's R&D activities generally focus on two aspects: the development of new products and the upgrading of existing products. For the development of new products, with the introduction of new machines for manufacturing adult rehabilitation pants and sanitary napkins, the stereo-protection design of new adult rehabilitation pants provides more protections and prevents side leakage better. New adult rehabilitation pants are more comfortable and well-fitting compared with conventional adult diapers and are applicable to those with light incontinence, who, therefore, can feel assured at work or sports. New design schemes and materials are used in sanitary napkins. Besides, TAISUN keeps developing ultra-soft and fast-absorbent material combinations to achieve effective and fast absorption and less infiltration and maintain the skin dry and comfortable during use. In terms of the upgrading of existing products, with the development of a new generation of pull-ups and adult diapers, various products are launched to satisfy consumers' different needs better in the market. The new design schemes, specifications of advanced products, stringent selection of formulations and materials ensure better user experience of consumers and also help us further improve the

market share of our products.

V. Summary of 2019 Business Plans

(I) Business policies

1. Continuously explore Vietnam as dominant market, expand the market in North Vietnam, and build channels and brands in Cambodia to improve the market share.
2. Achieve the new production capacity successfully to improve the total capacity, and maximize the synergies based on the production and sales plans. Maximize the market share of new products based on the promotion plan and further improve the corporate revenue and profit.
3. Actively develop the markets for international marketing and pay attention to other potential markets to increase the strength for future operation growth.
4. Search for potential merger or strategic alliance opportunities to improve the corporate competitiveness and enter new markets.

(II) Estimated sales volume and basis

No financial forecast was published by TAISUN in 2019.

(III) Key production/sales policies

1. Actively expand the domestic sales and wholesale channels in Vietnam and fortify the sales deployment in central and north Vietnam.
2. Support the development trend of existing marketing channels and enhance the investment in and deployment of modern channels (e.g. supermarket and e-commerce).
3. Planning and execution for the launch of new products
4. Strengthen QC, product modification and development to improve the competitiveness for products.

VI. Future Corporate Development Strategies

In face of the rapid development of emerging markets in Southeast Asia, TAISUN will keep expanding the marketing channels and increasing the market share of its brands in Vietnam and Cambodia recently. TAISUN will increase more business offices and production capacity appropriately to meet the market demand, understand the market trend better, and improve the market share. Meanwhile, TAISUN will pay continuous attention to the development of other potential markets and further develop new markets to drive its growth. For the long-term development, TAISUN will search for merger or strategic alliance opportunities in the international market and strengthen R&D activities of lighter, thinner and softer products with high added value. Besides, an automatic operation system will be set up to improve productivity and quality, its overall competitive edge and opportunities for new market development.

VII. Influence of External Competition Environment, Regulatory Environment, and Overall Business Environment

1. External competition environment

Based on official statistics, the GDP of TAISUN's dominant markets Vietnam and Cambodia will increase by 6.8% and 7.1% respectively in 2019. With economic development and the increase in per capita income, the consumer product retailing markets in Vietnam and Cambodia show steady growth. TAISUN has built steady marketing channels and excellent brand image in the market and is very familiar with the market development trend. Therefore, TAISUN's revenue and profit will be expected to have steady development in 2019.

2 Regulatory environment and overall business environment

Although any government decrees, economic regulations, policy trend, external environment, advantages and disadvantages of the overall business environment, and economic cycle where the companies of the Group are located are all closely related to TAISUN, they have no impacts on or have not caused any change to these companies up to now. Furthermore, Lee and Li Attorneys-At-Law has been retained to offer

consultancy services and reduce operation risks regarding the changes in applicable laws, respond to the changes in the regulatory environment and overall business environment, and maintain the steady growth in the future.

Finally, TAISUN's management team and all staff will strive for achieving various operational objectives in the future based on the corporate spirit of "Growing Together" and meeting expectations of the shareholders.

We wish you all good health and success in your career!

Chairman: Chao-Rong Tai

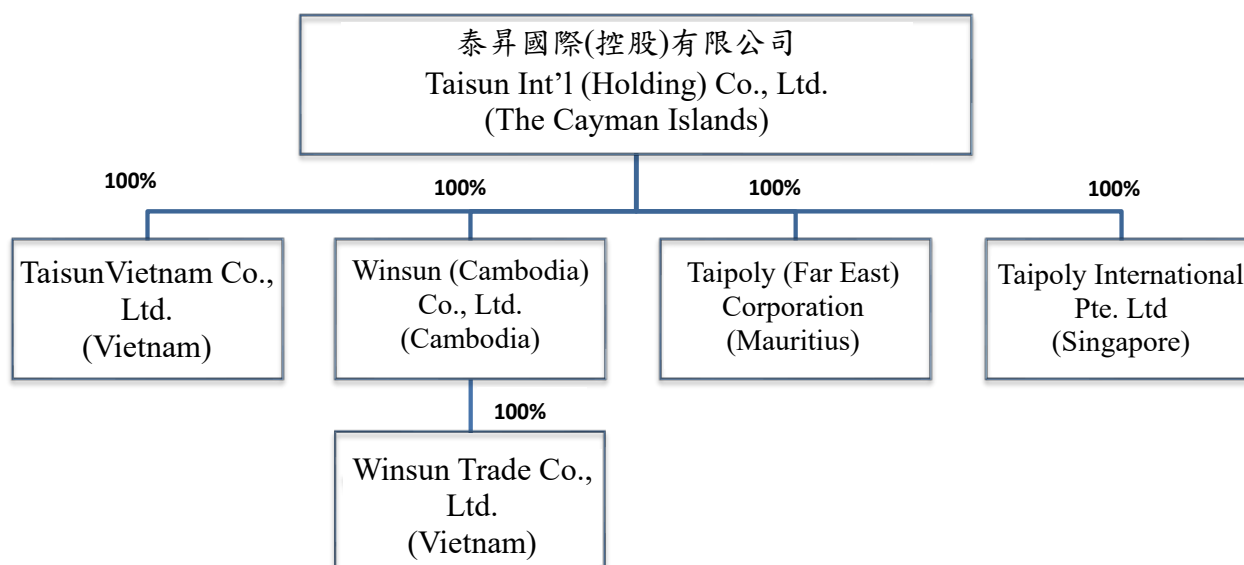


Part Two - Company Overview

I. Date of Establishment and Group Profile

TAISUN INT'L (HOLDING) CORP. (hereinafter referred to as "TAISUN" or the "Company") was incorporated as offshore holding company in the British Cayman Islands on February 6, 2014. TAISUN has three investees as follows: Taisun Vietnam Co., Ltd. incorporated in Vietnam ("Taisun Vietnam"), Taipoly (Far East) Corporation incorporated in Mauritius ("Taipoly"), and Winsun (Cambodia) Co., Ltd. incorporated in Cambodia ("Winsun (Cambodia)"). They are all subsidiaries in which the Company holds 100% shares directly. As the major operating company, Taisun Vietnam is engaged in manufacturing, R&D and marketing activities of hygiene products, such as baby diapers, pull-ups, adult diapers and sanitary napkins. At present, it adopts such business models as sales for its own brands and OEM for brand distributors. The proportions of its sales areas in 2018 are as follows: 46.89% for Vietnam, 30.07% for Cambodia, 13.31% for Asia, 7.25% for Africa, and 2.48% for the Americas and other regions.

II. Group Structure



III. History of Company and Group

Year	History of Company and Group
2001	Taisun Vietnam was established in the new industrial park of Ho Chi Minh City. Its first baby diaper production line (BDP#1) was put into operation in July 2001.
2003	Taisun Vietnam invested in its first sanitary napkin production line (NPK#1).
2004	Taisun Vietnam was relocated to the industrial park in the northwest of Cu Chi, Ho Chi Minh City. Phase I workshop of its Cu Chi Plant was completed and put into service. It expanded two production lines for baby diapers (BDP#2) and sanitary napkins (NPK#2).
2005	Taisun Vietnam obtained ISO 9001 certification.
2006	Taipoly was incorporated.

Year	History of Company and Group
2009	Taisun Vietnam expanded production lines for baby diapers (BDP#3) and adult diapers (ADP#1).
2010	Taisun Vietnam was awarded as "Excellent Enterprise & Best Labor Union" in Ho Chi Minh City.
	The expansion project (Warehouse B) of Phase II workshop for Taisun Vietnam's Cu Chi Plant was completed and put into operation.
2011	Taisun Vietnam expanded the production line for baby diapers (BDP#4).
2012	Taisun Vietnam won the "High-quality Product Award of Vietnam".
2013	The expansion project (Logistics Center & Production Workshop) of Phase III workshop for Taisun Vietnam's Cu Chi Plant was completed and put into operation.
2014	Taisun Vietnam expanded the production line for new pull-ups (POP#1) and launched pull-ups in 2014.
	Taisun Vietnam expanded production lines for baby diapers (BDP#5) and adult diapers (ADP#2).
	TAISUN was incorporated and the restructuring for the group's investments was completed. A plan for the listing on TWSE or TPEX was made.
2015	Winsun (Cambodia) was incorporated.
	For TAISUN, the capitalization amount of capital reserves was NT\$63 million and the paid-up capital was NT\$300 million.
	Taisun Vietnam added production lines for wet tissues (Wet tissue#1, #2) and launched underpads and wet tissues in 2015.
2016	For TAISUN, the increased capital in cash was NT\$8,830 thousand and the paid-up capital was NT\$308,830 thousand.
	Taisun Vietnam built a production line for new pull-ups (POP#2).
	TAISUN approved the application for public listing of shares.
	TAISUN began its OTC trading of emerging stocks.
2017	Taisun Vietnam set up its Central Sales Representative Office in Da Nang City.
	For TAISUN, the increased capital in cash was NT\$48,170 thousand and the paid-up capital was NT\$357 million.
	Primary listing on Taiwan Stock Exchange
2018	TAISUN set up Taiwan Branch.
	Phase I Plant Project of Winsun (Cambodia) was completed and put into service.
	Mass production was started in the production line of Winsun (Cambodia) for new pull-ups (POP#3).
2019	Taisun Vietnam built a production line for new pull-ups (POP#4).
	TAISUN set up Taipoly International Pte. Ltd. as its subsidiary in Singapore.
	Taisun Vietnam has expanded the production line for new adult rehabilitation pants (APOP#1).
	Winsun (Cambodia) has expanded the production line for new sanitary napkins (NPK#3).

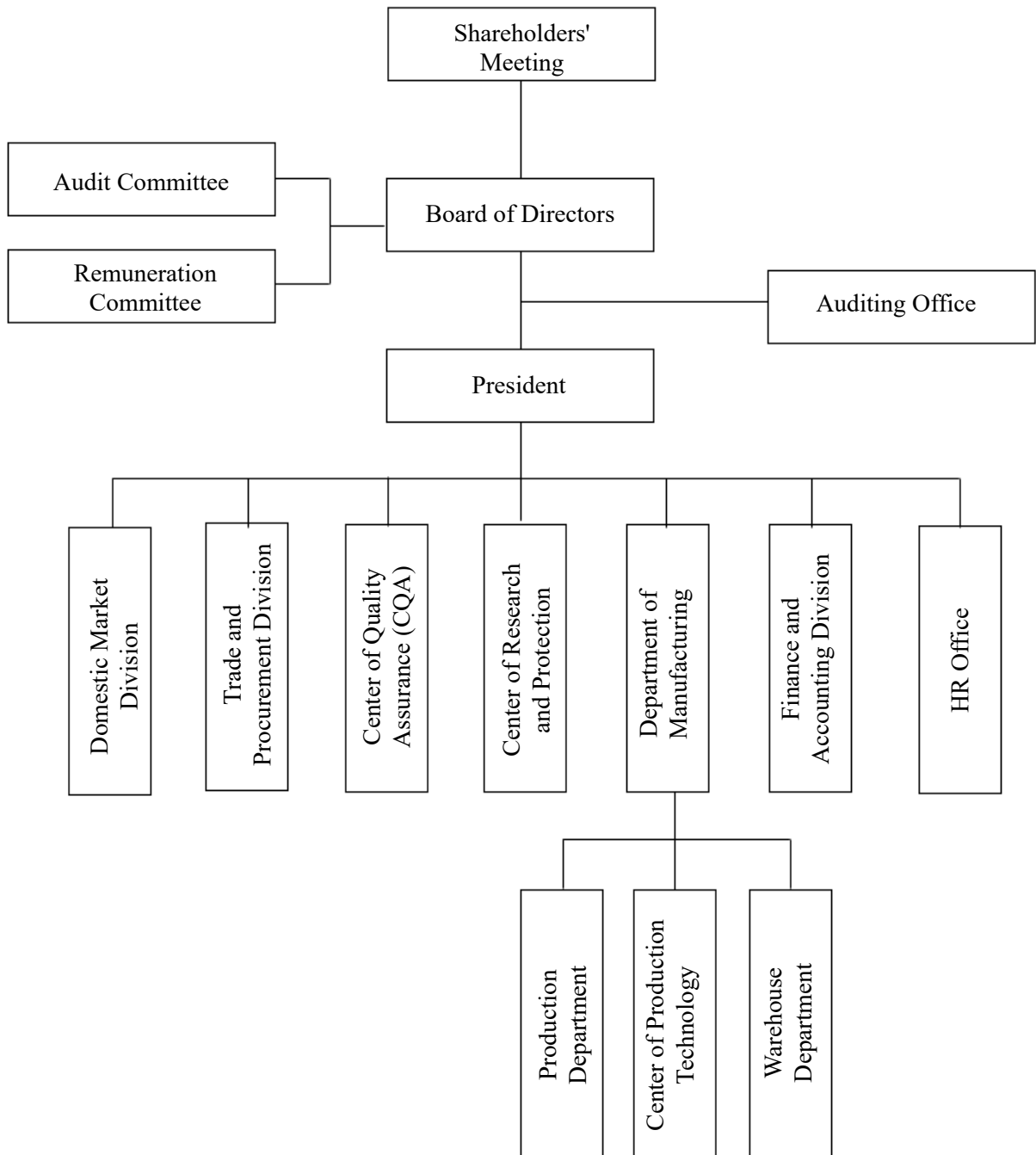
IV. Risk Issues

Please refer to Section VI, Part Seven of this Annual Report.

Part Three - Corporate Governance Report

I. Organization System

(I) Organizational structure



(II) Responsibilities of divisions

Key division & department	Responsibility
Board of Directors	<ol style="list-style-type: none">1. Plan overall business activities and policies of the Company;2. Make operational objectives; and3. Appoint key managers to execute and promote business activities of the Company.
Remuneration Committee	<ol style="list-style-type: none">1. Develop the policy, system and standard for performance assessment and remunerations of the Company's directors and managers; and2. Perform regular assessment and review on the remunerations of the Company's directors and managers.
Audit Committee	<ol style="list-style-type: none">1. Establishment or amendments to the internal control system, and evaluating the effectiveness of internal control system;2. Make decisions on the matters related to directors' own interest;3. Verify or approve major matters related to the Company; and4. Review financial statements.
Auditing Office	<ol style="list-style-type: none">1. Be responsible for auditing activities of the Company and the assessment and execution of internal control; and2. Recommend improvements and keep following the improvement progress.
President	<ol style="list-style-type: none">1. Execute the resolutions of the board of directors;2. Carry out intra-company management; and3. Organize various teams to achieve operational objectives.
Domestic Market Division	<ol style="list-style-type: none">1. Plan and integrate annual domestic sales plans of subsidiaries;2. Execute and achieve the sales targets set by the Company based on the overall plan for marketing promotion.3. Set specific targets and strategies according to the conditions of subsidiaries;4. Assist in establishing relevant business management systems to ensure standard process management of various divisions and departments; and5. Collect and sort market information and prepare analysis reports on competitors, market demands and product strategies.
Trade and Procurement Division	<ol style="list-style-type: none">1. Procurement planning and production scheduling of raw materials;2. Searching for and assessment of suppliers;3. Plan and integrate annual export sales plans of subsidiaries, execute and achieve the sales targets already set; and4. Promote the development in foreign markets.
Center of Quality Assurance (CQA)	<ol style="list-style-type: none">1. Supervise, inspect, coordinate and manage the Company's products, jobs and service quality; and2. Collect and master domestic and foreign advanced experience on quality control (QC), and communicate the information on quality.
Finance and Accounting Division	<ol style="list-style-type: none">1. Develop and supervise the implementation of financial development and annual plans based on the Company's development strategies and business progress;2. Establish and improve the Group's financial management system and standard operating procedures (SOPs);3. Organize annual budget and final accounts management, tax planning and management, and management of accounting statements and funds; and4. Assist the board of directors in tasks related to investment and financing.

Key division & department	Responsibility
HR Office	<ol style="list-style-type: none"> 1. Plan HR strategies and design the modes of HR control; 2. Perform organization structure management, setting of goals for employees, and performance assessment; 3. Establish the HR management system and standard; 4. Establish and manage the corporate culture system; 5. Design and manage the general administration system for subsidiaries; and 6. Prepare venues of specific meetings.
Department of Manufacturing	Supervise and manage the Production Department, Center of Production Technology, Warehouse Department and R&D Center.
Production Department	Be responsible for production and manufacturing of various products.
Center of Production Technology	Improve manufacturing processes of products as well as any technology adopted in these processes.
Warehouse Department	<ol style="list-style-type: none"> 1. Supervise warehousing and outbound management, and establish safety inventory; and 2. Perform regular counting and warehouse management.
R&D Center	<ol style="list-style-type: none"> 1. Work with the Sales Department to master the information on market demands and develop new products; 2. Test innovative raw materials and update product design for product upgrading; and 3. Assist the Production Department to achieve mass production and offer technical support.

II. Profiles of Directors, Supervisors, President and Vice Presidents, Associate Vice Presidents, Heads of the Departments and Branches

(I) Directors and supervisors (no such position has been appointed by the Company)

1. Major work experience (education) & position

As at May 1, 2019; Unit: shares in thousands, %

Occupational title	Nationality or place of registration	Name	Gender	Date of (elected to) office	Tenure	Initial date of elected to office	Quantity of shareholding at the time of elected to office		Quantity of shareholding at present		Shareholding of spouse and dependents at present		Shareholding in the name of a third party		Major work experience (education)	Holding other positions of the Company and other companies at present	Other executive, director or supervisor who is a spouse or kindred within the 2 nd tier under the Civil Code		
							Number of shares	Proportion of shareholdings	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding			Occupational title	Name	Relationship
Chairman	R.O.C.	Representative: Chao-Rong Tai	Male	June 29, 2018	2	January 8, 2016	-	-	-	-	-	-	16,907 (Note 1)	43.05%	Department of Industrial Engineering and Management, Ming Chi University of Technology Department of Business Administration, University of Economics, Ho Chi Minh City Chairman's special assistant and spokesperson of the former company of ADVANCETEK ENTERPRISE CO., LTD.	President of TAISUN INT'L (HOLDING) CORP. Chairman of TAISUN VIETNAM CO., LTD. Chairman of Taipoly Chairman of WINSUN (CAMBODIA) CO., LTD.	Director Representative	Yu-Hsueh Chen	Spouse
	British Virgin Islands	Everlink Overseas Inc.	-				15,370	43.05%	16,907	43.05%	-	-	-	-	-	-	-	-	
Director	R.O.C.	Representative: Yu-Hsueh Chen	Female	June 29, 2018	2	January 8, 2016	-	-	-	-	-	-	8,539.3 (Note 2)	21.75%	Department of International Trade, Tamkang University (TKU) Export Sales Manager of Taipoly	Export Sales Manager of Taipoly	Chairman Representative	Chao-Rong Tai	Spouse

Occupational title	Nationality or place of registration	Name	Gender	Date of (elected to) office	Tenure	Initial date of elected to office	Quantity of shareholding at the time of elected to office		Quantity of shareholding at present		Shareholding of spouse and dependents at present		Shareholding in the name of a third party		Major work experience (education)	Holding other positions of the Company and other companies at present	Other executive, director or supervisor who is a spouse or kindred within the 2 nd tier under the Civil Code		
							Number of shares	Proportion of shareholdings	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding			Occupational title	Name	Relationship
	British Virgin Islands	KT Look Int'l Inc.	-				7,763	21.75%	8,539.3	21.75%	-	-	-	-	-	-	-	-	
Director	R.O.C.	Jui-Hao Lee	Male	June 29, 2018	2	January 8, 2016	-	-	-	-	-	-	-	Department of Business Administration, West Coast University Export Sales Head of FUBURG INDUSTRIAL CO., LTD. Export Sales Head of Lianji Industrial Company Limited	Vice President of Trade and Procurement Division, TAISUN VIETNAM CO., LTD.	-	-	-	
Director	R.O.C.	Hsin-Wu Wang	Male	June 29, 2018	2	January 8, 2016	25	0.07%	27.5	0.07%	-	-	-	Master, Department of Financial Management, National Central University Director of Kaori Heat Treatment Co., Ltd. Director of Kaori Technology (Ningbo) Co., Ltd. Supervisor of Long Tech Photoelectronics Co., Ltd. Vice President of Kaori Heat Treatment Co., Ltd.	Vice President of Financial Division and Investment Office of Kaori Heat Treatment Co., Ltd.	-	-	-	
Independent Director	R.O.C.	Shang-Wu Yu	Male	June 29, 2018	2	January 8, 2016	-	-	-	-	-	-	-	PhD in Finance, University of Birmingham Dean of College of Business & Management, Jinwen University of	Director of First Commercial Bank Director of Taiwan	-	-	-	

Occupational title	Nationality or place of registration	Name	Gender	Date of (elected to) office	Tenure	Initial date of elected to office	Quantity of shareholding at the time of elected to office		Quantity of shareholding at present		Shareholding of spouse and dependents at present		Shareholding in the name of a third party		Major work experience (education)	Holding other positions of the Company and other companies at present	Other executive, director or supervisor who is a spouse or kindred within the 2 nd tier under the Civil Code		
							Number of shares	Proportion of shareholdings	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding			Number of shares	Proportion of shareholding	Occupational title
Director														Science and Technology Chair Professor & Dean of College of Management and Language, Yuanpei University of Medical Technology Vice President & Dean of College of Management, TUNGNAN UNIVERSITY Dean of College of Informatics, Takming University of Science and Technology Head & Dean of Student Affairs, Department of Information Management, National Taiwan University of Science and Technology Director of First Financial Holding Co., Ltd. Director of International Securities Holding Co., Ltd. Secretary of the Minister's Office, Fair Trade Commission (FTC), Executive Yuan	Stock Exchange Independent director of TXC Corporation Chair Professor of College of Management and Design, Ming Chi University of Technology (MCUT)				

Occupational title	Nationality or place of registration	Name	Gender	Date of (elected to) office	Tenure	Initial date of elected to office	Quantity of shareholding at the time of elected to office		Quantity of shareholding at present		Shareholding of spouse and dependents at present		Shareholding in the name of a third party		Major work experience (education)	Holding other positions of the Company and other companies at present	Other executive, director or supervisor who is a spouse or kindred within the 2 nd tier under the Civil Code		
							Number of shares	Proportion of shareholdings	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding			Occupational title	Name	Relationship
														Secretary of the Deputy Minister's Office, Ministry of Economic Affairs (MOEA)					
Independent Director	R.O.C.	Jau-Hwang Hsieh	Male	June 29, 2018	2	January 8, 2016	-	-	-	-	-	-	-	Department of Accounting, National Cheng Kung University (NCKU) Chief Financial Officer of Vedan International (Holdings) Limited Vice President of Financial Division, Central Trading & Development Corporation Manager of Vietnam Branch Office, Chinfon Commercial Bank Co., Ltd. Manager of Foreign Department, Chinfon Commercial Bank Co., Ltd.	Chief Strategy Officer of Vedan International (Holdings) Limited Director of Jia Han International Company Limited Supervisor of Taicera Enterprise Company	-	-	-	
Independent Director	R.O.C.	Min-Hun Chen	Male	June 29, 2018	2	August 10, 2016	3	0.01%	3.3	0.01%	-	-	-	Department of Economics, Soochow University Director of Sales Department, China Steel Corporation (CSC) Assistant Vice President,		-	-	-	

Occupational title	Nationality or place of registration	Name	Gender	Date of (elected to) office	Tenure	Initial date of elected to office	Quantity of shareholding at the time of elected to office		Quantity of shareholding at present		Shareholding of spouse and dependents at present		Shareholding in the name of a third party		Major work experience (education)	Holding other positions of the Company and other companies at present	Other executive, director or supervisor who is a spouse or kindred within the 2 nd tier under the Civil Code			
							Number of shares	Proportion of shareholdings	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding			Occupational title	Name	Relationship	
or														China Steel Corporation (CSC) Chairman of China Steel Structure Co., Ltd. (CSSC) Chairman & President, China Steel Sumikin Vietnam Joint Stock Company (CSVC) Chairman of Tang Eng Iron Works Co., Ltd.						

Note 1: The Chairman, Chao-Jung Tai, held its shares via Everlink Overseas Inc. in which he also held 100% of the voting shares.

Note 2: Yu-Hsueh Chen, director, held its shares via KT Look Int'l Inc. in which she also held 100% of the voting shares.

2. Dominant shareholders of the Institutional Director:

(1) Dominant shareholders of the institutional shareholders:

May 1, 2019

Names of Institutional Shareholders	Dominant shareholders of institutional shareholders
Everlink Overseas Inc.	Chao-Rong Tai (100% shareholding)
KT Look Int'l Inc.	Yu-Hsueh Chen (100% shareholding)

(2) Dominant shareholders of the Institutional Shareholders are institutional shareholders: Not applicable

3. Professional knowledge and independence of directors and supervisors

Name (Note 1)	Condition	Do they have more than 5 years of work experience and professional qualifications specified below?		Meeting the standard of independence (Note 2)										Number of public companies that Independent Directors also hold positions
		In the capacity of a tutor or above in a public or private school of higher education in the disciplines of commerce, law, finance, accounting, or any other areas of specialization required for the business operation of the Company	A professional or technician who has passed the national examination for professionals like court judge, prosecutor, lawyer, certified public accountant, or any other expertise required for the business operation of the Company with the issuance of a certificate of completion	Work experience in commerce, law, finance, accounting or necessary for company operation	1	2	3	4	5	6	7	8	9	
Everlink Overseas Inc. Representative: Chao-Rong Tai	-	-	✓	-	✓	-	-	-	-	✓	-	✓	-	-
KT Look Int'l Inc. Representative: Yu-Hsueh Chen	-	-	✓	-	✓	-	-	-	-	✓	-	✓	-	-
Jui-Hao Lee	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Hsin-Wu Wang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Shang-Wu Yu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Name (Note 1)	Condition	Do they have more than 5 years of work experience and professional qualifications specified below?			Meeting the standard of independence (Note 2)										Number of public companies that Independent Directors also hold positions
		In the capacity of a tutor or above in a public or private school of higher education in the disciplines of commerce, law, finance, accounting, or any other areas of specialization required for the business operation of the Company	A professional or technician who has passed the national examination for professionals like court judge, prosecutor, lawyer, certified public accountant, or any other expertise required for the business operation of the Company with the issuance of a certificate of completion	Work experience in commerce, law, finance, accounting or necessary for company operation	1	2	3	4	5	6	7	8	9	10	
Min-Hun Chen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Jau-Hwang Hsieh	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note 1: The field is adjustable to the required space.

Note 2: If the Directors and Supervisors met the following conditions in the period of 2 years prior to the assumption of office and within the term of office, put a “✓” in the appropriate box representing the specific condition.

- (1) Not an employee of the Company or its affiliates;
- (2) Not a Director or Supervisor (except as an Independent Director of the Company's parent company, subsidiaries in which the Company holds more than 50% voting shares directly or indirectly) of the Company's affiliates;
- (3) The person, spouse, dependents or a third party who is a natural person shareholder holding more than 1% of the outstanding shares of the Company or among the top 10 shareholders of the Company;
- (4) Not a spouse, kindred within the 2nd tier under the Civil Code, or kindred by sanguinity within the 3rd tier under the Civil Code as mentioned in the preceding 3 paragraphs;
- (5) Not a Director, Supervisor, or employee of an institutional shareholder directly holding more than 5% of the outstanding shares issued by the Company, or a Director, Supervisor, or employee of an institutional shareholder of the top 5 institutional shareholders of the Company;
- (6) Not a Director, Supervisor, manager or shareholders holding more than 5% of the shares of particular company or institution with financial or business transactions with the Company;
- (7) Not a proprietor, partner, director, supervisor, manager and the spouse to the aforementioned persons of a professional firm, sole proprietorship, partnership, company or institution providing business, legal, financial, and accounting service or consultation services to the Company or affiliates; Except members of the Remuneration Committee who perform their duties pursuant to Article VII of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter”;
- (8) Not the spouse or kindred within the 2nd tier under the Civil Code to another Director;
- (9) None of the particulars inscribed in Article 30 of the "Company Act" is applicable; or
- (10) Not elected to office as the representative of the government, institutions, or their representative as specified in Article 27 of the "Company Act"

(II) Profiles of President and Vice Presidents, Associate Vice Presidents, heads of the departments and branches

As at May 1, 2019; Unit: shares in thousands, %

Occupational title	Nationality	Name	Gender	Date of (elected to) office (Note 1)	Shareholding		Shareholding by spouse or dependents		Shareholding in the name of a third party		Major work experience (education)	Holding positions in other companies at present	A spouse or kindred within the 2 nd tier under the Civil		
					Number of shares	Shareholding percentage	Number of share	Shareholding percentage	Number of shares	Shareholding percentage			Occupational title	Name	Relation
President	R.O.C.	Chao-Rong Tai	Male	January 2, 2001	-	-	-	-	16,907 (Note 2)	43.05 %	Department of Industrial Engineering and Management, Ming Chi University of Technology Department of Business Administration, University of Economics, Ho Chi Minh City Chairman's special assistant and spokesperson of the former company of ADVANCETEK ENTERPRISE CO., LTD.	Chairman of the Company Chairman of TAISUN VIETNAM CO., LTD. Chairman of Taipoly Chairman of WINSUN (CAMBODIA) CO., LTD.	-	-	-
Director of Trade Division	R.O.C.	Jui-Hao Lee	Male	April 8, 2010	-	-	-	-	-	-	Department of Business Administration, West Coast University Export Sales Head of FUBURG INDUSTRIAL	-	-	-	
Director of Domestic Market Division	R.O.C.	Cheng-Hung Hsieh	Male	November 1, 2016	-	-	-	-	-	-	Department of Food Science, Fu Jen Catholic University Deputy Manager of Medical Marketing & Training Department, Bristol-Myers Squibb (Taiwan) Ltd. Executive Manager, Medical Device Channel, Greater China, Procter & Gamble Taiwan Ltd. Deputy Director of Operation Department, Gamania Digital Entertainment Co., Ltd. Business Manager of Michelin Tire Taiwan Co., Ltd.	-	-	-	
Chief Financial Officer	R.O.C.	Ken-Ping Lin	Male	May 26, 2014	-	-	-	-	-	-	Department of Accounting, National Cheng Kung University (NCKU) Manager of PwC Taiwan Chief auditor of ScinoPharm Taiwan, Ltd.	Chief Financial Officer (CFO) of the subsidiaries held by the Group	-	-	-

Occupational title	Nationality	Name	Gender	Date of (elected to) office (Note 1)	Shareholding		Shareholding by spouse or dependents		Shareholding in the name of a third party		Major work experience (education)	Holding positions in other companies at present	A spouse or kindred within the 2 nd tier under the Civil Code		
					Number of shares	Shareholding percentage	Number of share	Shareholding percentage	Number of shares	Shareholding percentage			Occupational title	Name	Relation
Department of Manufacturing Associate Vice President	P.R.C	Fu-Yan Wu	Male	March 27, 2008	-	-	-	-	-	-	International Trade Division, Fujian Foreign Trade College Production Technology Director of Fujian Zhongtian Woman & Baby Articles Co., Ltd. Director & Manager, Production Department, Taisun Vietnam Co., Ltd.	-	-	-	-
Auditing Office Chief Controller	Vietnam	Phan Thanh Long	Male	August 10, 2018	-	-	-	-	-	-	MBA, Department of Finance, National Yunlin University of Science and Technology Cost Analyst, Fusheng Precision Co., Ltd. Accounting Manager, Vision International Co., Ltd.	Chief Auditor of the subsidiaries held by the Company	-	-	-
Center of Quality Assurance (CQA) Associate Vice President	Vietnam	Tran Huu Vinh	Male	May 27, 2013	-	-	-	-	-	-	School of Chemical Engineering, Hanoi University of Science and Technology (HUST) Senior Quality Management Specialist, QC Department, Perstima (Vietnam) Co., Ltd. QC Manager, Zhongnan Flour Co., Ltd.	-	-	-	-
Center of Production Technology Associate Vice President	Vietnam	Nguyen Cong Thinh	Male	August 13, 2018	-	-	-	-	-	-	Department of Automation Engineering, HAMK University of Applied Sciences (Finland) Manager, Automation, Power, Control & Information System, P&G Indochina Co., Ltd.	-	-	-	-

Note 1: Date of election to office in Taisun Vietnam Co., Ltd. ("Major Operator")

Note 2: The Chairman, Chao-Jung Tai, held its shares via Everlink Overseas Inc. in which he also held 100% of the voting shares.

III. Remunerations paid to directors, supervisors, President and Vice Presidents in the most recent year

(I) Remuneration paid to directors in the most recent year (2018)

Unit: NT\$1 thousand; %

Occupational title	Name	Remuneration to directors								The sum of A, B, C, and D in proportion to after-tax net income (%)		Remuneration for performance of works as employees								The sum of A, B, C, D, E, F, and G in proportion to after-tax net income (%)		Any remuneration from investees other than the subsidiaries
		Remuneration (A)		Severance payment and pension (B)		Remuneration to directors (C)		Fees for performance of works (D)		Salaries, bonus, and special allowance (E)		Severance payment and pension (F)		Remuneration to employees (G)								
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements			
Chairman	Everlink Overseas Inc.																					
	Representative: Chao-Rong Tai																					
Director	KT Look Int'l Inc.																					
	Representative: Yu-Hsueh Chen																					
Director	Jui-Hao Lee	-	2,940	-	-	-	800	-	530	-	1.43%	-	4,785	-	-	-	-	407	-	-	3.17%	-
Director	Hsin-Wu Wang																					
Independent Director	Shang-Wu Yu																					
Independent Director	Chao-Hwang Hsieh																					
Independent Director	Min-Hun Chen																					

* Further to the disclosure in the above table, directors who have provided services for all companies included in the financial statements (such as a consultant) and the remuneration: Not applicable

Payment scale

Payment scale of remuneration to the Directors of the Company	Name of director			
	Sum of the said four types of remunerations (A+B+C+D)		Sum of the said seven types of remunerations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
NT\$2 million	-	KT Look Int'l Inc. and its representative Yu-Hsueh Chen; Everlink Overseas Inc. and its representatives Chao-Rong Tai, Jui-Hao Lee, Hsin-Wu Wang, Shang-Wu Yu, Chao-Hwang Hsieh, and Min-Hun Chen	-	KT Look Int'l Inc. and its representatives Yu-Hsueh Chen, Hsin-Wu Wang, Shang-Wu Yu, Chao-Hwang Hsieh, and Min-Hun Chen
NT\$2 million (inclusive) - NT\$5 million (exclusive)	-		-	Everlink Overseas Inc. and its representatives Chao-Rong Tai and Jui-Hao Lee
NT\$5 million (inclusive) - NT\$10 million (exclusive)	-	-	-	-
NT\$10 million (inclusive) - NT\$15 million (exclusive)	-	-	-	-
NT\$15 million (inclusive) - NT\$30 million (exclusive)	-	-	-	-
NT\$30 million (inclusive) - NT\$50 million (exclusive)	-	-	-	-
NT\$50 million (inclusive) - NT\$100 million (exclusive)	-	-	-	-
More than NT\$100 million	-	-	-	-
Total	-	7 persons	-	7 persons

(II) Remuneration paid to supervisors in the most recent year (2018): the Audit Committee has been set up, but no supervisor has been appointed; therefore, this is not applicable.

(III) Remunerations paid to the President and Vice Presidents in the most recent year (2018)

Unit: NT\$1 thousand; %

Occupational title	Name	Salaries (A)		Severance payment and pension (B)		Salaries, bonus, and special subsidy (C)		Remuneration to employees (D)				The sum of A, B, C, and D in proportion to after-tax net income (%)		Any remuneration from investees other than the subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	Chao-Rong Tai	-	1,809	-	-	-	-	-	-	151	-	-	0.66%	-

Payment scale

Payment scale of remunerations paid to the President and Vice Presidents of the Company	Names of the President and Vice Presidents	
	The Company	All companies included in the financial statements
NT\$2 million	-	-
NT\$2 million (inclusive) - NT\$5 million (exclusive)	-	Chao-Rong Tai
NT\$5 million (inclusive) - NT\$10 million (exclusive)	-	-
NT\$10 million (inclusive) - NT\$15 million (exclusive)	-	-
NT\$15 million (inclusive) - NT\$30 million (exclusive)	-	-
NT\$30 million (inclusive) - NT\$50 million (exclusive)	-	-
NT\$50 million (inclusive) - NT\$100 million (exclusive)	-	-
More than NT\$100 million	-	-
Total	-	1 person

(IV) Names of managers with remuneration as employees and the payment in the most recent year (2018)

Unit: NT\$1 thousand; %

	Occupational title	Name	Amount in stock	Amount in cash	Total	The total amount in proportion to after-tax net income (%)
managers	manager	Chao-Rong Tai				
	Director of Trade Division	Jui-Hao Lee				
	Director of Domestic Market Division	Cheng-Hung Hsieh				
	Chief Financial Officer	Ken-Ping Lin				
	Associate Vice President, Department of Manufacturing	Fu-Yan Wu	-	910	910	0.30%
	Chief Controller	Cheng-Lung Pan				
	Manager of the Center of Quality Assurance (CQA)	Yu-Jung Chen				
	Manager of R&D Center	Ju-Yi Chen				

(V) Compare the total amount of payment to the directors, supervisors, the President and Vice Presidents from the Company and all the companies included in the consolidated financial statements as remuneration in the last 2 years and the proportion to after-tax net income in proportion to those indicated in the separate or individual financial statements, and explain the policy of remuneration, standards and combination, procedure for determination of the remuneration, and association with operation performance and the risk in the future.

1. Analysis of ratios of total remunerations paid to directors, supervisors, the President and Vice Presidents of the Company in the last 2 years by the Company and all companies in the consolidated financial statements in proportion to after-tax net income indicated in the separate or individual financial statements

Annual remuneration	2018	2017
Identity	Remunerations paid by the Company to directors, supervisors, the President and Vice Presidents of the Company in the consolidated financial	Remunerations paid by the Company to directors, supervisors, the President and Vice Presidents of the Company in the consolidated financial

	statements in proportion to the after-tax net income in the last 2 years		statements in proportion to the after-tax net income in the last 2 years	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Directors, supervisors, the President and Vice Presidents	-	3.17%	-	3.77%

2. Correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and operation performance and risks in the future

The Company has established the Remuneration Committee, which shall: i) develop and regular review the policies, systems, standards and structures of performance assessment on and remunerations to directors and managers; and ii) evaluate and determine their remunerations at regular intervals. Remunerations to directors have been based on directors' positions and individual participation and contribution to the Company's operations; remunerations to managers have been based on their positions and contribution to the Company with reference to the industry standard pursuant to the Company's rules for human resources.

IV. The Pursuit of Corporate Governance

(I) The Function of the Board of Directors

1. The board of directors convened in five sessions (A) in the most recent year (2018) and the attendance of the directors is shown below:

Occupational title	Name (Note 1)	Attendance in person (B)	Attendance by proxy	Actual attendance (%) [B/A] (Note 2)	Note
Chairman	Everlink Overseas Inc. Representative: Chao-Rong Tai	5	0	100%	Succession for a new term of office as of June 29, 2018
Director	KT Look Int'l Inc. Representative: Yu-Hsueh Chen	5	0	100%	Succession for a new term of office as of June 29, 2018
Director	Jui-Hao Lee	4	1	80%	Succession for a new term of office as of June 29, 2018
Director	Hsin-Wu Wang	4	1	80%	Succession for a new term of office as of June 29, 2018
Independent	Shang-Wu Yu	5	0	100%	Succession for a new

Director					term of office as of June 29, 2018
Independent Director	Chao-Hwang Hsieh	4	1	80%	Succession for a new term of office as of June 29, 2018
Independent Director	Min-Hun Chen	4	0	80%	Succession for a new term of office as of June 29, 2018
<p>Note 1: If directors and supervisors are institutions, names of shareholders and the representative of the institutions shall be disclosed.</p> <p>Note 2: (1) In the event that directors or supervisors leave before a year is completed, the date when they leave should be indicated in the memo column. The actual attendance (seated) rate (%), on the other hand, shall be calculated by the number of board of directors meetings held during service and the frequency number of attendance (being seated) in the meetings.</p> <p>(2) Before a year is completed, upon any re-election of directors or supervisors, names of the said directors/supervisors, new and old, shall be listed and it shall be specified in the remark column that a specific director or supervisor is old, new, or re-elected, and the date of re-election. The actual attendance (seated) rate (%), on the other hand, is to be calculated by the number of board of directors meetings held during service and the frequency number of attendance (being seated) in the meetings.</p>					

2. Additional information:

(1) If any of the following is applicable to the operation of the board of directors, specify the date, the series of the session, the content of the motions, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:

① Particulars inscribed in Article 14.3 of the "Securities and Exchange Act"

② Further to the aforementioned particulars, the adverse opinions or qualified opinions of the Independent Directors on the resolutions of the Board on record or in written declaration:

Board of Directors	Content of the motions and subsequent actions taken	Particulars inscribed in Article 14.3 of the "Securities and Exchange Act"	Adverse opinions or qualified opinions of the Independent Directors
March 13, 2018	The proposal for a new share issue through capitalization of earnings of the Company	V	
	The proposal for replacement of the Company's chief auditor	V	
	Opinions of Independent Directors: Not applicable		
	The response of the Company to the opinions of the Independent Directors: Not applicable		
	Resolution: any attending directors and Independent Directors acted in favor of the motion as stated in common consent.		
August 10, 2018	The proposal for replacement of the chief auditor	V	
	Opinions of Independent Directors: Not applicable		
	The response of the Company to the opinions of the Independent Directors: Not applicable		

	Resolution: any attending directors and Independent Directors acted in favor of the motion as stated in common consent.		
November 9, 2018	The Company's proposal for loaning of funds to wholly-owned subsidiaries	V	
	Opinions of Independent Directors: Not applicable		
	The response of the Company to the opinions of the Independent Directors: Not applicable		
	Resolution: any attending directors and Independent Directors acted in favor of the motion as stated in common consent.		

(2)The recusal of the directors from motions that involved a conflict of interest. Specify the names of the directors, the content of the motions, and reason for recusal, and the participation in voting: Not applicable

(3)The assessment of the objectives for the fortifying of the function of the Board of Directors (such as the establishment of the Audit Committee, and enhancing the transparency of information) and the attainment in current year and in the most recent year: the Company established the Audit Committee and the Remuneration Committee on January 8, 2016 to fortify the function of the board of directors and implement requirements of competent authorities. Both committees consist of independent directors. Furthermore, the Company's auditors will submit audit reports to independent directors at regular intervals to enhance the transparency of information; dedicated personnel have been appointed to perform timely announcement and reporting of specific information on MOPS on the dates as specified in statutes and regulations.

(II) The operation of the Audit Committee or the participation of the Supervisors in the operation of the board of directors

1. The Audit Committee convened in 4 sessions (A) in the most recent year (2018).

The attendance of the Independent Directors is specified as follows:

Occupational title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance (%) (B/A) (Note)	Note
Independent Director	Shang-Wu Yu	4	0	100%	Succession for a new term of office as of June 29, 2018
Independent Director	Chao-Hwang Hsieh	4	0	100%	Succession for a new term of office as of June 29, 2018
Independent Director	Min-Hun Chen	4	0	100%	Succession for a new term of office as of June 29, 2018

Occupational title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance (%) (B/A) (Note)	Note
<p>Notes: (1) If a particular Independent Director resigned from office prior to the end of the fiscal year, specify the date of resignation in the field provided. The actual attendance (%) shall be calculated on the basis of the number of sessions held by the Audit Committee in such period and the attendance in person in the sessions.</p> <p>(2) If there was an election of new Independent Directors before the end of the fiscal year, fill in the information on the former and the new Directors, and specify if the Independent Directors are newly elected to office or reelected for a second term of office, and the date of the election. The actual attendance rate to committee session (%) shall be calculated on the basis of the number of sessions held by the Audit Committee in such period and the attendance in person in the sessions.</p>					

2. Additional information:

(1) I. If any of the following is applicable to the operation of the Audit Committee, specify the date, the series of the session, the content of the motions, the resolutions of the Audit Committee and the response of the Company to the opinions of the Audit Committee:

① Particulars inscribed in Article 14.5 of the "Securities and Exchange Act"

② Further to the aforementioned particulars, other motions not passed by the Audit Committee but at the consent of more than 2/3 of the Directors:

Audit Committee	Content of the motions and subsequent actions taken	Particulars inscribed in Article 14.5 of the "Securities and Exchange Act"	Motions not passed by the Audit Committee but at the consent of more than 2/3 of the Directors:
March 13, 2018	The Company's 2017 consolidated financial statements, Business Report and final accounts	V	
	The proposal for the distribution of earnings of the Company in 2017	V	
	The proposal for a new share issue through capitalization of earnings of the Company	V	
	The proposal for replacement of the Company's chief auditor	V	
	Resolution of the Audit Committee: All members of the Audit Committee acted in favor of the motion.		
	Response of the Company to the opinions of the Audit Committee: the Board acted in favor of the motion in common consent.		
May 12, 2018	The proposal for the consolidated financial statements of the Company in Q1 of 2018	V	

	Resolution of the Audit Committee: All members of the Audit Committee acted in favor of the motion.		
	Response of the Company to the opinions of the Audit Committee: the Board acted in favor of the motion in common consent.		
August 10, 2018	The proposal for the consolidated financial statements of the Company in Q2 of 2018	V	
	The proposal for replacement of the Company's chief auditor	V	
	Resolution of the Audit Committee: All members of the Audit Committee acted in favor of the motion.		
	Response of the Company to the opinions of the Audit Committee: the Board acted in favor of the motion in common consent.		
November 9, 2018	The proposal for the consolidated financial statements of the Company in Q3 of 2018	V	
	The Company's proposal for loaning of funds to wholly-owned subsidiaries	V	
	The proposal for replacement of the Company's CPAs	V	
	Resolution of the Audit Committee: All members of the Audit Committee acted in favor of the motion.		
	Response of the Company to the opinions of the Audit Committee: the Board acted in favor of the motion in common consent.		

(2) The recusal of the Independent Directors from motions that involved a conflict of interest. Specify the names of the Independent Directors, the content of the motions, and reason for recusal, and the participation in voting: Not applicable

(3) Communications among the Independent Directors, Chief Internal Auditor, and the CPAs (in the aspects of corporate finance, business condition, and key matters for communications, the means of communications and the results): the Company has established the internal control system and applicable management procedures pursuant to the "Criteria for the Establishment of Internal Control System of Public Offering Companies" to enable our Independent Directors to promptly understand the Company's operational risks and improvements. To ensure appropriate and effective implementation of this internal control system, the Company has set up an audit unit under the direct leadership of the board of directors; such audit unit shall make audit plans as required by the competent authority and submit to the Independent Directors the audit reports and the reports on improvements concerning disadvantages in the audit thereafter. In this way, the Company's Independent Directors can promptly understand its operational risks and improvements. CPAs will attend the meetings of the Audit Committee and participate in discussions as needed.

(III) The performance of corporate governance and the variation with the "Corporate

Governance Best Practice Principles for TWSE or TPEX Listed Companies", and the reasons for the variation

Items for assessment	State of operation			The variation with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies", and the reasons for the variation
	Yes	No	Summary	
I. Has the Company instituted and disclosed the corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies"?	V		The corporate governance best practice principles instituted by the Company were disclosed on MOPS.	Complying with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies"
II. The Equity Structure and Shareholders Equity of the Company				
(I) Has the Company established relevant standard operation procedures for handling suggestions, queries, disputes, and legal proceedings from the shareholders, and follow the procedures in action?	V		(I) The Company has appointed the spokesperson to express opinions outside on its behalf, as well as dedicated personnel to handle suggestions or disputes from shareholders.	Complying with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies"
(II) Has the Company kept the list of the dominant shareholders that exercise de facto control of the Company and the parties that exercise ultimate control of these dominant shareholders under control?	V		(II) The Company's stock-affairs staff and the share administration agency work closely to maintain the latest list of shareholders in control of the Company and understand changes in the shareholding at any time.	
(III) Has the Company installed and executed risk control mechanisms and firewall for the control of risks between its affiliates?	V		(III) The Company has developed the "Management Procedure for Transactions among Related Parties, Specific Companies and Group Members".	
(IV) Has the Company instituted internal code for the prohibition of using undisclosed information by insiders in the trading of securities?	V		(IV) The Company has developed the "Management Procedure for Prevention against Insider Trading".	
III. The Organization and Function of the Board of Directors			(I) The Company has developed and	Complying with

Items for assessment	State of operation		Summary	The variation with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies", and the reasons for the variation
	Yes	No		
(I) Has the board of directors mapped out a policy of diversity due to the composition of its members with proper pursuit of the policy?	V		implemented the "Policy of Diversity for Composition of Board Members".	the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies"
(II) Further to the establishment of the Remuneration Committee and the Audit Committee as required by law, has the Company voluntarily established other functional committees?		V	(II) The performance of corporate governance is under the control of various departments. No other functional committee is set up. Such committee may be set up in the future as needed upon evaluation.	To be formulated in the future as appropriate
(III) Has the Company established standards and method for evaluating the performance of the board of directors, and implemented the performance evaluation annually?	V		(III) The "Method for Evaluating the Performance of the Board of Directors" of the Company was approved on October 20, 2016. Such performance evaluation will be carried out on a yearly basis in the future.	Complying with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies"
(IV) Has the Company assessed the independence of the CPAs at regular intervals?	V		(IV) The Company evaluates the independence of CPAs and verify whether any CPA or his/her family members are involved in any major financial interest or business relationship, or hold major positions, or have significant impact on the audit, or are kindreds of any supervisor or manager within the 2 nd tier under the Civil Code, or have received any expensive present or gift, on a yearly basis pursuant to Article 29 of the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies". For this	No significant difference

Items for assessment	State of operation		Summary	The variation with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies", and the reasons for the variation
	Yes	No		
			purpose, the Company also requests CPAs to issue the statement on independence; after such proposal is submitted to and approved by the board of directors, CPAs can be appointed.	
IV. Has the TWSE listed or TPEX listed company established the position (part-time position) or appointed designated personnel to pursue corporate governance and related matters (including without limiting to providing the materials that the Directors and Supervisors needed for performing their duties, handling matters related to the convening of the Board's and the Shareholders' Meeting as required by law, making company registration or registration for changes, keeping minutes of Board meetings and Shareholders' Meetings on record)?	V		The Company regards the Finance and Accounting Division as part-time unit for corporate governance, which shall: i) supply Directors and Supervisors the information they need in performing their duties; ii) deal with administrative matters related to the board and shareholder meetings as required by law; iii) fulfill company registration and registration for changes; and iv) keep the minutes of the board and shareholder meetings and complete other matters for corporate governance.	Complying with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies"
V. Has the Company established channels for communications with the stakeholders (including but not limiting to shareholders, employees, customers, and suppliers), and set up a section for stakeholders at the official website of the Company with proper response to the concerns of the stakeholders on issues related to corporate social responsibility?	V		(I) The Company has appointed the spokesperson and acting spokesperson to express opinions outside on its behalf and followed the internal control system to make appropriate response. (II) There is the Stakeholders section available on the website of the Company.	No significant difference

Items for assessment	State of operation		Summary	The variation with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies", and the reasons for the variation
	Yes	No		
VI. Has the Company commissioned a professional share registration and investor service institution for providing services for shareholders?	V		The Company has commissioned a professional share registration and investor service institution for providing services for shareholders.	Complying with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies"
VII. Disclosure of Information (I) Has the Company established its official website for disclosure of information on financial performance and corporate governance? (II) Is there any other means for disclosures (like the installation of an English website, appointment of designated personnel to collect and disclose related information on the Company, proper performance of the spokesperson system, and upload the procedure of investors conference to the website)?	V V		(I) The Company has established its official website and disclosed the information on financial performance and corporate governance on such website and also on MOPS. (II) Any questions about the Company will be answered by the spokesperson or acting spokesperson. Relevant business units shall collect and disclose the information on the Company.	Complying with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies"
VIII. Is there any further information that may help to understand the status of corporate governance of the Company better (including but not limited to employees' rights, employee care, investor relation, supplier relation, stakeholders' rights, the continuing education of the Directors and Supervisors, risk management policy and risk assessment in action, the	V		(I) Employees' rights: the Company has formulated the labor rules for employees. Besides, the Labor Union will follow applicable laws and regulations and the Company also concludes collective labor agreements with employees. They specify the Company's welfare policy and the employee reward and punishment system to maintain employees' rights. (II) Employee care: in addition to	Complying with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies"

Items for assessment	State of operation			The variation with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies", and the reasons for the variation
	Yes	No	Summary	
pursuit of customer policy, and the protection of the Directors and Supervisors with professional liability insurance)?			<p>those specified in regulations of the local government, the Company carries out unscheduled tourism, dinner parties and recreational activities to provide physical and mental relaxation for employees.</p> <p>(III) Investor relation: the Company discloses its crucial information on operation at regular intervals and continuously enhances the transparency of information, so enabling investors to understand the business dynamics and development plans.</p> <p>(IV) Supplier relation: the Company maintains long-term good partnerships with suppliers.</p> <p>(V) Stakeholders' rights: to protect the stakeholders' rights, the Company has provided good and open communication channels in good faith and a responsible manner and always fulfills the corporate social responsibility (CSR) better.</p> <p>(VI) Continuing education of the Directors and Supervisors: the Company's directors always have training courses on the laws and regulations for securities and corporate governance in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" and meet the requirements for continuing education hours.</p> <p>(VII) Risk management policy and risk assessment in action: the</p>	

Items for assessment	State of operation		Summary	The variation with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies", and the reasons for the variation
	Yes	No		
			<p>Company has formulated internal regulations and rules by law and carried out risks management activities and assessments accordingly,</p> <p>(VIII) The pursuit of customer policy: the Company pursues the improvements of quality and technical expertise to offer better services and products to customers.</p> <p>(IX) Protection of the Directors and Supervisors with professional liability insurance: the Company has covered professional liability insurance for the Directors and Supervisors.</p>	
<p>IX. Response to the corporate governance evaluation result released by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and further effort shall be made on matters for improvement but still unaccomplished. (Please keep this box blank if not listed as company assessed.): the Company has been listed for less than a year, so such assessment is not applicable.</p>				

(IV) Composition, duties, and state of operation of the Remuneration Committee

1. Composition of the Remuneration Committee

Identity	Condition	More than 5 years of work experience and the following professional qualification			Compliance with the independence requirement (Note)								Number of other public companies where the member is also a member of their remuneration committees	Note	
		Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to the corporate operation of public and private colleges and universities	A professional or technician who has passed the national examination for professionals like court judge, prosecutor, lawyer, certified public accountant, or any other expertise required for the business operation of the Company with the issuance of a certificate of completion	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8			
Independent Director	Shang-Wu Yu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Chao-Hwang Hsieh	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent Director	Min-Hun Chen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	

Note: If the members met the following conditions in the period of 2 years prior to the assumption of office and within the term of office, put a "✓" in the appropriate box representing the specific condition.

- (1) Not an employee of the Company or its affiliates;
- (2) Not a director or supervisor of the Company or its affiliates. The same does not apply, however, if the independent director is set up by the Company, its parent company, or any subsidiary according to the Act or the local laws and regulations.
- (3) The person, spouse, dependents or a third party who is a natural person shareholder holding more than 1% of the outstanding shares of the Company or among the top 10 shareholders of the Company;
- (4) Not the spouse, kindred within the 2nd tier under the Civil Code or within the 3rd tier of the consanguinity of the persons specified in the foregoing three subparagraphs;
- (5) Not a Director, Supervisor, or employee of an institutional shareholder in direct holding of more than 5% of the outstanding shares of the Company, or a Director, Supervisor, or employee among the top 5 institutional shareholders of the Company;
- (6) Not a Director, Supervisor, manager or shareholders holding more than 5% of the shares of particular company or institution with financial or business transactions with the Company;
- (7) Not a proprietor, partner, director, supervisor, manager and the spouse to the aforementioned persons of a professional firm, sole proprietorship, partnership, company or institution providing business, legal, financial, and accounting service or consultation services to the Company or affiliates; or
- (8) None of the particulars inscribed in Article 30 of the "Company Act" is applicable.

2. Functions of the Remuneration Committee:

- (1) Develop and regularly review the policy, system, standard and structure of performance assessment on and remunerations to directors and managers; and
- (2) Regularly assess and determine remunerations to directors and managers. The convener shall hold at least two meetings of the Remuneration Committee every year and may hold a meeting at any time as needed.

3. Information on the operation of the Remuneration Committee

- (1) The Remuneration Committee of the Company consists of 3 members.
 (2) Tenure of the members for the current term of office: from January 8, 2018 to January 7, 2020; the Remuneration Committee convened in two sessions (A) in the most recent year (2018). The qualification of the members and their attendance are shown below:

Occupational title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance (%) (B/A) (Note)	Note
Convener	Chao-Hwang Hsieh	2	0	100%	Succession for a new term of office as of June 29, 2018
Member	Shang-Wu Yu	2	0	100%	Succession for a new term of office as of June 29, 2018
Member	Min-Hun Chen	2	0	100%	Succession for a new term of office as of June 29, 2018

Additional information:

If the board of directors rejected or revised the recommendation presented by the Remuneration Committee, specify the date, the series of the session, the content of the motions, the resolutions of the board of directors and the response of the Company to the opinions of the Remuneration Committee (like the remuneration package passed by the board of directors is at a higher level than the recommendation presented by the Remuneration Committee, specify the difference and the reason): Not applicable

If particular member holds adverse opinion or qualified opinion on the resolution of the Remuneration Committee on record or in written declaration, specify the date, the series of the session, the content of the motion, the opinions of all members and the responses to the opinions of the members: Not applicable

Note:

- (1) If a particular member of the Remuneration Committee resigned from office prior to the end of the fiscal year, specify the date of resignation in the field provided. The attendance (or attend as observer) rate to the session of the committee (%) shall be calculated on the basis of the number of sessions held in such period and the actual number of presence in the sessions.
 (2) If there was an election of new members for the Remuneration Committee before the end of the fiscal year, fill in the information on the former and the new members, and specify if the members are newly elected to office or reelected for a second term of office, and the date of the election. The attendance rate to committee session (%) shall be calculated on the basis of the number of sessions held in such period and the actual number of presence in the sessions.

(V) The performance of corporate social responsibility

Items for assessment	State of operation			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies" and the reasons
	Yes	No	Summary	
I. Proper pursuit of corporate governance				

Items for assessment	State of operation			Deviation from the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies” and the reasons
	Yes	No	Summary	
(I) Has the Company established the policy or system for corporate social responsibility and has reviewed the result of implementation?	V		(I) The Company has established its own “Corporate Social Responsibility Best Practice Principles”.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies”
(II) Has the Company organized training on corporate social responsibility at regular intervals?	V		(II) The Company communicates the corporate social responsibility (CSR) at the meetings of departments and heads at regular and irregular intervals.	No significant difference
(III) Has the Company established a designated full-time (part-time) body or position for the advocacy of corporate social responsibility administered by a senior office at the authorization of the board of directors, and reported to the board of directors on the operation?	V		(III) The President Office of the Company has established a designated full-time body for the advocacy of corporate social responsibility administered by a senior office at the authorization of the board of directors, and reported to the board of directors on the operation.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies”
(IV) Has the Company established justifiable remuneration policy and linked the performance evaluation system of the employees with the policy of corporate social responsibility, and has instituted a well-defined system for reward and punishment?	V		(IV) The Company has established the performance evaluation system of employees. The annual individual performance evaluation will be carried out and the result will be the basis for remuneration adjustment and future promotion of employees. Besides, the ethical code of conduct is also available to define the business ethics and duties that employees must perform.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies”
II. Environment for Sustainable Development				
(I) Has the Company committed its effort to upgrade the efficient use of resources and use recycled materials causing less burden to the environment?	V		(I) The Company has committed its effort to upgrade the efficient use of resources and reduce the burden to the environment.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies”

Items for assessment	State of operation			Deviation from the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies” and the reasons
	Yes	No	Summary	
(II) Has the Company instituted an environmental management system relevant with the nature of the industry?	V		(II) The Company collects and evaluates the information on the impacts of its operating activities on the natural environment at regular intervals and also sets measurable targets.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”
(III) Has the Company paid attention to the influence of climate change on its operation, and conducted inspection on greenhouse gases, mapped out the strategy for energy saving and carbon reduction, and reduction of the emission of greenhouse gases?	V		(II) Employees are encouraged to turn off lamps when leaving and minimize the use of air conditioners at a range of temperatures below an upper limit or above a lower limit as required. The Company implements a policy for energy saving and carbon reduction and reduction of the emission of greenhouse gases in multiple aspects.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”
III. Protection of Public Interests				
(I) Has the Company established relevant policies and procedures in management in accordance with applicable legal rules and the "International Convention of Human Rights"?	V		(I) The Company abides by relevant labor regulations and respects basic human rights of labors; it also provides the group insurance, training and education assistance, and tourism, etc.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”
(II) Has the Company established the mechanisms and channels for employee complaint and properly responded to the complaints?	V		(II) The department heads, the Labor Union and HR Department of the Company all act as complaint and communication channels. They will respond to any issues reported by employees as soon as possible.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”
(III) Has the Company provided a safe and healthy work environment for the employees and has provided education on health and safety at regular intervals?	V		(III) The Company provides training programs on labor safety and health for employees on an unscheduled basis and also arranges physical examination for them to understand their health status at regular intervals.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”
(IV) Has the Company established the mechanisms for routine communication with the employees, and notified the	V		(IV) The Company has registered an email box to receive complaints and suggestions from employees. Dedicated personnel	Conforming to the “Corporate Social Responsibility Best Practice Principles

Items for assessment	State of operation			Deviation from the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies” and the reasons
	Yes	No	Summary	
employees any change in the operation that may have significant impact on employees by reasonable means?			and the representative of the Labor Union are also authorized to have interviews with employees and department heads. After fully understanding such complaints, the Company will put forward appropriate measures or solutions.	for TWSE or TPEX Listed Companies”
(V) Has the Company established the training program for helping employees in effective career planning?	V		(V) The Company provides internal and external training programs based on the annual training plan and develops effective professional training plans for employees to improve their capability of career development.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”
(VI) Has the Company established the procedures for the protection of consumer right in the aspects of research and development, purchase, production, operation, and service, and the procedures for customer complaints?	V		(VI) Open complaint channels are available to handle any complaints immediately.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”
(VII) Has the Company observed applicable legal rules and international standard in the marketing and labeling of products and services?	V		(VII) The Company always follows applicable legal rules and international standard in the marketing and labeling of products and services.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”
(VIII) Before the engagement in business transactions with the suppliers, has the Company evaluated whether the suppliers had a record on impact on the environment and the society in the past?	V		(VIII) Before the engagement in business transactions with the suppliers, the Company always performs appropriate evaluation to maintain the long-term partnership based on mutual trust and benefit and achieve the sustainable management objective.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”
(IX) If the contracts binding the Company and key suppliers are in defiance of the policy of corporate social responsibility of the Company and has significant impact on the environment and the society, could the Company terminate or rescind the clause		V	(IX) No current contract with suppliers contains such policy stated on the left column. The Company will endeavor to promote the corporate social responsibility and actively negotiate with suppliers in the future.	No significant difference

Items for assessment	State of operation			Deviation from the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies” and the reasons
	Yes	No	Summary	
of these contacts at any time?				
IV. Intensification of Disclosure 1. Has the Company disclosed relevant and reliable information regarding its corporate social responsibility on its website and the MOPS?	V		For the performance of its corporate social responsibility, relevant information is made available in the Company's annual report and the transparency of the information is maintained. Such information is also available on the MOPS.	Conforming to the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”
V. If the Company has established its own corporate social responsibility best practice principles in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies”, elaborate the state of implementation and any variation thereof: Not applicable				
VI. Any other essential information that may help to understand the performance of corporate social responsibility better: Currently, the Company's measures regarding employees' benefit and rights are listed below: (I) Social insurance: the Company has paid social insurance premiums for employees by law. Such insurance covers their retirement survival funds, illness, pregnancy and occupational accident funds. (II) Unemployment insurance: the Company has purchased the unemployment insurance for each employee; the respective premiums assumed by the Company and an individual are subject to the national regulation. (III) Health insurance: the Company has purchased the health insurance for each employee; the respective premiums assumed by the Company and an individual are subject to the national regulation. (IV) Marriage, bereavement and maternity leaves: qualified employees can enjoy such leaves with valid evidence; and the Company will provide certain subsidies according to internal management procedures. (V) Labor Union: the Company has set up the Labor Union as a communication channel between employees and the management. Employees can put forward their opinions and requirements through the Labor Union. The Company also holds the Labor Union meetings at regular intervals to adjust the scope of employees' benefit, when appropriate, to maximize their rights. (VI) Opportunities of promotion and remuneration adjustment: the Company offers opportunities of promotion and remuneration adjustment to employees based on their performance, qualifications and seniority. (VII) In-service training of employees: this includes internal and external training programs at regular and irregular intervals.				
VII. If the CSR Report of the Company was accredited by an external accreditation institution, specify the detail: Not applicable				

(VI) The practice of ethical corporate management and the policies pursued

Items for assessment	State of operation		Summary	Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company” and the Reasons
	Y es	N o		
I Establishment of ethical corporate management policy and proposal				
(I) Has the Company highlighted the policies and practices of ethical corporate management in its internal code and external documents, and the commitment of the board of directors and the management in the realization of ethical corporate management?	V		(I) The Company has established the "Ethical Corporate Management Best Practice Principles" to maintain its standard policies of ethical corporate management. These Principles are included in its internal control system to ensure that the employees, managers and directors understand and follow them.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”
(II) Has the Company established action plans for the prevention of unethical practices and explicitly stated the operation procedure, ethical code of conduct, penalty on violation and complaint system in all the plans with proper implementation?	V		(II) These are crucial steps for employees' training and help them fully understand the Company's decision on the importance of ethical corporate management, relevant policies, preventative measures, and consequences of violation.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”
(III) Has the Company established measures for the prevention of unethical practices within the scope of operation that entail higher risks of unethical business practices pursuant to Paragraph 2, Article 7 of the “Ethical Corporate Governance Best Practice Principles for Companies listed on TWSE/TPEX”?	V		(III) The Company always follows the ethical corporate governance best practice principles, prohibits bribes, and states that no illegal political donation is allowed.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”
II. Implementation of Ethical Corporate Management				

Items for assessment	State of operation		Summary	Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company” and the Reasons
	Y es	N o		
(I) Has the Company assessed the business partners on the record of business integrity, and stated the clause of ethical corporate management in the contracts with the business partners?	V		(I) It is stated in the "Procedures for Ethical Management and Ethical Code of Conduct" of the Company that it shall fully understand the business integrity of the counterparties before concluding any contracts with them and that the provisions concerning ethical corporate management shall be included in those contracts.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”
(II) Has the Company established a designated full-time (part-time) body directly under the board of directors for the advocacy of ethical corporate management, and reported to the board of directors on the state of operation at regular intervals?	V		(II) The President Office acts as a designated full-time body for the advocacy of corporate social responsibility and participates in the board meetings to understand the decision-making process and maintain the Company's guidelines of ethical corporate management.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”
(III) Has the Company made the policies for the prevention of the conflict of interest and provided appropriate channels for the proper pursuit of the avoidance of the conflict of interest.	V		(III) The principle of recusal is in effect at the board of directors on motions entailing a conflict of interest. Employees can report their complaints concerning violations directly to the related department heads or the audit unit under the direct leadership of the board of directors.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”
(IV) Has the Company established viable accounting system, internal control system with the audit conducted by internal auditors for the proper pursuit of ethical corporate management, or has commissioned CPAs for the audit?	V		(IV) The Company has established viable accounting system and internal control system to maintain the performance of ethical corporate management. The internal audit unit verifies the compliance with relevant systems at regular intervals.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”

Items for assessment	State of operation		Summary	Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company” and the Reasons
	Y es	N o		
(V) Has the Company organized internal and external training on ethical corporate management at regular intervals?	V		(V) The Company always communicates the importance of integrity during the orientation training. It also communicates the scope of unethical practices and preventative measures to employees at irregular intervals.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”
III. The Function of the Reporting System of the Company				
(I) Has the Company established the system for reporting of unethical practices with action plan and reward to the informants, and relevant channels for reporting, and also the appointment of designated personnel for handling the report and the person being reported?	V		(I) The punishment and complaint systems are stated in relevant rules and regulations. The importance of integrity is also highlighted during the orientation training.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”
(II) Has the Company established standard operation procedure for the investigation on unethical practices being reported with proper measures for confidentiality?	V		(II) Employees can report any unethical practices identified directly to the related department heads or the audit unit under the direct leadership of the board of directors. Relevant information is always kept strictly confidential.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”
(III) Has the Company taken appropriate measures for the protection of the informants from undue treatment after reporting?	V		(III) The Company always protects the informants from undue treatment after reporting.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed

Items for assessment	State of operation		Summary	Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company” and the Reasons
	Y es	N o		
				Company”
IV. Intensification of Disclosure (I) Has the Company disclosed the content of its ethical corporate management best practice principles and the result of implementation at its official website and MOPS?	V		The information on the Company's ethical corporate management best practice principles is available at its official website and MOPS.	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”
V. If the Company has established its ethical corporate management best practice principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company”, please elaborate the state of implementation and any variation thereof: The Company has established and implemented its “Ethical Corporate Management Best Practice Principles” in a continuous and active manner.				
VI. Any other essential information that may help us to under the ethical corporate management of the Company better: (such as the review and revision of the ethical corporate management best practice principles) The Company has established effective internal audit and control systems and management procedures for business operation under the principle of integrity, so that its suppliers and customers can also follow them during cooperation.				

(VII) If the Company has established the corporate governance best practice principles and related regulations, disclose the means for inquiry:

The Company has established the corporate governance best practice principles and related regulations and has also disclosed the following on the MOPS:

1. Corporate Governance Best Practice Principles
2. Rules of Procedure for the General Meeting of Shareholders
3. Rules of Procedure for Board of Directors Meetings
4. Procedures for Election of Directors and Supervisors
5. Rules for Defining the Scope of Responsibilities of Independent Directors
6. Ethical Code of Conduct
7. Charter of the Audit Committee
8. Charter of the Remuneration Committee
9. Corporate Social Responsibility Best Practice Principles

10. Procedures for Ethical Management and Ethical Code of Conduct

(VIII) Other essential information that helps to understand the ethical corporate governance of the Company better: Not applicable

(IX) The implementation of internal control system

1. Statement of internal control

Statement of the Public Offering Company on the Internal Control System
Representing the Effectiveness of Its Design and Implementation
(This Statement shall apply when the Company commissions CPAs for auditing.)

TAISUN INT'L (HOLDING) CORP.
Statement of Internal Control System

Date: March 8, 2019

The Company and a subsidiary have conducted internal audit in accordance with its Internal Control System covering the period from January 1 to December 31, 2018, and hereby declare as follows:

- I. The Company acknowledges and understands that, the establishment, enforcement and maintenance of its internal control system are the responsibilities of the board of directors and the managers, and that the Company has already established such system. The purpose is to reasonably ensure the effect and efficiency of operation (including profitability, performance and security of assets), the reliability, timeliness and transparency of financial reporting and the compliance with relevant regulations and legal rules.
- II. There is limitation inherent to the internal control system, no matter how perfect the design. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals. Furthermore, the operation environment and situation may vary, and hence the effectiveness of the internal control system. The internal control system of the Company features the self-monitoring mechanism. Once identified, any shortcoming will be corrected immediately.
- III. The Company judges the effectiveness of the internal control system in design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies" (hereinafter referred to as "the Criteria"). The judgment items of the internal control system adopted in such "Criteria" indicate a management and control process. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control are composed by five elements, namely: 1) control environment; 2) risk evaluation; 3) control operation; 4) information and communication; and 5) monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.
- IV. The Company has adopted the aforementioned internal control system for internal audit on the effectiveness of the design and enforcement of the internal control system.
- V. Based on the aforesaid evaluation, it is considered that the design and implementation of the Company's internal control system on December 31, 2018 (including monitoring and managing subsidiaries), specifically including understanding about the effect and efficiency of operation, the reliability, timeliness and transparency of financial reporting and the compliance with relevant regulations and legal rules, are effective and it can reasonably ensure the achievement of the aforementioned goals.
- VI. To review the internal control practices after listing, the Company has commissioned the CPAs pursuant to Article 25 of the "Criteria" to review the internal control system related to the reliability of external financial reporting and the asset security (against any asset acquisition, use or disposal without authorization) for the aforesaid period. As stated in the preceding paragraph, its design and implementation are still effective. There is no significant deficiency on records, treatment, summarization or report reliability that may affect the financial information, or on the asset security that may result in any asset acquisition, use or disposal without authorization.
- VII. This Statement shall form an integral part of the annual report and the prospectus on the Company and will be announced. If there is any fraud, concealment and unlawful practice discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the "Securities and Exchanges Act".
- VIII. This Statement was approved at the meeting of the Company's Board of Directors on March 8, 2019 with no Directors expressing dissent out of the 7 Directors in attendance.

TAISUN INT'L (HOLDING) CORP.

Chairman: Chao-Rong Tai (seal)

President: Chao-Rong Tai (seal)



2. Disclose the Auditors' Report if CPAs were commissioned for the audit of the internal control system.

Review Report on the Internal Control System

The statement on the effective design and enforcement of the internal control system of TAISUN INT'L (HOLDING) CORP. and subsidiaries on December 31, 2018, which was evaluated on March 8, 2019 and considered to be related to the external financial statements and security of assets, is enclosed herein and has been reviewed by us. The maintenance of an effective internal control system and the evaluation of the effectiveness thereof are the responsibilities of the management. We are obliged to give comments on the effectiveness of such system and the "Statement of Internal Control System" of the aforesaid company based on the review result.

We have planned and fulfilled such review in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies" and generally accepted auditing standards to justifiably confirm whether the aforesaid internal control system maintains its effectiveness in all material respects. Our review covers the following aspects: i) understanding the internal control system of the Company; ii) assessing the management's evaluation on the effectiveness of the overall internal control system; iii) testing and assessing the effectiveness in the design and enforcement of the internal control system; and iv) handling other review procedures that we consider necessary. We believe that this review can offer the justifiable basis for the comments made herein.

There is limitation inherent to internal control system, no matter how perfect the design. TAISUN INT'L (HOLDING) CORP. may not be able to prevent or detect mistakes or wrongdoings that have already happened with the aforementioned internal control system for the Company and its subsidiaries. Any change in the environment of the future may downgrade the level of compliance of the internal system. The effectiveness of the internal control system in current period cannot be guaranteed in the future.

In our opinions, the design and enforcement of the internal control system of TAISUN INT'L (HOLDING) CORP. and subsidiaries, in all material aspects, in external financial reporting and asset security was effective from January 1, 2018 to December 31, 2018, in conformity to the "Criteria for the Establishment of Internal Control System of Public Offering Companies" for the judgment of the effectiveness of internal control system. The design and enforcement of the internal control system, as declared by TAISUN INT'L (HOLDING) CORP. and subsidiaries in its statement of internal control dated March 8, 2019, in all material aspects, in external financial reporting and asset security, was fairly presented.

Deloitte Taiwan

Names of CPAs: Yu-Shiou Su and Shuang-Hsiung Kung



March 8, 2019

(X) Penalty of the Company and insiders by law in the most recent year to the day this report was printed, the disciplinary action taken by the Company on insiders who violated the internal control system, major defect and responses to the defects: Not applicable

(XI) Major resolutions of the shareholder and board meetings in the most recent year to the day this Annual Report was printed:

1. Board meetings

Date of session	Major resolutions
March 13, 2018	<ol style="list-style-type: none"> 1. The Company's 2017 consolidated financial statements, Business Report and final accounts; 2. The proposal for the distribution of earnings of the Company in 2017; 3. The proposal for a new share issue through capitalization of earnings of the Company; 4. The proposal for the Statement of the Internal Control System of the Company in 2017; 5. The proposal for replacement of the Company's chief auditor; 6. The proposal for the distribution of employee bonus and remuneration to directors of the Company in 2017; 7. The proposal for the election of a new Board of the Company; 8. Cancellation of the restriction of non-competition on new directors; and 9. Related discussions on the 2018 Regular Shareholders Meeting of the Company
May 12, 2018	<ol style="list-style-type: none"> 1. The proposal for the consolidated financial statements of the Company in Q1 of 2018; and 2. The proposal for pre-qualification of the Company's directors and independent directors for candidates
June 29, 2018	<ol style="list-style-type: none"> 1. The proposal for election of the Company's directors
August 10, 2018	<ol style="list-style-type: none"> 1. The proposal for the consolidated financial statements of the Company in Q2 of 2018; 2. The proposal for replacement of the Company's chief auditor; 3. The proposal for application for credit line of the Company with Cathay United Bank, Taipei Fubon Commercial Bank and CTBC Bank; and 4. The proposal for retaining the members of the Remuneration Committee
November 9, 2018	<ol style="list-style-type: none"> 1. The proposal for the consolidated financial statements of the Company in Q3 of 2018; 2. The proposal for the Company's annual budget in 2019; 3. The audit plan of the Company in 2019; and 4. The Company's proposal for loaning of funds to

Date of session	Major resolutions
	wholly-owned subsidiaries
March 8, 2019	<ol style="list-style-type: none"> 1. The Company's 2018 consolidated financial statements, Business Report and final accounts; 2. The proposal for the distribution of earnings of the Company in 2018; 3. The proposal for the Statement of the Internal Control System of the Company in 2018; 4. The proposal for amendment of part of the Company's "Articles of Incorporation"; 5. The proposal for amendment of part of the Company's "Procedure for the Acquisition or Disposition of Assets"; 6. The proposal for the establishment of the Company's subsidiary in Singapore; 7. The proposal for the distribution of employee bonus and remuneration to directors of the Company in 2018; and 8. Related discussions on the 2019 Regular Shareholders Meeting of the Company
May 10, 2019	<ol style="list-style-type: none"> 1. The proposal for the consolidated financial statements of the Company in Q1 of 2019; and 2. The proposal for amendment of part of the Company's "Procedures for Lending of Capital"; 3. The proposal for amendment of part of the Company's "Procedure for Endorsement/Guarantee"; and 4. The proposal for adding discussions at the 2019 Regular Shareholders Meeting of the Company

2. Shareholder meetings

Date of session	Major resolutions
June 28, 2018	<ol style="list-style-type: none"> 1. Ratification of the 2017 consolidated financial statements, Business Report and final accounts; 2. Ratification of the distribution of earnings in 2017; 3. Discussion on a new share issue through capitalization of earnings of the Company; 4. The proposal for the election of a new Board of the Company; and 5. Cancellation of the restriction of non-competition on new directors

(XII) Adverse opinions from the Directors or Supervisors on the resolution of the board of directors on record or in written declaration in the most recent year to the day this Annual Report was printed, and the summary: Not applicable

(XIII) Resignation or dismissal of the Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, and Chief of R&D in the most

recent year to the day this Annual Report was printed in detail

The information on the resignation or dismissal of persons related to financial reporting, including the Chairman, President, Chief Accounting Officer, Chief Financial Officer and Chief Internal Auditor, in the most recent year to the day this Annual Report was printed is listed below:

As at ____ 8, 2019

OCCUPATIONAL TITLE	NAME	DATE OF (ELECTED TO) OFFICE	DATE OF DISMISSAL	REASON FOR RESIGNATION OR DISMISSAL
CHIEF CONTROLLER	CHIN-KAI WANG	MARCH 13, 2018	AUGUST 9, 2018	INDIVIDUAL CAREER PLANNING

V. Information on Auditing Fees

Scale regarding the information on auditing fees

NAME OF CPA FIRM	NAME OF CPA		EXAMINATION PERIOD	NOTE
DELOITTE TAIWAN	YI-HUI LIN	YU-HSIOU SU	JANUARY 1, 2018 - JUNE 30, 2018	INTERNAL ADJUSTMENT OF THE CPA FIRM
DELOITTE TAIWAN	YU-HSIOU SU	SHUANG-HSIOU KUNG	JULY 1, 2018 - DECEMBER 21, 2018	

Value: NTD 1,000

Amount scale		Fee	Auditing fee	Non-auditing fee	Total
1	Less than NT\$2 million			V	
2	NT\$2 million (inclusive) - NT\$4 million		V		
3	NT\$4 million (inclusive) - NT\$6 million				V
4	NT\$6 million (inclusive) - NT\$8 million				
5	NT\$8 million (inclusive) - NT\$10 million				
6	More than NT\$10 million (inclusive)				

- (I). **When the non-auditing fee paid to CPAs and their firms and their affiliates accounts for more than one-fourth of the auditing fee, the values of both auditing and non-auditing fees and contents of non-auditing services shall be disclosed.**

Unit: NT\$1 thousand

Name of CPA firm	Name of CPA	Auditing fee	Non-auditing fee					CPA inspection period	Note
			System design	Industrial and commercial registration	Human Resources	Other	Subtotal		

Deloitte Taiwan	Yi-Hui Lin	3,500	-	355	-	910	4,765	January 1, 2018 - June 30, 2018	Opinions on capitalization of earnings: NT\$50 thousand; review fee of the internal control system: NT\$860 thousand
	Yu-Hsiou Su							July 1, 2018 - December 21, 2018	
	Yu-Hsiou Su								
	SHUANG -HSIUNG KUNG								

(II) When the CPA firm is changed and the auditing fee in the year of replacement is reduced compared to that in the preceding year, the amount of auditing fees before and after the replacement and the reasons shall be disclosed: Not applicable

(III) If the auditing fee is reduced by more than 15% than the previous year, disclose the reduced amount and proportion of the auditing fees and the reason for reduction: Not applicable

VI. Information on Replacement of CPA

(I) Former CPA

Date of replacement	October 9, 2018		
Reason for replacement and note	Supporting the internal adjustment of the CPA firm		
Termination or appointment rejection by the appointer or CPAs	Interested party	CPA	Appointer
	Condition		
	Active termination	N/A	N/A
Appointment/reappointment rejection		N/A	N/A
Opinions in and reason for audit reports issued other than unqualified opinion in the last two years	Review reports without unqualified opinion issued in 2016 and 2017		
Disagreement with the issuer (Yes/No)	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or procedure
			Other

	None	V
	Description	
Other disclosures (Matters to be disclosed as set out in Sub-clause 10.6.1.4 through 10.6.1.7 of these Regulations)	N/A	

Note: the CPAs were replaced on October 9, 2018 due to the internal business adjustment of such CPA firm.

(II) New CPAs:

Name of CPA firm	Deloitte Taiwan
Name of CPA	Yu-Hsiou Su, Shuang-Hsiung Kung
Date of appointment	October 9, 2018
Consultancy and result before appointment concerning the accounting practices or principles for specific transactions and the opinions possibly offered on financial statements	N/A
New CPA's written opinion on the matters on which the former CPA had different opinions	N/A

(III) Former CPA's reply by letter to the matters as stated in Sub-clause 10.6.1 and 10.6.2.3 of these Regulations: Not applicable

VII. If the Chairman, President, manager in charge of finance or accounting who has been employed by the CPA firm commissioned by the Company for the audit or its affiliates, disclose the names, occupational titles, and the duration of employment with the CPA firm or its affiliates: Not applicable

VIII. Changes in transfer and pledge of shares by directors, supervisors, managers and shareholders with more than 10% shareholding in the most recent year up till the publication date of this annual report

(I) Changes in shareholding by directors, supervisors, managers and shareholders with

more than 10% shareholding

Unit: shares in thousands

Occupational title	Name	2018		This year up to the date the Annual Report was printed	
		Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged
Director and dominant shareholder	Everlink Overseas Inc.	1,537	-	-	-
	Representative: Chao-Rong Tai	-	-	-	-
Director and dominant shareholder	KT Look Int'l Inc.	776.3	-	-	-
	Representative: Yu-Hsueh Chen		-	-	-
Director	Jui-Hao Lee		-	-	-
Director	Hsin-Wu Wang	2.5	-	--	-
Independent Director	Shang-Wu Yu		-	-	-
Independent Director	Chao-Hwang Hsieh		-	-	-
Independent Director	Min-Hun Chen	0.3	-	-	-

(II) Information to be provided if the counterparty of share transfer is a related party: Not applicable

(III) Information to be provided if the counterparty of share pledge is a related party: Not applicable

IX. Information on the Relations among Top 10 Shareholders of the Company by Quantity of Shareholding (i.e. related parties, or spouses, kindred within the 2nd tier under the Civil Code)

As at May 1, 2019; unit: shares in thousands, %

Name	Shareholding by the person		Shareholding by spouse or dependents		Shareholding in the name of a third party		IF THE TOP 10 SHAREHOLDERS ARE RELATED PARTIES, OR SPOUSES, KINDRED WITHIN THE 2 ND TIER UNDER THE CIVIL CODE, THE TITLES OR NAMES AND RELATIONS		Note
	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding	Name	Relation	
Everlink Overseas Inc.	16,907	43.05	-	-	-	-	KT Look Int'l Inc.	The Principal Yu-Hsueh Chen is the wife of Chao-Rong Tai, representative of Everlink Overseas Inc.	

Name	Shareholding by the person		Shareholding by spouse or dependents		Shareholding in the name of a third party		IF THE TOP 10 SHAREHOLDERS ARE RELATED PARTIES, OR SPOUSES, KINDRED WITHIN THE 2 ND TIER UNDER THE CIVIL CODE, THE TITLES OR NAMES AND RELATIONS		Note
	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding	Name	Relation	
Representative: Chao-Rong Tai	-	-	-	-	16,907	43.05	Yapi Star Int'l Corp.	The Principal Yu-Sen Tai is the kindred of Chao-Rong Tai, representative of Everlink Overseas Inc., within the 1 st tier under the Civil Code.	
							Vinsoft Int'l Inc.	The Principal Wen-Sen Tai is the kindred of Chao-Rong Tai, representative of Everlink Overseas Inc., within the 1 st tier under the Civil Code.	
KT Look Int'l Inc.	8,539.3	21.75	-	-	-	-	Everlink Overseas Inc.	The Principal Chao-Jung Tai is the husband of Yu-Hsueh Chen, representative of KT Look Int'l Inc.	
							Yapi Star Int'l Corp.	The Principal Yu-Sen Tai is the kindred of Yu-Hsueh Chen, representative of KT Look Int'l Inc., within the 1 st tier under the Civil Code.	
							Vinsoft Int'l Inc.	The Principal Wen-Sen Tai is the kindred of Yu-Hsueh Chen, representative of KT Look Int'l Inc., within the 1 st tier under the Civil Code.	
Representative: Yu-Hsueh Chen	-	-	-	-	8,539.3	21.75			
Investment account of Virtus KAR International Small-Cap Fund (VISAX) (JP Morgan Chase Bank as custodian bank)	2,248.626	5.73	-	-	-	-	-	-	

Name	Shareholding by the person		Shareholding by spouse or dependents		Shareholding in the name of a third party		IF THE TOP 10 SHAREHOLDERS ARE RELATED PARTIES, OR SPOUSES, KINDRED WITHIN THE 2 ND TIER UNDER THE CIVIL CODE, THE TITLES OR NAMES AND RELATIONS		Note
	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding	Number of shares	Proportion of shareholding	Name	Relation	
Investment account of Matthews Emerging Asia Fund (MEASX) (HSBC as custodian bank)	2,127	5.42	-	-	-	-	-	-	
Yapi Star Int'l Corp. Representative: Yu-Sen Tai	1,762.3	4.49	-	-	-	-	Everlink Overseas Inc.	The Principal Chao-Jung Tai is the kindred of Yu-Sen Tai, representative of Yapi Star Int'l Corp., within the 1 st tier under the Civil Code.	
							KT Look Int'l Inc.	The Principal Yu-Hsueh Chen is the kindred of Yu-Sen Tai, representative of Yapi Star Int'l Corp., within the 1 st tier under the Civil Code.	
	-	-	-	-	1,762.3	4.49	Vinsoft Int'l Inc.	The Principal Wen-Sen Tai is the kindred of Yu-Sen Tai, representative of Yapi Star Int'l Corp., within the 2 nd tier under the Civil Code.	
CTBC Venture Capital Co., Ltd.	1,325.5	3.38							
Vinsoft Int'l Inc.	1,155	2.94	-	-	-	-	Everlink Overseas Inc.	The Principal Chao-Jung Tai is the kindred of Wen-Sen Tai, representative of Vinsoft Int'l Inc., within the 1 st tier under the Civil Code.	
							KT Look Int'l Inc.	The Principal Yu-Hsueh Chen is the	

Name	Shareholding by the person		Shareholding by spouse or dependents		Shareholding in the name of a third party		IF THE TOP 10 SHAREHOLDERS ARE RELATED PARTIES, OR SPOUSES, KINDRED WITHIN THE 2 ND TIER UNDER THE CIVIL CODE, THE TITLES OR NAMES AND RELATIONS		Note
	Number of shares	Proportion of share holding	Number of shares	Proportion of share holding	Number of shares	Proportion of share holding	Name	Relation	
Representative: Wen-Sen Tai	-	-	-	-	1,155	2.94		kindred of Wen-Sen Tai, representative of Vinsoft Int'l Inc., within the 1 st tier under the Civil Code.	
							Yapi Star Int'l Corp.	The Principal Yu-Sen Tai is the kindred of Wen-Sen Tai, representative of Vinsoft Int'l Inc., within the 2 nd tier under the Civil Code.	
Government of Singapore - GOS-EFM C (Citibank as custodian bank)	614.9	1.57	-	-	-	-	-	-	
Investment account of Virtus KAR Emerging Markets Small-Cap Fund (JP Morgan Chase Bank, Taipei Branch as custodian bank)	540.074	1.38	-	-	-	-	-	-	
Asian Opportunity Unconstrained ETF Fund Co., Ltd. (HSBC as custodian bank)	474.6	1.21	-	-	-	-	-	-	

X. Shares Held by the Company, Directors, Supervisors, Managers of the Company, and Businesses Controlled Directly or Indirectly by the Company of the Same Investee and Consolidated Calculation of Comprehensive Shareholding Ratio

Unit: in share/USD; %

Investee	Investment of the Company	Investment of the directors, supervisors, managers and business under direct or indirect control	Comprehensive investment
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	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
TAISUN VIETNAM CO., LTD.	Note 1	100	-	-	Note 1	100
Taipoly	180,000	100	-	-	180,000	100
WINSUN (CAMBODIA) CO., LTD.	Note 1	100	-	-	Note 1	100

Note 1: It is a limited company, so no share is issued.

Part Four - Funding Status

I. Capital and Shares

(I) Source of Capital

- Types of shares issued in the most recent year up till the publication date of this annual report

Unit: shares in thousands

Type of shares	Authorized capital			Note
	Outstanding shares	Unissued	Total	
Registered common	39,270	60,730	100,000	Listed stock

Note: The place of listing (i.e. TWSE or TPEX) along with any listing restrictions has been specified.

2. Formation of capital

Unit: NT\$1 thousand/1,000 shares, unless USD required or otherwise indicated

Month/year	Issue price (NT\$1)	Authorized capital		Paid-up capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Paid in properties other than cash	Other
February 2014	USD1	50 shares	USD\$50	1 share	USD1	Establishment of capital	-	-
September 2014	NT\$10	100,000	NT\$1,000,000	23,700	NT\$237,000	New share issue	Transfer of Taisun Vietnam's 100% outstanding shares	-
October 2015	NT\$10	100,000	NT\$1,000,000	30,000	NT\$300,000	Capital increase with capital reserve	-	-
April 2016	NT\$88	100,000	NT\$1,000,000	30,883	NT\$308,830	Capital increase in cash	-	-
January 2017	NT\$107	100,000	NT\$1,000,000	35,700	NT\$357,000	Capital increase in cash	-	Note 6
August 2018	NT\$10	100,000	NT\$1,000,000	39,270	NT\$392,700	Capitalization of earnings		

Note 1: Information is presented up till the publication date of this annual report.

Note 2: Date and document reference of effected (approved) incremental capital have been presented.

Note 3: Shares issued at prices lower than face value have been labeled in a visible manner.

Note 4: In-kind capital payments such as monetary debt and technology are described separately with details on the types and amounts of contribution provided.

Note 5: Private placements have been highlighted in a visible manner.

Note 6: It was approved as stated in Tai-Cheng-Shung-Erh-Zi No. 1051704578 Letter issued by Taiwan Stock Exchange Corporation.

(II) Shareholder structure

As at May 1, 2019; Unit: in share

Shareholder structure Quantity	Government agencies	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Number of	-	1	8	381	30	420
Quantity of	-	328,300	1,914,600	1,553,039	35,474,061	39,270,000
Shareholding	-	0.84	4.88	3.96	90.32	100.00

Note: All TWSE/TPEX/Emerging Stock Market companies listing for the first time are required to disclose Chinese investors' holding interests. A Chinese investor refers to an individual, corporation, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of the "Regulation Governing Mainland Residents' Investment in Taiwan".

Note: Chinese investors' holding interests in the Company: 0%

(III) Diversity of Ownership

As at May 1, 2019; Unit: in share

Shareholding range of common	Number of	Quantity of shares held	Shareholding percentage
1 to 999	91	11,576	0.03
1,000 to 5,000	226	438,019	1.12
5,001 to 10,000	38	263,520	0.67
10,001 to 15,000	13	149,409	0.38
15,001 to 20,000	14	232,676	0.59
20,001 to 30,000	9	220,300	0.56
30,001 to 40,000	1	30,700	0.08
40,001 to 50,000	5	236,500	0.60
60,001 to 70,000	4	264,700	0.67
70,001 to 80,000	2	144,500	0.37
80,001 to 100,000	2	171,000	0.44
100,001 to 150,000	1	138,500	0.35
200,001 to 400,000	4	1,274,300	3.24
400,001 to 600,000	2	1,014,674	2.58
600,001 to 800,000	1	614,900	1.57
More than 1,000,001	7	34,064,726	86.75
Total	420	39,270,000	100.00

Note: No preferred shares were issued by the Company.

(IV) List of Dominant Shareholders

Names, number and proportion of shareholding of shareholders holding more than 5% or among the top 10 shareholders of the Company:

As at May 1, 2019; Unit: in share

Names of Dominant Shareholders	Shares	Quantity of shares held	Shareholding percentage (%)
Everlink Overseas Inc.		16,907,000	43.05
KT Look Int'l Inc.		8,539,300	21.75
Investment account of Virtus KAR International Small-Cap Fund (VISAX) (JP Morgan Chase Bank as custodian bank)		2,248,626	5.73
Investment account of Matthews Emerging Asia Fund (MEASX) (HSBC as custodian bank)		2,127,000	5.42
Yapi Star Int'l Corp.		1,762,300	4.49
CTBC Venture Capital Co., Ltd.		1,325,500	3.38
Vinsoft Int'l Inc.		1,155,000	2.94
Government of Singapore - GOS-EFM C (Citibank as custodian bank)		614,900	1.57
Investment account of Virtus KAR Emerging Markets Small-Cap Fund (VAESX) (JP Morgan Chase Bank as custodian bank)		540,074	1.38
Asian Opportunity Unconstrained ETF Fund Co., Ltd. (HSBC as custodian bank)		474,600	1.21

(V) Information Relating to Market Price, Net Worth, Earnings, and Dividends per Share for the Last Two Years

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

Item	Year		2017	2018	This year up to the date the Annual Report was printed (Note 8)
Market price per share (Note 1)	Highest		154	162.5	136
	Lowest		105	115	123
	Average		130	136.38	130.71
Net worth per share (Note 2)	Before dividend		40.9	41.68	43.5
	After dividend		33.76	Note 9	Note 9
Earnings per share (Note 3)	Weighted average quantity of shares		39,052	39,270	39,270
	Earnings per share	Before retrospective adjustment	7.15	7.61	1.66
		After retrospective adjustment	6.50	Note 9	-
Divid	Cash dividend		4	Note 9	-

Item		Year		This year up to the date the Annual Report was printed (Note 8)	
		2017	2018		
ends per share	Stock dividends	Stock dividend from retained earnings	1	Note 9	-
		Stock dividend from capital reserves	-	Note 9	-
	Cumulative undistributed dividends (Note 4)	-	-	-	
Analysis of ROI	P/E ratio (Note 5)		18.18	17.92	-
	Price to dividends ratio (Note 6)		32.5	Note 9	-
	Cash dividend yield (Note 7)		3.08	Note 9	-

* Where stock dividends were paid from earnings or capital reserves, the information on the market price and cash dividends adjusted retroactively according to the number of shares issued shall also be disclosed.

Note 1: The highest and lowest market prices of common stock each year are shown and the annual average market price is calculated according to the strike price and the trading volume in each year.

Note 2: Calculated based on the number of outstanding shares at year-end; amount of distribution resolved in next year's shareholders meeting is presented in the table.

Note 3: If retroactive adjustments are required because of free share distribution, earnings per share before and after adjustments shall be shown.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up till the current year is disclosed separately.

Note 5: P/E ratio = Average closing price per share for the year/earnings per share.

Note 6: Price to dividends ratio = Average closing price per share for the year/cash dividends per share.

Note 7: Cash dividend yield = cash dividends per share/average closing price per share for the year

Note 8: The net worth per share and EPS shall be filled in the statements for the latest quarter as at the date the Annual Report was printed as audited/reviewed by auditors; other fields shall be filled with the date of the current year as at the date the Annual Report was printed.

Note 9: The proposal for the distribution of earnings in 2018 was pending on the final approval of the shareholder meeting as at May 31, 2018.

Source: the consolidated financial statements audited and attested by CPAs in 2017, 2018 and Q1 of 2019

(VI) Dividend Policy and Execution

1. Dividend policy stated in the "Articles of Incorporation" of the Company

The Company's operation remains in the growth stage. The dividends distribution will be decided by the board of directors at the shareholders meeting based on the earnings of each fiscal year, overall development, financial planning, capital demand, industry prospect, and prospects of the Company. For this purpose, the board of directors will make a proposal for such distribution. The following should be provided first from the earnings of each fiscal year when the shares are traded on an emerging stock market or listed in R.O.C. and the board of directors proposes the distribution of earnings:

- (i) Amount of taxes paid for the relevant accounting year;
- (ii) Amounts for covering losses incurred in prior years;

- (iii) Provision for ten percent (10%) surplus reserves ("Statutory Surplus Reserves") (except that the statutory surplus reserves reach the total capital); and
- (iv) Special surplus reserves required by the securities authorities of the Republic of China in accordance with the "Public Company Rules".

The remaining earnings, if any, together with all or part of the undistributed earnings accumulated over prior years, may be distributed as dividends to shareholders according to shareholding ratios of the shareholders pursuant to the "Company Law of Cayman Islands" and the "Public Company Rules" after taking account of financial, business and operating factors, provided that the distributed amount will not be less than twenty percent (20%) of the after-tax earnings for the then-current year. The dividends to shareholders to be distributed shall take the forms of share dividends and cash dividends. However, the proportion of the cash dividends shall not be less than fifty percent (50%).

2. Dividend distribution proposed for the next shareholder meeting

The Company plans to provide 10% of its earnings in 2018 as statutory surplus reserves if such proposal is approved at the regular shareholders meeting on June 28, 2019; the remaining distributable earnings will be distributed as follows:

Unit: NT\$1

Item	Amount
Net profit after tax of Year 2018	\$ 298,693,027
Plus: Investments gains/losses on disposal of equity instruments at fair value through other comprehensive income	(349,699)
Plus: Accumulated undistributed earnings in the previous year	217,355,645
Accumulated distributable current earnings	515,698,973
Less: 10% statutory surplus reserves	(29,869,303)
Plus: Special surplus reserves reversed by law	20,830,923
Less: Cash dividends to shareholders (\$5.3 per share)	(208,131,000)
Accumulated closing undistributed earnings	\$ 298,529,593

(VII) Impacts of Proposed Stock Dividends on the Company's Business Performance and Earnings per share (EPS): Not applicable

(VIII) Employee Bonus and Remunerations to Directors and Supervisors:

1. Percentages or ranges of employee bonus and remunerations to directors and supervisors under the "Articles of Incorporation"

In cases of profits for the year, the Company shall set aside no more than 2% to be the remuneration to directors and no less than 2% to be the employee bonus. However, in case of previous losses, the reimbursement amount shall be retained.

The employee bonus mentioned above should be paid in the form of cash or stock. It may be paid to the employees of the Company and affiliates who meet conditions determined by the board of directors of the Company. The employee bonus and remunerations to directors and supervisors in the Company shall be approved by more than half of the attending directors at a board meeting where more than two thirds of all directors shall be present.

2. The basis for estimating the amount of employee bonus and remunerations to directors and supervisors, the basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The estimation of the amount of employee bonus and remunerations to directors in the Company for the current period is based on the proportion defined in the "Articles of Incorporation" and also in consideration of the amount and percentage of employee bonus and remunerations to directors already paid in the previous period. Based on such estimation, the employee bonus in 2018 was NT\$7,948 thousand and the remuneration to directors was NT\$1,200 thousand; the calculation of both figures was based on the net profit before tax before the employee bonus and remuneration to directors were deducted and respectively at 2.3% and 0.3%, in accordance with the "Company Act" and the "Articles of Incorporation". Where the employee bonus is to be distributed in the form of stock in the future, the calculation of the employee bonus converted into the number of shares will be based on the measurement at fair value (e.g. technical evaluation) pursuant to IFRS 2, "Share-Based Payments". Any difference between the actual distributed amount and the estimated figure will be recognized as profit or loss in the following year.

3. Remuneration proposals approved by the board of directors:

- (1) Employee bonus and remunerations to directors and supervisors distributed in the form of cash or stock

If there is a difference from the amount estimated in the year when such expenses are recognized, the amount of such difference, reason(s) and disposal shall be disclosed:

The proposal for the distribution of employee bonus amounting to NT\$9,240 thousand in 2018 will be discussed at the regular shareholders meeting of the Company for approval on June 28, 2019. There is a difference between this figure and that recognized in the 2018 financial statements. Because of the future operational needs, the Company held board of directors' meetings on March 8, 2019, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2018 to differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2018, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2018. The estimated remuneration to the Company's directors in 2018 is NT\$800 thousand, which will be distributed upon approval at the regular shareholders meeting in 2019.

- (2) The amount of the employee bonus by stock in proportion to the net income in current period and to the total employee bonus:

No stock dividend was distributed as employee bonus by the Company.

4. The actual distribution of employee bonus and remunerations to directors and supervisors for the previous fiscal year (including the number, amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee bonus and remunerations to directors and supervisors, additionally the discrepancy, reasons therefor, and how it is treated:

The proposal for the distribution of employee bonus amounting to NT\$6,968 thousand in 2017 was approved at the regular shareholders meeting of the Company on June 29, 2018. There was no difference between this figure and that recognized in the 2017 financial statements. The remuneration paid to the Company's directors in 2017 was NT\$800 thousand, which was the same as that recognized in the 2017 financial statements.

(IX) Share Repurchases: Not applicable

II. Corporate Bonds (including overseas corporate bonds): Not applicable

III. Preferred Shares: Not applicable

IV. Global Depository Receipts: Not applicable

V. Employee stock options (ESO): Not applicable

VI. Restricted ESO: Not applicable

VII. New shares issued for merger or acquisition: Not applicable

VIII. Progress on planned use of capital:

(I) Description of the plan

(1) Date of approval and official document number: Tai-Cheng-Shung-Erh-Zi No. 1051704578 Letter on November 11, 2016

(2) Total fund required for the plan: NT\$533,153 thousand

(3) Fund source: 4,817,000 shares were issued through capital increase in cash, with a par value of NT\$10 per share and an issue price of NT\$107 per share; after the public offering based on partial competitive auction and public subscription and distribution, NT\$533,153 thousand was raised in total.

4. Progress on planned use of capital:

Plan	Target completion date	Total fund required	Year 2017			
			Q1	Q2	Q3	Q4
Investee	December 31, 2017	249,156	27,047	54,912	138,511	28,686
Replenishment of working capital	March 31, 2017	283,997	283,997	-	-	-

(II) Status of implementation

1. Investee:

(1) Implementation

Implementation		Ended Q1 of 2019	Reasons for being ahead of or behind the schedule, and impact on shareholders' equity and improvement plan
Amount of disbursement	Target	249,156	The Company has completed the construction of the plant of Winsun
	Actual	218,128	

Completion rate (%)	Target	100.00%	(Cambodia). To meet the operational needs, it has provided the working capital to retain local production staff and purchase related materials. However, the Company has finished the inspection and acceptance of baby pull-ups production equipment and the mass production of baby pull-ups only regarding two production lines for baby pull-ups and sanitary napkins. Consequently, the payment from this subsidiary to machinery and equipment manufacturers amounts to NT\$94,860 thousand ended Q1 of 2019, and the completion rate is 75.35%. After evaluation, the Company's comprehensive total amount of disbursement for each project is NT\$218,128 thousand, and the completion rate is 87.55%. It is expected that the full payment for all machines and related equipment will be completed after relevant machines of the sanitary napkins production line are accepted by Q3 of 2019.
	Actual	87.55%	

(2) Estimated benefit comparison

The Company incorporated its 100%-owned subsidiary Winsun (Cambodia) Co., Ltd. in Cambodia on December 22, 2015, with the registered capital of US\$11,690 thousand. Such investee's actual cumulative amount of disbursement ended Q1 of 2019 amounts to NT\$218,128 thousand, with the completion rate up to 87.55%. The Company has completed the construction of the plant of Winsun (Cambodia). To meet the operational needs, it has provided the working capital to retain local production staff and purchase related materials. However, the Company has finished the inspection and acceptance of baby pull-ups production equipment and the mass production of baby pull-ups only regarding two production lines for baby pull-ups and sanitary napkins. It is expected that relevant machines of the sanitary napkins production line will be inspected and accepted by Q3 of 2019, so achieving the target of mass production.

Based on the financial statements prepared and submitted by Winsun (Cambodia) for the period of 2018 and Q1 of 2019, its new production line of baby pull-ups has generated the accumulated net sales up to US\$7,203 thousand since the mass production in Q3 of 2018.

2. Replenishment of working capital:

(1) Implementation

Implementation		Ended Q1 of 2017	Reasons for being ahead of or behind the schedule, and impact on shareholders' equity and improvement plan
Amount of disbursement	Target	283,997	The target has been completed as scheduled, so the actual progress is not ahead of or behind the schedule.
	Actual	283,997	
Completion rate (%)	Target	100%	
	Actual	100%	

(2) Estimated benefit comparison

Item		Year	Before funding (December 2016)	After funding (March 2017)
Current assets			712,758	1,134,055
Current liabilities			141,108	127,847
Total liabilities			143,398	130,019
Financial structure	Debt-to-asset ratio		12.45%	7.91%
	Ratio of long-term capital to real property, plant and equipment		340.33%	528.99%
Solvency ratio (%)	Liquidity ratio		505.12%	887.04%
	Quick ratio		347.85%	729.50%

The Company's actual cumulative amount of disbursement for replenishing its working capital ended Q1 of 2017 amounted to NT\$283,997 thousand, and the completion rate was up to 100%. The financial structure and solvency ratio were all improved compared with the indexes before funding, such as current assets, current liabilities, total liabilities, debt-to-asset ratio, ratio of long-term capital to real property, plant and equipment, liquidity ratio, and quick ratio. This capital increase in cash has fortified our financial structure and improved our overall competitiveness in the market as expected.

Part Five - Operational Overview

I. Business Activities

(I) Scope of business

1. Major lines of business

The Company is a holding corporation and has the following subsidiaries with substantial business functions: TAISUN VIETNAM CO., LTD., Taipoly and WINSUN (CAMBODIA) CO., LTD. We are engaged in manufacturing, processing, marketing and trading of baby diapers and pull-ups, adult diapers and sanitary napkins.

2. Proportion of business

Unit: NT\$1 thousand

Product \ Year	2017		2018		Q1 of 2019	
	Sales amount	Ratio	Sales amount	Ratio	Sales amount	Ratio
Baby diapers	327,112	21.81%	360,333	20.66%	95,451	20.69%
Baby pull-ups	830,165	55.34%	989,862	56.75%	258,439	56.03%
Adult diapers	307,988	20.53%	356,302	20.43%	98,568	21.37%
Sanitary napkins	21,345	1.43%	21,747	1.25%	4,278	0.93%
Other (Note 2)	13,400	0.89%	15,931	0.91%	4,497	0.97%
Total	1,500,010	100.00%	1,744,175	100.00%	461,233	100.00%

Note: Other products include wet tissues and related products for which the Company has commenced mass production and marketing since 2015.

3. The Company's current commodity (service) items

The Company's major products include baby diapers and pull-ups, adult diapers and sanitary napkins. We have become a leader in local markets by virtue of its own brands. Besides, we also adopts the OEM model and have a share in the international market with a wide regional coverage including Southeast Asia, Europe, the Americas, Africa and Australia, etc. In recent years, the sanitary product industry benefits from the rising population of developing countries; individuals attach more importance to healthcare due to the increase in national incomes and the improvement of living conditions. As a result, the consumers' demand keeps growing steadily.

4. Planned new products (services) to be developed

- (1) Upgraded baby pull-ups
- (2) Upgraded baby diapers
- (3) Economical baby pull-ups

- (4) Next generation of sanitary napkins
- (5) Adult rehabilitation pants
- (6) Upgraded adult diapers

(II) Industrial Overview

1. Current status and development of the industry

The Company is engaged in manufacturing and marketing of baby diapers and pull-ups, adult diapers, sanitary napkins, and other similar paper-based sanitary products, which are disposable daily necessities with lower unit prices and shorter consumption cycle. With the rising population of developing countries and the aging of population of developed countries, the sales in the sanitary supplies market show a positive growth. From the perspective of revenue source by area, the maximum revenue originates from Vietnam where Taisun Vietnam operates; those of the second rank is Asia including Cambodia and Thailand; those of the third rank include Nigeria and Cameroon in West Africa; the island of Reunion and Australia are also included. The regional economic development, the increase in national incomes, the improvement of individual requirement for sanitation quality, and the rising population of developing countries are all driving the overall consumer demand for sanitary supplies.

The industry status is analyzed as follows concerning our major products including baby diapers and pull-ups, adult diapers and sanitary napkins:

(1) Baby diapers:

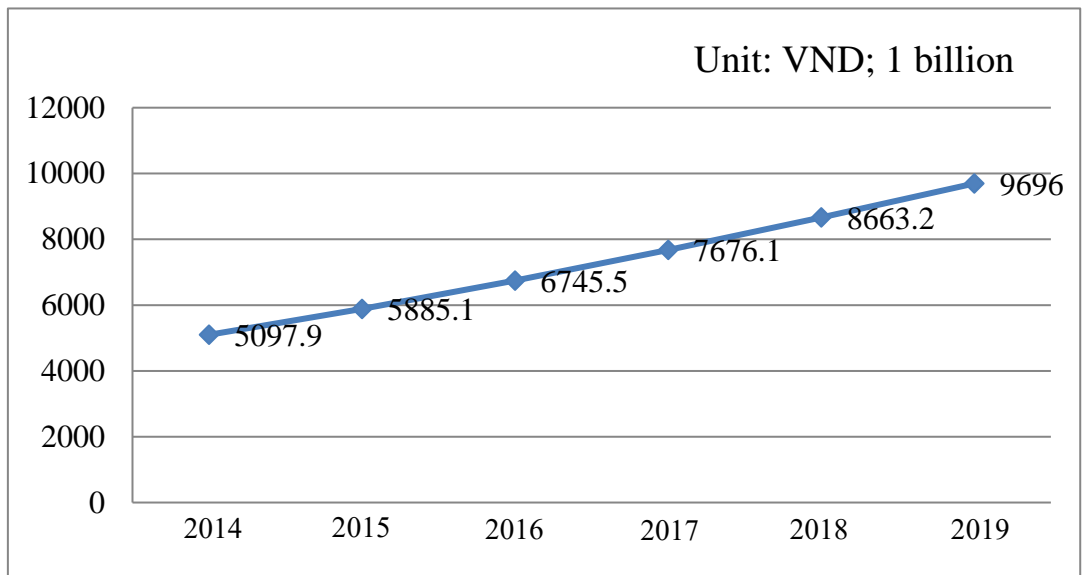
The use of baby diapers became popular in European and American countries in the 1950s. The economic recovery and the significant growth of newborns followed the World War II. Traditional cloth diapers needed washing and drying for reuse and were very inconvenient. At that time, disposable paper-based diapers made of pulp were launched; such new diaper was lighter and thinner than the cloth one and resulted in lower costs in automatic production, so it was accepted by more and more consumers. At present, baby diapers are daily necessities of newborns and infants with a wider range of application in developing countries and are changing the consumers' habit. With the rising population of developing countries and the increase in the per-capita income of consumers, they attach more importance to personal hygiene and the utilization of diapers is also increasing.

According to the "Global Diaper Market Size, Share, Development, Growth

and Demand Forecast to 2022" issued by P&S Market Research in February 2016, it was shown that, by virtue of convenient purchase and low prices of diapers, consumers were willing to select lighter, thinner, hygienic and more convenient diapers. The potty training of global infants is delayed compared with the previous situation. In 1957, about 92% of the infants received their potty training at the age of 18 months to reduce their dependence on cloth or paper diapers. Up to 2015, 65% of the children started their potty training at the age of 36 months, apparently showing consumers' reliance on paper diapers which have become indispensable supplies for infants. In 2015, the global market value of baby diapers was approx. US\$52.7 billion. This figure will soar up to US\$76.5 billion at the compound annual growth rate (CAGR) of 5.50% by 2022 as anticipated.

With the rising global population and the improvement of living conditions in developing countries, the utilization and popularity of personal sanitary supplies keep growing. With the development of emerging markets and the population increase, the global production sites of baby diapers have been gradually shifted to Asia and Africa since 2010. It is predicted in the "World Population Prospects" (Revision 2015) issued by the Department of Economic and Social Affairs, the United Nations (UN), that Asia will still be the continent with the largest population of approx. 4.5 billion, amounting to nearly 59% of the global population, by 2020; the second one will be Africa with about 1.3 billion, amounting to 17% of the world population. Thanks to the improved healthcare and education, internationally compatible political or cultural communication programs in African countries, local consumers will get rid of traditional cotton cloth diapers and select disposable diapers that are single-use and convenient for replacement as expected. Accordingly, the future market demand for baby diapers shows the growing trend.

The Company's major business activities take place in Vietnam, which has excellent market prospects with the development of emerging markets and the rising population. Localized production can reduce costs and create sales channels for the consumer recognition. It was indicated in the "Nappies/Diapers/Pants in Vietnam" issued by Euromonitor International in September 2015 concerning the baby diapers in Vietnam that the overall retail sales of baby diapers in Vietnam would soar up to 9,696 billion VND by 2019 from 5,097.9 billion VND in 2014 at the CAGR of 13.70%.



Source: *Nappies/Diapers/Pants in Vietnam*; Euromonitor International, Sept. 2015

(2) Adult diapers:

The major consumer group of adult diapers includes the patients with mild to moderate incontinence and mobility difficulties. The demand for such products is in proportion to the age. With the aging of population of developed countries, much more importance is attached to the elderly people's benefit. The pension industry is growing fast, such as apartments for the elderly people and nursing homes, increasing the demand for adult diapers. According to the "World Population Prospects" (Revision 2015) issued by the Department of Economic and Social Affairs, the UN, the global aged population above 65 years old was about 608 million in 2015 and this figure would increase to 1.299 billion by 2040, which would be a significant growth rate.

Unit: 1,000 persons

Year	2015	2020	2025	2030	2035	2040
Population above 65 years old	608,180	725,011	849,030	994,842	1,151,872	1,299,437

Source: *World Population Prospects (Revision 2015)* issued by the Department of Economic and Social Affairs, the United Nations (UN)

With further development of various countries in the future, the demographic structure will show an inverted triangle-like aging pattern as anticipated. Facing such aging situation and the stable demand in the individual consumer market, the future growth of the adult diaper market will be promising. At present, the pension markets in mature regions, such as Europe, the USA and Japan, are growing fast. Moreover, a wide range of nursing institutions such as apartments for the elderly people and sanatoria are emerging. Consequently, the products related to adult care offer opportunities and have great market demand.

Furthermore, the global popularity of adult diapers leads to rejuvenation of consumer groups. Most users in the past were old people who valued leakage prevention of such products. In recent years, the ages of the consumer groups become lower and thus the adult diapers are regarded as indispensable supplies for individual mobility and normal vital activity. The consumers attach more importance to the absorption capacity, light and permeable effect of such products, which, therefore, become more and more mature. An increasing number of new products are launched to satisfy consumers' demand properly.

(3) Sanitary napkins:

Sanitary napkins become mature sanitary supplies. Compared with baby and adult diapers, sanitary napkins have a wide range of age groups and therefore are

needed from a girl's menophania till menopause. The majority of users are girls and women aged between 15-49 years old with fertility. Accordingly, such products have the longest life cycle. According to the "World Population Prospects" (Revision 2015) issued by the Department of Economic and Social Affairs, the UN, the global female population aged between 15-49 years old was about 1.858 billion in 2015 and would increase to 2.1 billion by 2041 as estimated. The market of such products shows growth potential.

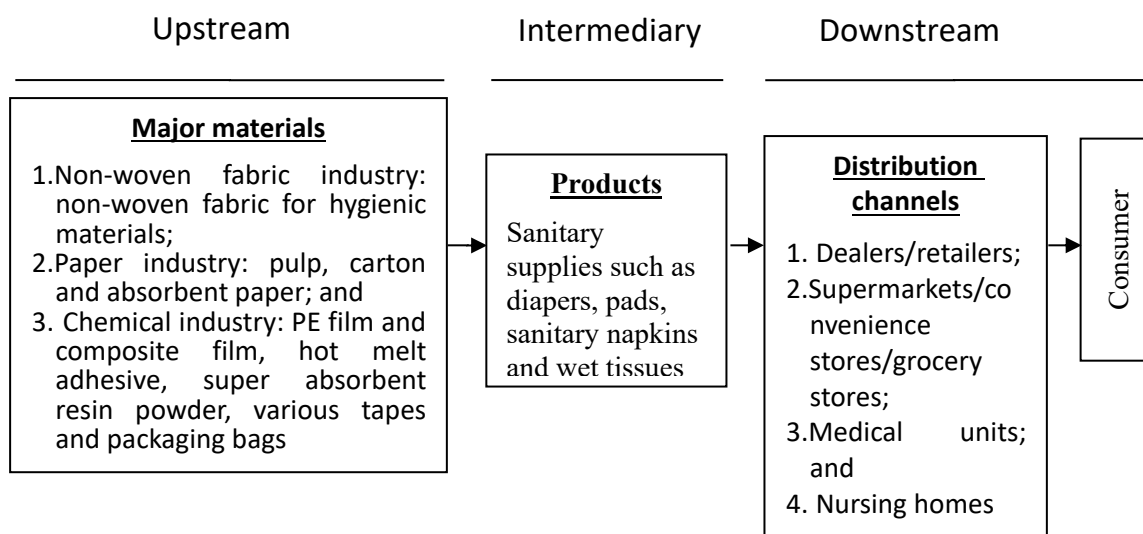
Unit: 1,000 persons

Year	2015	2020	2025	2030	2035	2040
Female population between 15-49 years old	1,858,559	1,910,953	1,966,099	2,031,398	2,078,865	2,100,937

Source: *World Population Prospects (Revision 2015)* issued by the Department of Economic and Social Affairs, the United Nations (UN)

2. Relations among upstream, intermediary and downstream entities in this industry

The Company's major products include baby diapers and pull-ups, adult diapers, sanitary napkins and other paper-based sanitary supplies mainly made from pulp and of super absorbent resin powder, cast film, non-woven fabric and packaging bag. The downstream process focuses on distribution, promotion and sales through various channels. The relations among upstream, intermediary and downstream entities in this industry where the Company operates are described below:



3. Development trend of our products

(1) Baby diapers:

Baby diapers are mainly composed of internal surface, interlayer absorbent and external leak-proof materials. The internal surface materials are mostly composed of soft skin-friendly non-woven fabrics. The main function is to keep the skin dry and comfortable and non-irritating with the skin. The absorbent materials include pulp and super absorbent resin powder. The number of layers and the distribution position affect the absorption effect of the product. The external leakage-proof materials are mostly made of PE plastic film, which mainly prevents the penetration of dirt into clothes. Auxiliary materials, such as special Velcro tapes, elastic bands, tapes and hot melt adhesives, secure the position and prevent dirt from leaking. The skin of infants and young children is tender and delicate. When it is necessary to wrap the diaper for a long time, these close-fitting products are designed to be dry and breathable to avoid allergies or other skin diseases. Therefore, the absorption speed and strength and breathable materials of functional products become critical considerations of consumers

during purchasing and also represent the direction of product design in the market. In addition, the pant diapers that have high mobility and are easy to wear and take off have been launched. Due to their closeness to life style, it is expected to gradually change consumers' habit and started to grab the baby diaper market.

(2) Adult diapers:

In the past, the majority of adult diaper users were the elderly incontinent patients, who needed pressure-resistant products because they had to lie in bed for a long period. Specifically, under a certain weight load, the waste would not leak out or contaminate the clothes and bed sheets. Consumers paid more attention to the prevention of leakage. In recent years, with the decline in the age group of the user group, the main consumer groups cover those who have mild to moderate incontinence but are still able to move themselves. Therefore, consumers' requirements for product fitness and light weight and breathability are also increasingly higher.

(3) Sanitary napkins:

With the increase of the proportion of professional women in the world, women's labor force and economic strength are simultaneously improved. With no impact on the existing life style, women's sanitary napkins are regarded as indispensable supplies for individual mobility and normal vital activity. Consumers pay special attention to such product characteristics as being close-fit, dry and free of leakage during purchasing. Therefore, the future product design will pursue the goal of light and thin shape. The research and development of product functions will focus on fitness optimization and absorption capacity.

4. Competition

The sanitary products produced by the Company are designed for infants, women and incontinent or inconvenient adults according to the user group, and the substitution between products is low. The Company's revenue sources can be divided into: A. Vietnam; B. Asia (excluding Vietnam); C. Africa; and D. Americas and other regions. The revenues from customers in these regions in 2018 accounted for 46.89%, 43.38%, 7.25% and 2.49% respectively; the highest revenue was from Vietnam, where Taisun Vietnam operates. The main manufacturers of baby diapers in Vietnam include Kimberly-Clark, Diana JSC and P&G; the main manufacturers of adult diapers include Diana JSC, Ky Vy and SCA. The main manufacturers of women's sanitary napkins include Kimberly-Clark, Diana JSC, P&G, Johnson and

Kao. With the spread of global health concepts, consumers are willing to accept more convenient disposable sanitary products which are mature daily necessities and for which the market is highly open, and there are multiple competitors; besides, there is little difference in process technology and product types. The Company set up factories and established channels in the early stage to ensure the highest extent of market development. In addition, we should pay attention to the customers' use experience and build the brand image, effectively separate various products, make continuous investments in product research and development, and strive to improve efficiency, bring comfortable experiences to customers; we are also actively involved in improving the production process and the yields and reducing production costs, so as to improve customer satisfaction and increase market competitiveness.

(III) Overview of current technology and R&D activities:

1. Technological level and R&D of business activities

At the technical level, the Company's production lines consist of highly-automatic precision equipment with requirements for electronic control, machine design, mechanism transformation, logistical maintenance, adjustment and other related integrated technologies. The Company has more than 10 years of relevant technical experience and also cooperates with equipment and key component manufacturers to develop relevant technology and applications irregularly, so as to continuously improve productivity and product quality. In addition to manufacturing activities, the Company is committed to the promotion of a comprehensive automation system that includes integrated automation of packaging, handling and warehousing to increase our competitiveness.

In terms of research and development, the Company's R&D Department will continue to focus on upgrading its original products. Through product design and testing of new materials, it will develop thinner, softer and more breathable products, which will bring better user experience to end consumers. On the other hand, through the acquisition of market demand information, the development of new products and applications is also the main goal of our research and development activities, helping the Company to develop new markets in new fields.

2. R&D staff, educational level and work experience

Unit: person

Staff \ Year	2015	2016	2017	2018
Do	0	0	0	0
Ma	0	1	1	1
Ba	5	5	5	6
Junior college	0	2	2	1
Tot	5	8	8	8

3. R&D expenses in the most recent year up till the publication date of this annual report

Unit: NT\$1 thousand

Staff \ Year	2014	2015	2016	2017	2018	2019 Q1
R&D expenses	8,516	9,077	11,227	12,109	14,111	3,425
Net operating profit	1,214,755	1,373,220	1,491,841	1,500,010	1,744,175	461,233
Proportion in the net	0.70	0.66	0.75	0.81	0.81	0.74

Source: the prepared consolidated financial statements audited by CPAs for 2014; the consolidated financial statements audited and attested by CPAs for 2015, 2016, 2017 and 2018; and the consolidated financial statements reviewed by CPAs for Q1 of 2019

4. Technologies or products successfully developed

Year	Major R&D results
2015	<ul style="list-style-type: none"> ◎ R&D activities of wet tissues (new product) <ul style="list-style-type: none"> - The main raw materials include soft and thick spunlace non-woven fabric and pure water with 5.0 pH. - Add natural aloe extract to keep skin fresh and moist. - Add natural vitamin E to protect moist and healthy skin. - Free of fragrance, alcohol and soap-based ingredients to avoid skin allergies - Antibacterial solution strengthens sterilization of bacteria on the skin. - Free of preservatives (parahydroxybenzoic acid, methyl isoborneol, methyl chloride) to ensure users' safety ◎ New high-end baby diapers <ul style="list-style-type: none"> - S-cut design with left and right ear straps: make the products more fashionable. - Tri-color composite film for new design of super softness: make the products softer. ◎ Research and development of new underpads <ul style="list-style-type: none"> - Oversized design: with the largest coverage, it enables users to move comfortably. - Super soft fabric: give the user a soft feeling. - Surface embossing: reduce skin contact area and have a massage function. - Antibacterial and deodorant polymer: super strong cotton core has the absorption capacity and ensures skin health. - PE base film: prevent from leakage of urine and keep the bed, chair and other supplies clean.

Year	Major R&D results
2016	<p>◎ The second generation of new machine development for baby pull-ups</p> <ul style="list-style-type: none"> - Elastic waistband with ultrasonic side sealing technology: extremely soft, leaving no trace of baby's skin - Base film with larger size: cover a baby's whole hips. - Customization of XXL code in response to market demand - Enhance the Company's production capacity for pull-ups. <p>◎ Improve the development of adult replacement diapers.</p> <ul style="list-style-type: none"> - Stereo-protection design: it has doubled the protection and thus can prevent from side leakage. - Curved cotton core: for being close-fit to the body - Use thermal bond nonwovens for comfort and softness. - Use ultra-soft and breathable composite film: release hot air to keep your skin dry and comfortable. <p>◎ Development and improvement of baby pull-ups specifications</p> <ul style="list-style-type: none"> - Positioning for the base film design, five-color printing and a wet display to keep the diaper changing in time to keep the baby's skin dry. - Extra soft and breathable base film: helpful to release hot air and moisture for comfort. - A new generation of pull-ups is separately designed for baby girls (light blue) and baby boys (pink). These pull-ups feel excellently close-fitting and more comfortable for babies. <ul style="list-style-type: none"> - A new generation of pull-ups has an increase in their absorption capacity by more than 30%.
2017	<p>◎ Research and development of the second generation of baby pull-ups:</p> <ul style="list-style-type: none"> - The design distinguishes between baby girls and baby boys, meeting different needs in the market. - Develop and use new materials to improve the product softness and comfort, as well as absorption speed and reduce infiltration, and feel more dry in use. - Increase the environmentally-friendly disposal design, which is more convenient for cleaning after use. <p>◎ Research and development of the second generation of sanitary napkin machine:</p> <ul style="list-style-type: none"> - The machine is designed to produce 6 different specifications and the production is more flexible. - Adjust the night length design and increase the stereo partition design to enhance protection. - It is designed to increase the area of release rubber and 3D pressure points on the surface to provide a softer and more comfortable experience during activities. <p>New design schemes and materials are used in products, which can better use ultra-soft and fast-absorbent material combinations to achieve fast absorption and less infiltration and maintain the skin dry and comfortable during use.</p> <p>◎ Research and development of the adult rehabilitation pants machine:</p> <ul style="list-style-type: none"> - The machine can realize production of three specifications, including women's menstrual pants and adult rehabilitation pants. The three-piece product is compatible with the two-piece product, and the production is more flexible. - Women's menstrual pants adopt the design concept of baby pull-ups with 360-degree protection during menstruation and feel more comfortable and fit than traditional sanitary napkins. - Adult pants are more comfortable and well-fitting compared with conventional adult diapers and are applicable to those with light incontinence, who, therefore, can feel assured at work or sports. - The three-dimensional protection design of adult rehabilitation pants has double protection and prevents from side leakage. <p>◎ Research and development of the third generation of new baby pull-ups</p>

Year	Major R&D results
	<p>machine:</p> <ul style="list-style-type: none"> - The three-piece product is compatible with the two-piece product to improve product quality and produce more flexibility. - Improved waist-non-woven technology for softer materials - It is designed to expand the absorption area of the cotton core and thus prevent from back and side leakage. - Modify the molding design to produce ultra-thin and comfortable products. - Use new materials to increase absorption speed, reduce infiltration and maintain the skin dry and comfortable during use.
Year 2018	<p>◎ Research and development of the fourth generation of new baby pull-ups machine:</p> <ul style="list-style-type: none"> - The three-piece product is compatible with the two-piece product to improve product quality and produce more flexibility. - Improvement of production rate - Use new materials to increase absorption speed, reduce less infiltration and maintain the skin dry and comfortable during use. <p>◎ Research and development of the third generation of sanitary napkin machine:</p> <ul style="list-style-type: none"> - It is designed to increase the area of release rubber and 3D pressure points on the surface to provide a softer and more comfortable experience during activities, and also to improve the product quality. - New design schemes and materials are used in products, which can better use ultra-soft and fast-absorbent material combinations to achieve fast absorption and less infiltration, maintain the skin dry and comfortable during use and have natural fragrance. <p>◎ Modification of economical baby pull-ups:</p> <ul style="list-style-type: none"> - The new design of such products ensures that they are more close-fit and comfortable in terms of structure and size. - Increase absorption speed, reduce less infiltration and maintain the skin dry and comfortable during use. <p>◎ Upgraded baby diapers:</p> <ul style="list-style-type: none"> - The product adopts new design and materials to bring thinner, softer and comfortable wearing experience, improve absorption speed, and reduce infiltration and maintain the skin dry and comfortable during use. - Extra soft and breathable base film: helpful to release hot air and moisture for comfort. - The high waistband and soft non-woven fabric are designed to ensure that such products feel more close-fit and comfortable.

(IV) Long and Short-term Business Development Plans

1. Short-term business development plan

- (1) Through the expansion and organizational optimization of the Company's domestic sales team in Vietnam, as well as strengthening the channel

deployment of the central and northern regions of Vietnam, establish the sales bases and logistics centers, and continue to explore the domestic sales market in Vietnam to seize future growth opportunities there.

- (2) For the sales market of our branded products (Vietnam and Cambodia, etc.), we will further absorb branding and marketing talents and expand our marketing and advertising budget to maintain and fortify our leadership in terms of market share in the self-owned brand market.
- (3) Achieve the new production capacity successively to improve the total capacity and economic scale, and maximize the synergies based on the production and sales plans. Additionally, continuously develop new products, maximize the market share based on the promotion plan, and further improve the corporate revenue and profit.
- (4) To keep pace with the development trend of modern channels and e-commerce, we will increase the proportion of modern channels and e-commerce sales through strategic cooperation and online shopping.
- (5) We plan to automate the post-production packaging operations to respond to the impact of future rising labor costs in advance.

2. Long-term business development plan

- (1) Focus on the development potential of emerging countries around the world, including Myanmar, Indonesia and India. We will actively develop new markets and seek strategic partners and potential merger targets to drive our growth in the next stage.
- (2) Develop environmentally-friendly diapers that are lighter, softer, more breathable and have higher added value. Such revolutionary product will meet the increasing environmental protection requirements of countries around the world in recent years, and will also pave the road for us towards a new high-end profitable market with increasing environmental protection requirements.
- (3) Establish a fully automatic operation system, including comprehensive automation of manufacturing, packaging, handling and warehousing, which is expected to significantly increase our productivity, effectively reduce unit costs, respond to future challenges such as higher labor costs or manpower shortage, and ultimately improve our overall competitiveness.

II. Market and Sales Overview

(I) Market Analysis

1. Regions for sale/provision of key goods/services

Unit: NT\$1 thousand

Sales territory \ Year	2017		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Vietnam	767,718	51.18%	817,758	46.89%
Asia	572,740	38.18%	756,615	43.38%
Africa	103,402	6.90%	126,383	7.25%
Americas and other	56,150	3.74%	43,419	2.48%

Total	1,500,010	100.00%	1,744,175	100.00%
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2. Market share

The Company's main products include baby diapers and pull-up, adult diapers and women's sanitary napkins, similar to the domestic manufacturers including Fuburg, KNH and Nan Liu, as well as foreign manufacturers such as P&G, Kao, Unicharm and SCA. In addition, due to the differences in product lines, main application markets and sales regions, it is not easy to estimate the market share of each manufacturer. According to the report issued by Euromonitor International in March 2018 for baby and adult diapers in Vietnam, the Company's market share of baby diapers/pull-ups and adult diapers in Vietnam in 2018 was 11.5% and 31% respectively, and the Company was ranked as the fourth largest and second largest manufacturer in the region. With the development of emerging markets and population growth, the Company is committed to the construction of sales channels and continues to strive for consumer recognition.

3. Future market supply, demand and growth

The Company's main products include baby diapers and pull-ups, adult diapers and women's sanitary napkins. Looking at the sanitary product market, there are many domestic and foreign manufacturers, and many brands are competing fiercely. In terms of supply, manufacturers in developed countries such as Europe and the United States are considering costs. In view of the prospect of subcontracting OEMs, manufacturers are optimistic about the prospects of developing countries. They choose to set up factories nearby. In addition to reducing production costs, they can also be closer to the market and quickly explore distribution channels. The global distribution map is gradually taking its shape. In terms of demand, with the increase in the proportion of national income and working women and the change in hygiene habits, the overall demand for sanitary products will be increased. The sales volume of adult diapers will increase with the aging of population and the launch of products that feel more comfortable and close-fit as expected; the growth rate of developed countries that have entered the era of aging will be the most obvious. The baby diapers benefit from the rising population in developing countries and thus enter a period of high growth, especially in Southeast Asia.

According to a research report published by P&S Market Research in February 2016, the global market value of baby diapers in 2015 was approximately US\$52.7 billion, and it was estimated that the growth rate would soar up to US\$76.5 billion at the CAGR of 5.50% in 2016-2022 as anticipated. Additionally, it was indicated in the "Nappies/Diapers/Pants in Vietnam" issued by Euromonitor International in September 2015 concerning the baby diapers in Vietnam that the overall retail sales of baby diapers in Vietnam would soar up to 9,696 billion VND by 2019 from

5,097.9 billion VND in 2014 at the CAGR of 13.70%.

4. Competitive niche

(1) A broad range of distribution channels and a solid foundation

Since its establishment, our production base Taisun Vietnam has been mainly engaged in the production and marketing of baby diapers. It has developed in the Vietnamese market for nearly 15 years with its distribution channels in 63 provinces in Vietnam, including large-scale hypermarket and retail stores. In addition, with the accelerated integration of the Southeast Asian economic region, we are optimistic about the future growth of emerging markets and consider the annual growth of Cambodia's population and domestic demand. Based on the operational strategy of localized production for lower cost and making the complete channel system accessible earlier for brand visibility and more market share, we plan to set up a subsidiary in Cambodia for production, keep informed of market dynamics, and actively develop the new blue ocean market.

(2) The Company has built its own brands to explore the market in Southeast Asia and adopted the OEM model to penetrate the market.

The Company's own brand products include baby diapers and pull-ups, adult diapers, women's sanitary napkins and wet tissues, etc. The product line is fully developed. Our own brand goes deep into the local market and also takes the OEM production method to play a role in the international market. The market operation is backed by a complete industrial background and years of production experience, with the sales area in Southeast Asia, Europe, the Americas and Africa.

5. Advantages and disadvantages for development prospects and countermeasures

(1) Advantages

A. With the increases in national income and the change in hygiene habits, the product demand has great potential.

With the increase in personal disposable income in developing countries, the awareness of health care has increased. People are more willing to use disposable, convenient and efficient personal sanitary supplies, which will go further with the growth in the market demand as expected.

B. Adherence to the principle of product quality with flexible marketing strategies

We have cooperated with international diaper manufacturers for many years and accumulated rich production experience. Our products have obtained such certifications as ISO9001:2008, FDA Certificate, CE Mark and High Quality Certificate Vietnamese Products. Our products are competitive in the market in terms of quality. We are actively exploring more distribution channels and thus increasing our market share through flexible marketing

strategies, attractive gifts and other promotions.

C. The rising population in the Asia-Pacific region leads to the steady increase in the demand.

According to the "World Population Prospects" (Revision 2015) issued by the Department of Economic and Social Affairs, the UN, currently the global additional population is mainly from developing countries. It is predicted that, by 2020, the number of infants in the world will reach 677 million, in which the population of developing countries will account for 89.86%. The market demand for baby diapers is growing. Our management team has developed the diaper market in Southeast Asia at the very beginning and has fulfilled the long-term layout in Vietnam, Cambodia and other countries, so leading to a broad range of customers.

D. Steady demand growth in such aging society

The adult diaper market witnesses steady demand growth in the aging global community. Consumers are more willing to use adult diapers without significant change in their existing life styles. In addition to the previous purchases of large-scale care and nursing institutions, the number of consumers who purchase such products in the retail market also keeps growing.

(2) Disadvantages

A. Multiple product brands and types result in increasingly fierce market competition.

Diapers and sanitary napkins are mature essentials for many people's daily life. The increasing number of consumers and competitors with quite similar manufacturing processes, technology, product types and features result in the increasingly fierce price competition in the sanitary supplies market.

[Countermeasures]

In the existing market, we have actively explored sales channels to increase our market share in consideration of consumers' purchase preference related to brand recognition. Our business strategy not only focuses on the domestic market in Vietnam, but also aims at the foreign market. In addition, we attach importance to customer experience. We continue investments in product design and development to enhance product comfort and performance, highlight brand image and effectively differentiate our products. Furthermore, we also actively improve our production processes and product yield and reduce our production costs to meet the market demand, improve our customer satisfaction and market competitiveness.

B. Significant changes in prices of raw materials

The main raw materials of our products include long-fiber fluff pulp and super absorbent resin powder. For each kind of raw materials, we maintain at

least two suppliers with good long-term partnership, stable quality and source. However, the significant changes in prices in the international market make it impossible to predict the future trend. Therefore, such price fluctuation will have greater impact on the costs of diapers and sanitary napkins.

[Countermeasures]

We always manage raw materials strictly. We pay close attention to the changes in raw material prices, production and sales in the market to keep informed of the international price trends. We also adjust our safe inventory in response to future orders and strengthen the inventory management of raw materials. Furthermore, we maintain long-term partnership with our raw material suppliers to ensure the sources of goods. We actively expand the source of procurement to diversify the procurement risks and obtain better conditions in terms of delivery deadline and pricing, so ensuring sufficient supply and mitigating risks arising from fluctuations in raw material prices. In addition, we improve our competitive edge and reduce the adverse impact of increase in raw material prices through continuous development of manufacturing processes, design improvement, and cost-efficient utilization of materials.

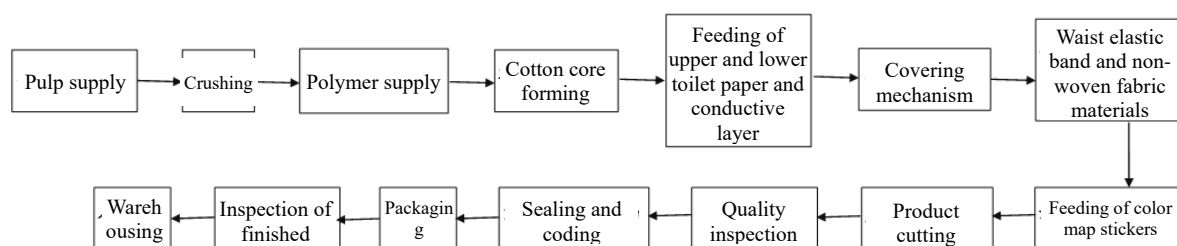
(II) Key applications and production processes of major products

1. Key applications of major products

Main products	Purpose of commodity (service)
Baby diapers	They are designed for babies and young children who cannot or have not been trained to control their own bowel movements.
Baby pull-ups	They are designed for babies and young children who cannot or have not been trained to control their own bowel movements.
Adult diapers	They are designed for those adults who are paralyzed, incontinent or physically inconvenienced.
Sanitary napkins	They are designed for menstrual periods.

2. Production processes of main products

Production process of baby pull-ups



(III) Supply of major materials

The Company and the main raw material suppliers have established a long-term good supply relationship. We also pay attention to the market conditions to stabilize

the purchase price of key raw materials and establish long-term strategic partnership with manufacturers. Thus, the supply is stable.

Major materials	Supplier	Supply status
Long fiber pulp	CellMark Asia Pte. Ltd.	Good
Super absorbent polymer powder	ITOCHU Singapore Pte. Ltd. Formosa Plastics Corporation	Good
Non-woven fabric	Xingtai Non-woven Products Co., Ltd. Jinjiang Dae Myung Chemical Co., Ltd	Good
PE cast film	Jing Feng Co., Ltd (Kim Phong)	Good
Magic hook, sticker and tape	3M Vietnam Ltd. Avery Dennison (Kunshan) Co., Ltd An Lac Joint Stock Company	Good
Hot melt adhesive	H.B. Fuller International Inc	Good

(IV) Name of trade partner representing more than 10% of total sales in any of the previous two years, and the amount and percentage of sale. Describe the cause of any variation.

1. Name of trade partner representing more than 10% of total purchases in any of the previous two years, and the amount and percentage of purchase.<1 } Describe the cause of any variation.

Unit: NT\$1 thousand

Item	2017				2018				Q1 of 2019			
	Name (Note)	Amount	Percentage in the net annual percentage of purchase (%)	Relationship with the issuer	Name (Note)	Amount	Percentage in the net annual percentage of purchase (%)	Relationship with the issuer	Name (Note)	Amount	Percentage in the net annual percentage of purchase (%)	Relationship with the issuer
1	CellMark Asia Pte. Ltd.	133,546	13.97	N/A	CellMark Asia Pte. Ltd.	207,593	19.65	N/A	CellMark Asia Pte. Ltd.	48,886	19.60	N/A
2	Company H	102,700	10.74	N/A	Dae Myung Chemical Co., Ltd.	139,937	13.24	N/A	Formosa Plastics Corporation	40,833	16.37	N/A
3	ITOCHU Singapore Pte. Ltd.	79,686	8.33	N/A	Formosa Plastics Corporation	130,972	12.39	N/A	Xingtai Non-woven Products Co., Ltd.	34,210	13.72	N/A
4	Other	640,249	66.96	-	Other	578,181	54.72	-	Other	125,467	50.31	-
	Net purchase amount	956,181	100.00	-	Net purchase amount	1,056,683	100.00	-	Net purchase amount	249,396	100.00	-

Note 1: Name of supplier representing more than 10% of total purchases in the previous two years, and the amount and percentage of purchase; code names can be used instead if any contract prohibits the Company from disclosing the supplier's name, or if the counterparty is a non-related party.

Note 2: If there was the latest financial data of the company, which has been listed or whose stocks have been traded on the stock exchange, already audited, attested or reviewed by CPAs as at the publication date of the annual report, such financial data should be disclosed.

CellMark Asia Pte. Ltd., ITOCHU Singapore Pte. Ltd., Formosa Plastics Corporation, Dae Myung Chemical Co., Ltd. and Company H have a long business history with the Company. They are our long-fiber pulp, super absorbent polymer powder and non-woven fabric suppliers. The quality of their products is stable. These products are raw materials required by the Company for long-term production. There is a certain demand every year. The total demand in 2017, 2018 and Q1 of 2019 has been over 50% more than the annual net purchase amount of the Company; the proportion of net purchases in 2018 was higher, as the prices of raw materials were higher and the new baby pull-up production line in Cambodia was put into mass production, leading to the increase in the inventory of raw materials.

2. Name of customer representing more than 10% of net sales in any of the previous two years, and the amount and percentage of sale. Describe the cause of any variation.

Unit: NT\$1 thousand

Item	2017				2018				Q1 of 2019			
	Name (Note)	Amount	Ratio of annual net sales ((%))	Relation with the issuer	Name (Note)	Amount	Ratio of annual net sales ((%))	Relation with the issuer	Name (Note)	Amount	Ratio of annual net sales ((%))	Relation with the issuer
1	Company C	391,356	26.09	N/A	Company C	524,532	30.07	N/A	Company C	135,313	29.34	N/A
2	Other	1,108,654	73.91	-	Other	1,219,643	69.93	-	Other	325,920	70.66	-
	Net sales	1,500,010	100	-	Net sales	1,744,175	100	-	Net sales	461,233	100	-

Note 1: Name of customer representing more than 10% of total purchases in the previous two years, and the amount and percentage of sales; code names can be used instead if any contract prohibits the Company from disclosing the customer's name, or if the counterparty is a non-related party.

Note 2: If there was the latest financial data of the company, which has been listed or whose stocks have been traded on the stock exchange, already audited, attested or reviewed by CPAs as at the publication date of the annual report, such financial data should be disclosed.

Company C is the general distributor of the Company in the Cambodian market. With the continuous growth of the population in Cambodia and the increase in per capita income, the sales rate of diapers is increased. Our sales amount for this customer in 2017, 2018 and Q1 of 2019 was NT\$391,356 thousand, NT\$524,532 thousand and NT\$135,313 thousand, amounting to 26.09%, 30.07% and 29.34% of the annual revenue, respectively. So it is our largest customer in these years.

(V) Production volume and value in the previous two years

Unit: 1,000 pcs; NT\$1 thousand

Year	2017	2018
Production		

volume & value	Production capacity (Note 2)	Yield	Output value	Production capacity (Note 2)	Yield	Output value
Product type						
Baby diapers	194,400	108,712	233,532	190,000	125,696	272,174
Baby pull-ups	234,900	241,324	548,841	300,000	227,931	527,156
Adult diapers	58,050	47,666	249,006	80,000	51,903	278,228
Sanitary napkins	54,000	30,661	16,917	60,000	25,340	13,814
Other (Note 1)	174,960	70,959	11,070	840,000	97,945	16,209
Total	716,310	499,322	1,059,366	1,470,000	528,815	1,107,581

Note 1: Other products are mainly wet tissues and related products.

Note 2: Production capacity refers to the quantity of products that can be produced under normal operation after the company has measured the frequency of shifts, necessary shutdowns and holidays, with existing production equipment.

Note 3: If the production of any products is substitutable, the production capacities should be consolidated, with special notes provided.

The production volume of each product of the Company in the last two years has increased or decreased with the development of business and product portfolio.

(VI) Sales volume and amount in the previous two years

Unit: 1,000 pcs; NT\$1 thousand

Year	2017				2018			
	Domestic sales (Note 1)		Export		Domestic sales (Note 1)		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Product type								
Baby diapers	45,048	154,113	59,272	172,999	49,456	172,178	67,712	188,155
Baby pull-ups	91,524	395,649	139,281	434,516	88,285	403,098	182,118	586,764
Adult diapers	25,325	189,657	17,280	118,331	27,739	211,859	22,806	144,443
Sanitary napkins	20,739	19,309	2,097	2,036	19,358	19,806	2,050	1,941
Other (Note 2)	32,612	8,990	20,212	4,410	44,147	10,817	19,176	5,114
Total	215,248	767,718	238,142	732,292	228,985	817,758	293,862	926,417

Note 1: The Company's domestic sales occur in Vietnam, while export occurs in any countries other than Vietnam.

Note 2: Other products are mainly wet tissues and related products.

Our own products are mainly distributed in Vietnam and Cambodia. We also have OEM business with the customers in Africa, the Americas and other regions. The ratio of domestic sales to export sales in 2018 was approximately 47:53. The sales volume and amount of our products mostly vary with the customer's sales status and the demand in the terminal market. In 2018, the increase in the sales volume and value of baby pull-ups resulted in the decrease of the sales volume and value of baby

diapers due to the loss of major export customers. There were no major changes in the sales of the remaining products.

III. Information on employees in the last two years up till the publication date of this annual report (i.e. number of employees, average years of service and age, proportion by educational levels)

Unit: person

Year		2017	2018	2019 up to the date the Annual Report was printed
Number of employees	Direct labor	408	320	278
	Indirect labor	57	81	84
	Management & sales persons	313	378	407
	R&D staff	8	8	8
	Total	786	787	777
Mean age		29.9	31.6	31.7
Average seniority		2.9	3.2	3.9
Proportion by educational levels	Doctoral Degree	0%	0%	0%
	Master's Degree	1%	1%	1%
	University	14%	15%	15%
	High school graduate	55%	56%	56%
	Below senior high school	30%	28%	28%

IV. Information on Environmental Protection Expenditure

- (I) In the most recent year up till the publication date of the Annual Report, total amount of the Company's losses (including compensation) and penalties arising from environment pollution; describe subsequent countermeasures (including improvements) and contingent charge (including the estimated amount of loss contingencies, possible penalties and compensation arising out of failure to take countermeasures; if reasonable approximation is impossible, state such fact): Not applicable
- (II) The Company's investment in major equipment for pollution control, purpose and potential benefit of such equipment

Unit: NT\$1

Equipment	Quantity	Issue date	Investment cost	Non-discounted balance	Purpose & expected potential benefit
Dust collecting equipment	2	January 24, 2009	229,649	0	Collecting paper scraps, dust and other dry fine articles
	3	December 1, 2016	2,598,758	1,515,942	

Equipment	Quantity	Issue date	Investment cost	Non-discounted balance	Purpose & expected potential benefit
Sewage treatment system	1	September 3, 2008	424,097	0	Ensuring that sewage has the water quality that meets the drainage standard or requirements for purification, recycling and recovery
	1	December 1, 2017	503,134	366,868	
Ventilation and air change system	1	April 10, 2014	170,225	0	Control the spread and harm of air pollutants by means of ventilation and air change to ensure the quality of indoor and outdoor air.
	1	April 29, 2016	405,637	135,212	
	1	June 1, 2018	1,214,410	1,092,969	

V. Labor-management Relationship

(I) Provide the information on the Company's employee welfare measures, continuous education, training and retirement systems and the implementation thereof, as well as employment contracts and protections of the rights and interests of employees

1. Employee welfare measures and the implementation

All companies in the Group have provided insurance, meal allowance, Dragon Boat Festival and Mid-Autumn Festival gifts, year-end bonuses, birthday gifts, wedding gifts and employee travel subsidies.

2. Employees' education, training and implementation

(1) Unscheduled internal training courses, such as pre-service and in-service training

(2) Employees are required to attend external training courses based on their work, and the expenses are paid or subsidized by the Company.

(3) Retirement system and the implementation

The Company has paid social insurance, unemployment insurance and medical insurance for its employees in accordance with local regulations. Among them, social insurance includes employees' retirement survival funds.

(4) Employment contracts and protections of the rights and interests of employees

The Company has set up the Labor Union as a communication channel between employees and the management by law. Employees can put forward their opinions and requirements through the Labor Union. The Company also holds the Labor Union meetings at regular intervals to adjust the scope of employees' benefit, when appropriate, to maximize their rights. Therefore, a harmonious relationship between our employees and the management is maintained. No major employment dispute has occurred so far.

(II) List any losses arising from employment disputes in the most recent year up till the publication date of the Annual Report; disclose the amount of loss contingencies at present and in the future and countermeasures: if no reasonable estimation is possible, please explain the fact beyond reasonable estimation:

A good relationship between our employees and the management is maintained. No loss has arisen from any employment dispute so far.

VI. Major Contracts

Contract nature	Interested party	Commencement date and deadline of a contract	Subject	Restrictions
Land lease contract	Công Ty Cổ Phần Đầu Tư Phát Triển Công Nghiệp Thương Mại Củ Chi	October 20, 2003 - October 20, 2047	Land lease contract for Lot #A1-6, the industrial park in the northwest of Cu Chi, Ho Chi Minh City, Vietnam	N/A
Land lease contract	Công Ty Cổ Phần Đầu Tư Phát Triển Công Nghiệp Thương Mại Củ Chi	July 1, 2012 - December 30, 2048	Land lease contract for Lot #A1-10, the industrial park in the northwest of Cu Chi, Ho Chi Minh City, Vietnam	N/A
Land lease contract	Công Ty Cổ Phần Đầu Tư Phát Triển Công Nghiệp Thương Mại Củ Chi	September 27, 2018 - October 18, 2047	Land lease contract for Lot #B1-6, the industrial park in the northwest of Cu Chi, Ho Chi Minh City, Vietnam	N/A
Land lease contract	Effort Garment Co., Ltd.	September 27, 2018 - October 18, 2047	Land lease contract for Lot #B1-6, the industrial park in the northwest of Cu Chi, Ho Chi Minh City, Vietnam	N/A
Land lease contract	Phnom Penh SE Plc.	March 1, 2016 - February 28, 2066	Land lease contract for Lot#P2-083-B, Phnom Penh Special Economic Zone (PPSEZ), Cambodia	N/A
Land lease contract	Phnom Penh SE Plc.	June 10, 2016 - June 9, 2066	Land lease contract for Lot#P2-083-A, Phnom Penh Special Economic Zone (PPSEZ), Cambodia	N/A
Agency contract	Company C	January 1, 2014 - December 31, 2019	Exclusive agency contract	N/A
Distribution contract (GT)	Cát Tường	January 1, 2018 - December 31, 2018 January 2, 2019 - December 31, 2019	Product sales contract	N/A
Distribution contract (GT)	Kim Thành	January 1, 2018 - December 31, 2018 January 2, 2019 - December 31, 2019	Product sales contract	N/A
Distribution contract (GT)	Huỳnh An Thạch	April 1, 2018 - December 31, 2018 January 2, 2019 - December 31, 2019	Product sales contract	N/A

Contract nature	Interested party	Commencement date and deadline of a contract	Subject	Restrictions
Distribution contract (MT)	MM Mega Market	January 1, 2018 -	Product sales contract	N/A
Loan contract	Taipei Fubon Bank Ho Chi Minh City Branch	August 20, 2018 - September 6, 2019	Short-term credit contract	N/A
Loan contract	First Commercial Bank Ho Chi Minh City Branch	May 2, 2019 - April 30, 2020	Short-term credit contract	N/A
Loan contract	CTBC Bank Ho Chi Minh City Branch	November 14, 2018 - November 13, 2019	Short-term credit contract	N/A
Loan contract	Cathay United Bank	February 21, 2019 - February 21, 2020	Short-term credit contract	N/A
Loan contract	Standard Chartered Bank Ho Chi Minh City Branch	February 11, 2019 - February 10, 2024	Short-term credit contract	N/A
Loan contract	Bank for Investment and Development of Vietnam (BIDV) Cu Chi Branch Office	January 29, 2019 - January 28, 2020	Short-term credit contract	N/A

Part Six - Financial Status

I. Condensed Financial Data in the Past Five Years

(I) Condensed Balance Sheet and Comprehensive Income Statement

1) Condensed balance sheet

Unit: NT\$1 thousand

Item	Year	Financial data of the past 5 years					Financial data for the current period to March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		569,733	569,481	712,758	1,227,426	1,370,108	1,514,852
Real property, plant and equipment		284,818	245,925	296,893	294,001	364,389	426,500
Intangible assets		3,956	2,725	2,096	1,427	963	984
Other assets		80,296	161,137	139,772	206,984	312,556	218,079
Total assets		938,803	979,268	1,151,519	1,729,838	2,048,016	2,160,415
Current liabilities	Before dividend	207,371	181,259	141,108	266,545	408,372	449,280
	After dividend	207,371	181,259	141,108	266,545	408,372	449,280
Non-current liabilities		73,048	67,554	2,290	3,044	3,021	2,807
Total liabilities	Before dividend	280,419	248,813	143,398	269,589	411,393	452,087
	After dividend	280,419	248,813	143,398	269,589	411,393	452,087
Shareholders equity attributable to the parent company		658,384	730,455	1,008,121	1,460,249	1,636,623	1,708,328
Capital stock		237,000	300,000	308,830	357,000	392,700	392,700
Additional paid-in capital		337,359	109,359	178,233	653,216	653,216	653,216
Retained earnings	Before dividend	56,551	299,132	522,404	562,057	681,898	747,041
	After dividend	56,551	234,489	308,204	419,257	(Note)	(Note)
Other equity		27,474	21,964	(1,346)	(112,024)	(91,191)	(84,629)
Treasury shares		--	--	--	--	--	--
Uncontrolled equity		--	--	--	--	--	--
Total equity	Before dividend	658,384	730,455	1,008,121	1,460,249	1,636,623	1,708,328
	After dividend	658,384	665,812	793,921	1,317,449	(Note)	(Note)

Source: the prepared consolidated financial statements audited by CPAs for 2014; the consolidated financial statements audited and attested by CPAs for 2015, 2016, 2017 and 2018; and the consolidated financial statements reviewed by CPAs for Q1 of 2019

Note: The proposal for the distribution of earnings in 2018 has not been approved at the shareholder meeting.

2. Condensed comprehensive income statement

Unit: NT\$1 thousand

Item \ Year	Financial data of the past 5 years					Financial data for the current period to March 31, 2019
	2014	2015	2016	2017	2018	
Operating income	1,214,755	1,373,220	1,491,841	1,500,010	1,744,175	461,233
Gross profit	308,303	422,669	502,625	470,716	521,309	126,151
Operating income	173,320	253,595	324,923	247,835	284,515	58,849
Non-operating income and expense	9,274	9,299	16,936	44,682	51,327	13,481
Earnings before taxation	182,594	262,894	341,859	292,517	335,842	72,330
Net income of continuing operations in current period	182,594	262,894	341,859	292,517	335,842	72,330
Loss from discontinued operations	--	--	--	--	--	--
Net income (loss) in current period	167,683	242,581	287,915	253,853	298,691	65,167
Other comprehensive income for the current period (net, after-tax)	29,349	(5,510)	(23,310)	(110,678)	20,833	6,562
Total comprehensive income in current period	197,032	237,071	264,605	143,175	319,254	71,729
Net income attributable to the shareholders of parent company	167,683	242,581	287,915	253,853	298,691	65,167
Net income attributable to uncontrolled equity	--	--	--	--	--	--
Total comprehensive income attributable to the shareholders of parent company	197,032	237,071	264,605	143,175	319,524	71,729
Total comprehensive income attributable to uncontrolled equity	--	--	--	--	--	--
Earnings per share (Note)	7.08	8.09	9.41	6.50	7.61	1.66

Source: the prepared consolidated financial statements audited by CPAs for 2014; the consolidated financial statements audited and attested by CPAs for 2015, 2016, 2017 and 2018; and the consolidated financial statements reviewed by CPAs for Q1 of 2019

Note: For the earnings per share (EPS), the capitalization amounts of earnings and capital reserves have been adjusted retroactively at the capital increase ratio.

(II) Names and review opinions of CPAs in the last five years

1. Names and review opinions of CPAs in the last five years

Year	Name of CPA firm	Name of CPA	Review
2014	Deloitte Taiwan	Shuang-Hsiung Kung and	Unqualified
2015	Deloitte Taiwan	Shuang-Hsiung Kung and	Unqualified
2016	Deloitte Taiwan	Ming-Chung Hsieh and	Unqualified
2017	Deloitte Taiwan	Yi-Hui Lin and Yu-Hsiu	Unqualified
2018	Deloitte Taiwan	Yu-Hsiu Su and Shuang-	Unqualified

2. If there was any change in CPAs in the past five years, the reason(s) for such change concerning the Company's former and new CPAs should be given: Not applicable

II. Financial Analysis of the Past Five Years

Year (Note 1)		Financial Analysis of the Past Five Years					Financial analysis for the current period till March 31, 2019
		2014	2015	2016	2017	2018	
Analysis item (Note 2)							
Financial Structure (%)	Liabilities to assets ratio	-	25.41	12.45	15.58	20.09	20.93
	Long-term capital to property, plant and equipment ratio	-	324.49	340.33	497.72	449.97	401.2
Solvency ratio (%)	Current ratio	-	314.18	505.12	460.49	335.50	337.17
	Quick ratio	-	195.22	347.85	372.06	264.31	278.13
	Debt service coverage ratio	-	60.17	159.12	453.81	130.37	41.16
Operating capacity	Turnover of receivables (per time)	-	21.41	36.97	50.31	40.55	28.54
	Average days of collection	-	17	10	7	9	3.15
	Inventory turnover (times)	-	3.87	5.1	4.6	4.66	4.84
	Average payables turnover (times)	-	11.77	12.32	10.67	12.11	13.2
	Average days of sale	-	94	72	78	78.32	75.48
	Real property, plant and equipment turnover (times)	-	5.17	5.50	5.10	5.30	4.67
	Total asset turnover (times)	-	1.43	1.40	0.87	0.92	0.88
Profitability	Return on assets (%)	-	25.66	27.19	17.66	15.93	12.67
	Return on equity (%)	-	34.93	33.12	20.57	19.29	15.59
	EBT to paid-in capital ratio (%)	-	87.63	110.69	81.94	85.52	73.67
	Profit margin before tax (%)	-	17.67	19.30	16.92	17.13	14.13

	Earnings per share (NT\$)	-	8.09	9.41	6.50	7.61	1.66
Cash flow	Cash flow ratio (%)	-	240.07	267.17	89.08	57.89	66.72
	Cash flow adequacy ratio (%)	-	102.06	140.52	260.54	147.84	141.18
	Cash re-investment ratio (%)	-	25.83	32.43	10.95	5.37	8.12
Leverage	Operating leverage	-	1.18	1.15	1.21	1.21	1.36
	Financial leverage	-	1.02	1.01	1.00	1.01	1.03

Please explain the reasons for changes in the financial ratios in the latest two years. (This requirement may not apply if an increase/decrease rate is less than 20%)

1. Debt-to-asset ratio: the percentage of liabilities in assets in 2018 was increased by 28.95% mainly because of the increase in loans for required material purchases.
2. Current ratio: the current ratio in 2018 was reduced by 27.14% due to the increase in loans for material purchases and the increase in current liabilities.
3. Quick ratio: the quick ratio in 2018 was decreased by 28.96% due to inward cash transfer to the fixed term deposit within one year.
4. Debt service coverage ratio: the debt service coverage ratio in 2018 was decreased by 71.27% due to the increase in loans for material purchases and the resulting significant increase in interest expenses.
5. Average days of collection: the average days of collection in 2018 increased by 9 days because the revenue growth of domestic supermarkets resulted in the increase in accounts receivable.
6. Cash flow ratio: the cash flow adequacy ratio in 2018 was reduced by 35.01% because the increase in loans for material purchases resulted in the decrease in the overall ratio.
7. Cash flow adequacy ratio: the cash flow adequacy ratio in 2018 was reduced by 43.26% because the new plant construction in Cambodia resulted in the increase in CAPEXs and a lower adequacy ratio.
8. Cash re-investment ratio: the cash re-investment ratio in 2018 was reduced by 50.96% because the plant construction in Cambodia was completed this year and the quantity of plant supplies and equipment was increased significantly.

Note 1: The calculations above are based on the consolidated financial statements audited and attested by CPAs for the period of 2016, 2017 and 2018, as well as the consolidated financial statements reviewed and attested by CPAs for Q1 of 2019.

Note 2: Calculation formula for financial analysis:

1. Financial structure

(1) Debt-to-asset ratio = total liabilities/total assets

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

2. Solvency ratio

(1) Current ratio = current assets/current liabilities

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

(3) Interest protection multiples = Pre-income tax and interest profits/interest expenditure of the term

3. Operating performance

(1) Receivables (including accounts receivable and bills receivable that are incurred as a result of business operation) = net sales/balance from average receivables of each term (including accounts receivable and bills receivable)

- (2) Average collection days = $365/\text{receivables turnover}$
- (3) Inventory turnover = $\text{sales cost}/\text{average inventory value}$
- (4) Payables (including accounts payable and bills payable that are incurred as a result of business operation) = $\text{sales cost}/\text{balance from average payables of each term (including accounts payable and bills payable)}$
- (5) Average inventory turnover days = $365/\text{inventory turnover}$
- (6) Turnover of property, plant and equipment = $\text{net sales amount}/\text{average net worth of property, plant and equipment}$
- (7) Total assets turnover = $\text{net sales amount}/\text{average total assets}$

4. Profitability

- (1) Return on assets = $[\text{net income} + \text{interest expenses (1 - tax rate)}] / \text{average total assets}$
- (2) Return on equity = $\text{net income} / \text{average total equity}$
- (3) EBT to paid-in capital ratio (%) = $\text{earnings before tax (EBT)} / \text{ending paid-in capital}$
- (4) EBIT margin = $\text{net income} / \text{net sales amount}$
- (5) Earnings per share (EPS) = $(\text{profit and loss attributable to owners of the parent} - \text{dividends on preferred shares}) / \text{weighted average number of issued shares (Note 3)}$

5. Cash Flow

- (1) Cash flow ratio = $\text{Net cash flow from business activities}/\text{current liabilities}$
- (2) Net cash flow adequacy ratio = $\text{net cash flow from operating activities for the most recent five years} / (\text{capital expenditures} + \text{inventory increase} + \text{cash dividend for the most recent five years})$
- (3) Cash re-investment ratio = $(\text{net cash flow from operating activities} - \text{cash dividend}) / (\text{gross property, plant and equipment value} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$ (Note 4)

6. Leverage:

- (1) Operating leverage = $(\text{net operating revenue} - \text{variable operating costs and expenses}) / \text{operating income (Note 5)}$
- (2) Financial leverage = $\text{operating income} / (\text{operating income} / \text{interest expenses})$

Note 3: For the calculation formula of the earnings per share (EPS) above, the following aspects should be particularly taken into account:

1. EPS shall be based on the weighted average number of ordinary shares, rather than the number of outstanding shares at year-end.
2. In case of any capital increase in cash or trading of treasury stocks, the weighted average number of shares should be calculated within the negotiation period.
3. In case of any capitalization of earnings or capital reserves, such amount should be adjusted retroactively when the EPS for the previous years and the last six months is calculated.
4. If preferred shares are non-convertible cumulative preferred stocks, the total dividend (regardless of payment) for the year, the dividends for the year should be deducted from the net profit after tax or increased into the net loss after tax for the year. In case of non-cumulative preferred shares with net profit after tax, the dividends on preferred shares should be deducted from the net profit after tax; in case of any loss, no adjustment will be required.

Note 4: During the cash flow analysis, the following aspects should be particularly taken into account:

1. "Net cash flow from operating activities" refers to the net cash inflow from operating activities indicated in the cash flow statement.
2. "Capital expenditure" refers to the cash outflow from annual capital investment.
3. The increase in inventory should be included where the ending balance is more than the opening balance. If the inventory decreases at the end of that year, zero will be recorded.
4. "Gross fixed assets" refer to the gross fixed assets before deduction of the accumulated depreciation.

Note 5: The issuer shall classify operating costs and expenses into the fixed or variable group. If any estimation or subjective judgment, it is necessary to ensure the rationality and maintain consistency.

III. Review Report of Supervisors or the Audit Committee on the Financial Statements of the Most Recent Year

TAISUN INT'L (HOLDING) CORP. Audit Committee's Review Report

The board of directors was approved to submit TAISUN's 2018 Business Report and consolidated financial statements; Yu-Hsiu Su and Shuang-Hsiung Kung, CPAs of Deloitte Taiwan, were retained by the board of directors to audit the consolidated financial statements and have issued an audit report relating to the financial statements. The aforesaid business report and financial statements have been audited by the Audit Committee and have complied with relevant regulations. Therefore, they are hereby presented for verification in accordance with Article 14 of the "Securities and Exchange Act" and Article 219 of the "Company Act".

Best Regards

2019 Regular Shareholders Meeting

TAISUN INT'L (HOLDING) CORP.

Member of the Auditor Committee: Shang-Wu Yu



Member of the Auditor Committee: Chao-Hwang Hsieh



Member of the Audit Committee: Min-Hun Chen



March 8, 2019

IV. Financial statements of the most recent year, including the audit report issued by CPAs, comparison of balance sheets, comprehensive income statement, statements of changes in equity, cash flow statements and notes or forms of two years: please refer to Page 119-187 of this Annual Report.

V. Individual financial statements of the Company audited and attested by CPAs in the most recent year, excluding the schedule of significant accounts: Not applicable

VI. Financial troubles (if any) of the Company and affiliates in the most recent year up till the publication date of this annual report, and impacts on the Company's financial status: Not applicable

Part Seven - Review of Financial Status, Business Performance and Risk Issues

I. Financial Status

Unit: NT\$1 thousand

Accounts	Year	2017	2018	Difference	
				Amount	%
Current assets		1,227,426	1,370,108	142,682	11.62
Real property, plant and equipment		294,001	364,389	70,388	23.94
Intangible assets		1,427	963	(464)	(32.52)
Other assets		206,984	312,556	105,572	51.00
Total assets		1,729,838	2,048,016	318,178	18.39
Current liabilities		266,545	408,372	141,827	53.21
Long-term liabilities		0	0	0	0
Others		3,044	3,021	(23)	(0.76)
Total liabilities		269,589	411,393	141,804	52.60
Capital stock		357,000	392,700	35,700	10.00
Capital reserves		653,216	653,216	0	0
Statutory surplus reserves		28,792	54,177	25,385	88.17
Special surplus reserves		1,346	112,024	110,678	8222.73
Undistributed earnings		531,919	515,697	(16,222)	(3.05)
Other equity		(112,024)	(91,191)	20,833	(18.60)
Total shareholders' equity		1,460,249	1,636,263	176,014	12.05
Statement on any change in more than 20% of assets, liabilities and shareholder's equity, and any difference amounting to NT\$10 million in the last two years:					
1. Current assets: the increase for the current period is attributable to the net cash inflow from operating activities.					
2. Real property, plant and equipment: the increase for the current period is attributable to the plant construction in Cambodia and the increase in plant equipment.					
3. Other assets: the increase for the current period is attributable to the plant construction in Cambodia and the significant increase in prepayment for equipment purchases.					
4. Current liabilities: the increase for the current period is attributable to the increase in accounts receivable and short-term loans required for material purchases.					
5. Capital stock: the increase for the current period is attributable to the capitalization of earnings.					
6. Statutory surplus reserves: the increase for the current period resulted from the fact that 10% of the earnings in 2017 was provided as statutory surplus reserves by law.					
7. Special surplus reserves: the increase for the adjustment of IFRS.					

Source: the consolidated financial statements audited and attested by CPAs in 2017 and 2018

II. Financial Performance

(I) Analysis and comparison of financial performance

Unit: NT\$1 thousand

Accounts	Year	2017	2018	Differ	
				Amo	%
Operating income		1,500,010	1,744,175	244,165	16.28
Operating cost		1,029,294	1,222,866	193,572	18.81
Net operating margin		470,716	521,309	50,593	10.75
Operating expense		222,881	236,794	13,913	6.24
Operating income		247,835	284,515	36,860	14.80
Non-operating income and		44,682	51,327	6,645	14.87
Net profit before tax		292,517	335,842	43,325	14.81
Income tax expenses		38,664	37,151	(1,513)	(3.91)
Current net income		253,853	298,691	44,838	17.66
Other comprehensive income		(110,678)	20,833	131,511	118.82
Total comprehensive		143,175	319,524	176,349	123.17

Any increase/decrease ratio more than 20% or NT\$10 million is analyzed below:

1. Operating income: the increase for the current period is attributable to the economic growth of emerging countries in the ASEAN, such as Vietnam, Cambodia and Burma.
2. Operating cost: the increase for the current period is attributable to the increase in raw material costs.
3. Net operating margin: the increase for the current period is attributable to the growing revenue and therefore the operating margin increases simultaneously.
4. Operating expenses: the increase for the current period is attributable to the increase in investments in advertising and promotional activities in Vietnam and in the factory management staff in Cambodia.
5. Operating profit: the increase for the current period is attribution to the growing revenue; the appropriate control of costs and expenses also results in the growth of operating profits.
6. Other comprehensive income: the increase for the current period is attributable to the adjustment of exchange differences in our functional currency (i.e. USD).
7. Current net income: the increase in the net profit after tax for the current period is attributable to appropriate control of costs and expenses.
8. Other comprehensive income: the increase for the current period is attributable to the adjustment of exchange difference with USD as functional currency.

Source: the consolidated financial statements audited and attested by CPAs in 2017 and 2018

(II) Estimated sales volume and basis

We expect that the sales volume in the next year will continue to grow. In addition to the economic situation of the sales market and the national average income, we assess the client's demand and our own operating strategy and budget and anticipate the considerable market growth of baby pull-ups and related products in the future. With additional production lines in Vietnam and mass production in the factory in Cambodia, we are optimistic about the profit growth.

(III) Possible impacts on the Company's future financial performance and response plan

The Company is currently an important producer and seller of diapers in Vietnam and Cambodia. It will increase capital expenditures and continue to invest in product development in response to the rapid expansion of its business scale, and strengthen its operation management and cost control to promote the business growth and improve profitability.

III. Cash Flows

(I) Analysis of the change in the cash flow for the most recent year

Unit: NT\$1 thousand

Accounts	Year	2017	2018	Difference	
				Change in amount	Change in ratio (%)
Operating activities		237,440	236,413	(1,027)	(0.43)
Investing		(484,116)	(253,415)	230,701	47.69
Financing		424,504	(32,273)	(456,777)	(107.60)
Analysis of changes:					
1. Operating activities: the decrease for the current period is attributable to the growing revenue of supermarkets and the increase in accounts receivable.					
2. Investing: the increase for the current period is attributable to the increase in prepayment for equipment for the new plant construction in Cambodia and the increase in the fixed-term deposits for this purpose.					
3. Financing: the decrease for the current period is attributable to a new share issue through capitalization of earnings in last year.					

Source: the consolidated financial statements audited and attested by CPAs in 2017 and 2018

(II) Improvements for cash flow deficit: Not applicable

(III) Cash liquidity analysis for the next year

The Company expects that revenue and profit will continue to grow in 2019. Except for the significant growth in the Cambodian market and the domestic market. The operating activities still show net cash inflow and can support the cash outflow of investment and financing activities. There is no shortage of liquidity.

IV. Material Capital Expenditures in the Most Recent Year and Impacts on Financial Performance

Unit: NT\$1 thousand

Actual funding source/item	Building	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Working capital	9,296	8,488	2,121	2,068	85	33,009	55,067

The net cash inflow of our operating activities in 2018 was NT\$236,413 thousand, so the capital expenditures mentioned above did not have a material impact on the financial business.

V. Reinvestment Policy, Causes of Profit or Loss Incurred on Investments in the Most Recent Year, and Any Improvements or Investments Planned for the Next Year

(I) Re-investment policy for the most recent year

We follow the rules for investment cycle included in our internal control system to manage the re-investment business. Besides, we have also established the "Procedure for Supervision on Subsidiaries" and the "Management Procedure for Transactions among Related Parties, Specific Companies and Group Members". We verify whether the actual operation status of any investee conforms to local regulations and rules, and help investees establish the appropriate internal control system. At the same time, the Company has also obtained investees' relevant financial statements, business reports and statements audited by CPAs in accordance with the foregoing methods and procedures, and conducted timely analysis and assessment of the investees' operating conditions and profitability. The Auditing Office of the Company will also dispatch personnel to perform auditing operations on subsidiaries on a regular or irregular basis, and formulate relevant audit plans and issue audit reports to track the lack of internal control system and the improvement of abnormal matters.

(II) Main reasons of profits or losses on reinvestments in the most recent year

Unit: NT\$1 thousand

Investee	Investment amount	Shareholding ratio	Investment income (loss) recognized in the most recent year	Main reason for profits or losses	Improvement plan
TAISUN VIETNAM CO., LTD.	246,585 USD 7,791 thousand	100%	288,468	Good operating condition	N/A
Taipoly	5,450 (USD 180 thousand)	100%	(2,606)	Good operating condition	N/A
WINSUN (CAMBODIA)	365,343 (USD 11,690)	100%	18,590	Good	N/A

CO., LTD.	thousand)			operating condition	
Winsun Trade	14,773 (USD 500 thousand)	100%	332	Good operating condition	N/A

(III) Investment plan for the next year

The proposal for investment in our Cambodian subsidiary was approved at the board and shareholder meeting held on September 20, 2015, with an estimated total investment of US\$7 million. On August 10, 2016, the board of directors agreed to change the investment amount into US\$11.7 million. Winsun (Cambodia) Co., Ltd. was incorporated as a 100%-owned subsidiary in Cambodia on December 22, 2015, with the registered capital of US\$7 million; as at the last day of 2018, it paid-up capital was US\$11.69 million. According to the "World Population Prospects" (Revision 2015) issued by the Department of Economic and Social Affairs, the UN, the total population of Cambodia was about 15,578 thousand, with an average annual growth rate (AAGR) of 1.52% between 2015 and 2020, 1.08% higher than that of the global population. Due to the influence of the civil war in the past 20 years, the infrastructure and economic development in Cambodia fall behind those of its neighboring countries. Since the end of the civil war in 1997, its politics and society have gradually developed steadily. In 1999, Cambodia joined the Association of Southeast Asian Nations ("ASEAN"). With the economic development, rising population, increase in national income and improvement of local living conditions, individuals attach more importance to healthcare and the consumers' demand for sanitary supplies keeps growing steadily. It is expected that our investment can be returned successfully after formal operations in four years. Winsun (Cambodia) plans to set up two production lines for baby pull-ups and women's sanitary napkins. At present, the mass production of baby pull-ups has commenced in Q3 of 2018, and that of sanitary napkins will start in Q3 of 2019.

VI. Risk management issues in the most recent year up till the publication date of this annual report that are subject to evaluation

(I) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and responsive measures in the future

1. Change in interest rate

The Company's interest income and expenses in 2018 accounted for 2.75% and 0.15% of the net operating revenue; those in Q1 of 2019 were 3.08% and 0.39%, which were extremely low. In recent years, there has been a steady net cash

inflow from operating activities. The self-owned funds are abundant and the dependence on loans from financial institutions is very low. Therefore, even if the interest rate changes in the future, the Company will not experience such significant risk as the decrease in interest income or the increase in interest income due to any change in interest rate. Therefore, changes in interest rates have little impact on the Company's operations and profitability.

2. Change in exchange rate

In daily operations, the Company uses VND and USD as functional currencies and major trading currencies. Its amounts in USD account for about 53% and 76% of the sales and purchase amounts. The purchase and sales amounts in USD approach the balance. Therefore, in principle, the dollar-denominated purchases and sales transactions are naturally hedged and are adjusted appropriately through assets and liabilities in foreign currency based on fluctuations on exchange rate. Thus, although the rise of the US dollar will cause the Company to generate exchange gains and losses, the impact will be minor. In order to reduce the impact of exchange rate fluctuations on profit and loss, the Company maintains close ties with the banks in order to grasp the changes in the foreign exchange market. The trading quotes of the Company's business units for export sales and outsourcing will also be adjusted in a timely manner depending on the exchange rate changes. The impact of exchange rate fluctuations can be minimized.

3. Inflation effects and factors

The Company is always aware of fluctuations in market prices, and maintains good interaction with customers and suppliers, flexibly adjusts the procurement and sales strategies and product structure, and actively develops diversified markets to diversify risks. Therefore, the Company should be able to respond to impacts arising from future inflation or deflation and overall economic changes. So far, inflation has no impact on our operations.

- (II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements/guarantees, and trading of derivatives; describe the main causes of any profit or loss incurred and future responsive measures

The Company has not engaged in high-risk, high-leverage investment, loan to others, endorsement or guarantee, or derivative transaction in the most recent year till the publication date of this annual report.

- (III) Future research and development plans and projected expenses

The Company expects to invest the R&D expenses base on the R&D unit's schedule of new product development and technology improvement, so supporting its R&D plan. According to the future R&D trend, such products will be lighter, thinner and softer and productivity will be higher. The research and development expenses are estimated by the R&D unit by estimating the required manpower and making a R&D plan before the end of the year. In 2019, NT\$18,311 thousand will be invested as R&D expense at anticipated.

(IV) Financial impacts and responsive measures due to change of local and foreign regulation

The Company was registered in the Cayman Islands and the main operating country is Vietnam. The Cayman Islands is dominated by financial services, and Vietnam is now one of the ASEAN Economic Communities. The implementation of the Company's various businesses complies with the important domestic and foreign policies and laws and regulations. It is also necessary to always pay attention to the important domestic and international policy developments and changes in applicable laws. If there are any changes, consult with lawyers, accountants and other relevant units, or commission them to evaluate and work out response measures in response to changes in the market environment and take appropriate response measures. In the most recent year till the date of publication of the prospectus, the Company has not had any significant impact on its financial performance due to significant changes in local policies and laws in the Cayman Islands and Vietnam.

(V) Financial impacts and responsive measures due to technological or industrial changes

In the most recent year till the date of publication of the prospectus, there has been no significant impact on the financial performance of the Company due to technological changes or industrial changes. The industry of mature daily necessities in which the Company operates is not affected by the changes in economy. In addition to the flexible planning of marketing strategies to cater to consumer preferences, the R&D team continues to invest in product quality improvement and commitment to process improvement, while being close to customers. The Company also closely cooperates with customers to discuss and grasp the latest trends and maintain market competitiveness.

(VI) Crisis management, impacts, and responsive measures due to change of corporate image

As at the date of publication of the annual report, the Company has not been

involved in any crisis of affiliates due to changes in corporate image, so it is not applicable.

(VII) Expected benefits, risks and responsive measures in relation to mergers and acquisitions undertaken

As at the date of publication of the annual report, the Company has no plan for merger or acquisition, so it is not applicable.

(VIII) Expected benefits, risks and responsive measures associated with plant expansions

As at the date of publication of the annual report, we have no plan for plant expansion, so it is not applicable.

(IX) The risks deriving from concentration of purchase or sales and remedies

In the most recent year till the publication date of the annual report, the Company has no consolidated sales or purchase operations.

(X) Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest

No share has been transferred by any director of the Company or Everlink Overseas Inc. and KT Look Int'l Inc. as dominant shareholders with more than 10% shareholding in 2018. Therefore, the Company has no material adverse impact.

(XI) Impacts, risks and responsive measures associated with a change of management

In the most recent year till the publication date of the prospectus, the Company's business operation has not been affected due to any change in management.

(XII) Major litigations or non-contentious case: Not applicable

(XIII) Other material risks and responsive measures: Not applicable

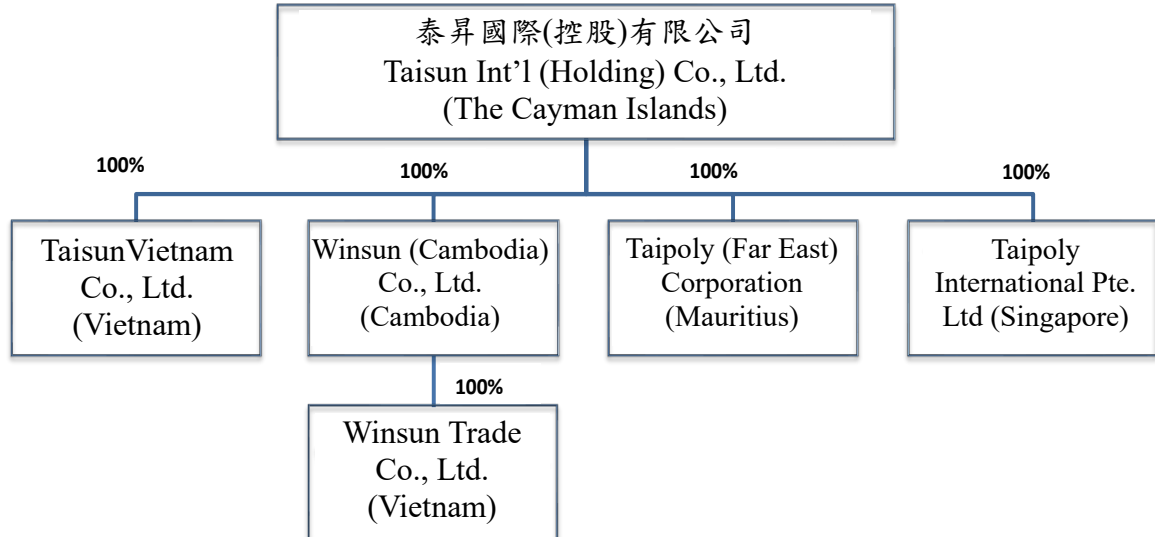
VII. Other Important Matters: Not applicable

Part Eight - Special Remarks

I. Information on Affiliates

(I) Consolidated Business Report of Affiliates:

1. Organizational Chart of Affiliates



2. Basic information on the affiliates

Unit: NT\$1 thousand

Enterprise name	Date of establishment	Address	Paid-up capital	Principal business or products
Taisun Vietnam Co., Ltd.	January 2, 2001	Lot A1-6, N5 Street, Tay Bac Cu Chi IZ, Cu Chi District, HCM City, Vietnam	246,585 (USD 7,791 thousand)	Production and sale of baby diapers and pull-ups, adult diapers and sanitary napkins
Taipoly (Far East) Corporation	March 10, 2006	Suite 802, St James Court, St Denis Street, Port Louis, Mauritius	5,450 (USD 180 thousand)	Trade
Winsun (Cambodia) Co., Ltd.	December 22, 2015	National Road No.4, Khan Posenchey, Phnom Penh, Cambodia	365,343 (USD 11,690 thousand)	Production and sales of baby diapers and pull-ups and sanitary napkins
Winsun Trade Co., Ltd. (Vietnam)	December 1, 2017	57 A Pham Huu Tam street, group 8, town 3, Cu Chi District, HCM city, Vietnam	14,773 (USD500)	Trade
Taipoly International Pte. Ltd. (Singapore)	April 11, 2019	10 Anson Road, #13-15 International Plaza, Singapore	-	Trade and investment

3. Reason for the relationship of control or affiliation, and relationship among personnel: Not applicable

4. Business scope of affiliates and business divisions: please refer to the table above.

5. Profiles of the directors, supervisors and President of the affiliates

Enterprise name	Occupational title	Name or Representative	Shareholding	
			Number of shares	Shareholding ratio
Taisun Vietnam Co., Ltd.	Director	Chao-Jung Tai	Note	100%
Taipoly (Far East) Corporation	Director	Chao-Jung Tai	180,000	100%
Winsun (Cambodia) Co., Ltd.	Director	Chao-Jung Tai	Note	100%
Winsun Trade Co., Ltd.	President	Chao-Jung Tai	Note	100%
Taipoly International Pte. Ltd.	Director	Chao-Jung Tai	Note	100%

Note: The Company has not issued shares, so the number of shares is not available.

6. Business highlights of the affiliates

Unit: NT\$1 thousand; as at December 31, 2018

Enterprise name	Authorized capital	Total assets	Total liabilities	Net worth	Operating income	Operating (loss) gain	Gains and losses of the term (after tax)	Earnings per share (NT\$/after tax)
Taisun Vietnam Co., Ltd.	433,581	1,413,056	255,234	1,157,822	1,575,389	281,130	288,468	0.66
Taipoly (Far East) Corporation	5,450	52,490	7,284	45,206	58,911	(4,083)	(3,882)	(0.71)
Winsun (Cambodia) Co., Ltd.	365,343	450,475	88,194	362,281	135,204	832	18,258	0.04
Winsun Trade Co., Ltd.	14,773	15,425	74	15,351	-	(321)	332	0.02
Taipoly International Pte. Ltd.	-	-	-	-	-	-	-	-

Note: The Company has not issued shares, so the number of shares is not available.

(II) Consolidated financial statements of the affiliates: please refer to Page 80-138 of our consolidated financial statements.

(III) Relations Report: Not applicable

II. Private placement of securities in the last year up till the publication date of this annual report: Not applicable

III. Holding or disposal of the Company's shares by subsidiaries in the last year, up till the publication date of this annual report:

IV. Other matters requiring supplementary information: Not applicable

V. Any Occurrence of Event Defined under Subparagraph 2, Paragraph 3, Article 36 of the Act in the Most Recent Year up till the Publication Date of this Annual Report that Significantly Affected Shareholders' Equity or Securities Prices:

For the listing on TWSE or TPEx and the implementation of the corporate governance standard, the Company's seven directors were elected by the shareholders on January 8, 2016 in accordance with the amended "Articles of Incorporation", including: Chao-Jung Tai, representative of Everlink Overseas Inc.; Yu-Hsueh Chen, representative of KT LOOK INT'L INC; Hsin-Wu Wang, Jui-Hao Li, Shang-Wu Yu, Chao-Tung Weng and Chao-Huang Hsieh (including 3 independent directors). In addition, Chao-Jung Tai, representative of Everlink Overseas Inc., was elected the first Chairman of the Company as approved by the board of directors on January 8, 2016 (Friday) to support its future business development strategy and strengthen corporate governance. The matters above are all based on the Company's promotion of corporate governance and business development, conform to the "Company Act" and the "Articles of Incorporation", and therefore should have no significant impact on shareholders' equity or securities prices.

VI. Explanation of significant differences with the provisions on the protection of shareholders' rights in this country

Due to the slight inconsistency of acts between the British Cayman Islands and the Republic of China, the "Checklist of Protecting Shareholders' Equity of Foreign Issuers in the Country of Registration" revised by Taiwan Stock Exchange Corporation on October 15, 2015 (hereinafter referred to as the "Checklist of Protecting Shareholders' Equity") is not applicable to the Company. The differences between our current valid Articles of Incorporation (the "Articles of Incorporation") and the "Checklist of Protecting Shareholders' Equity" due to the Act of the British Cayman Islands are listed below, including the provisions of our "Articles of Incorporation".

Important Matters for Protecting Shareholders' Equity	Articles of Incorporation and Reasons for Differences
1. The shareholders' meeting shall be held within the territory of the Republic of China. If a shareholders' meeting is convened outside the Republic of China, an application shall be filed with the local stock exchange within two days upon approval by the board of directors or after the shareholders obtain the permission from the competent authority.	1. If the shareholders convene any shareholders' meeting outside the Republic of China, as the shareholders' convening of an extraordinary shareholder meeting is not subject to the permission of the local authorities of the Cayman Islands, Article 19.6 of the "Articles of Incorporation" only stipulates that an early application shall be filed with Taiwan Stock Exchange or

<p align="center">Important Matters for Protecting Shareholders' Equity</p>	<p align="center">Articles of Incorporation and Reasons for Differences</p>
<p>2. Shareholders who have been holding more than 3% of the total outstanding shares for more than a year may also ask the board of directors to call for an extraordinary shareholder meeting by clearly written proposals and reasons. Within 15 days upon request, if the board of directors makes no notice for such meeting, the shareholders may report to the competent authority for permission to convene it at their own discretion.</p>	<p>Taiwan Stock Exchange Corporation (Taipei Exchange ("TPEX")) for approval; therefore, "an application shall be filed with the local stock exchange within two days upon approval by the board of directors or after the shareholders obtain the permission from the competent authority" as set forth in the "Checklist of Protecting Shareholders' Equity" is not applicable. In this regard, this should be no substantial impact on the shareholders' equity of the Republic of China.</p> <p>2. In addition, such act does not require the permission of the local authorities of the Cayman Islands in respect of the shareholders' own convening of an extraordinary shareholder meeting pursuant to the "Company Law of Cayman Islands". Article 19.6 of the Articles of Incorporation does not stipulate that such extraordinary shareholder meeting at will shall require the permission of competent authorities.</p>
<p>1. Where the Company convenes a shareholders meeting, the voting rights may be exercised in writing or in the electronic form; however, if the Company complies with the "Scope of Application of Electronic Voting by Companies" as notified by the competent securities authority of the Republic of China and is the first listed company with its stock newly listed as of from January 1, 2016, such electronic form shall be listed as one of channels for exercising voting rights.</p> <p>When voting rights are exercised in the electronic form or in writing, instructions for exercising voting rights shall be clearly stated on the shareholder meeting advice. Shareholders who have voted in writing or using the electronic method are considered to have attended shareholder meeting in person. However, they are considered to have waived their rights to participate in any extemporaneous motions or amendments to the original discussions that may arise during the shareholder meeting.</p>	<p>In respect of the exercising of voting rights by shareholders in writing or electronically, it is not mentioned in the "Company Law of Cayman Islands" whether shareholders who exercise their voting rights in writing or electronically can be deemed to have attended the shareholders' meeting in person, and no relevant case has been found concerning lawyers in the Cayman Islands. For other arrangements, Article 25.4 of the "Articles of Incorporation" stipulates that "the shareholders shall be deemed to have commissioned the Chairperson as their agent when they vote in writing or electronically to exercise their voting rights at the shareholders' meeting pursuant to the foregoing provisions, and they shall exercise their voting rights as instructed in writing or electronically. The Chairperson with the identity of agent, has no right to exercise the voting rights of the shareholder in matters not mentioned or not stated in the written or electronic documents and/or amendments to the original proposal proposed at the shareholders meeting. In order to clarify any doubt, the shareholders' exercising their</p>

<p style="text-align: center;">Important Matters for Protecting Shareholders' Equity</p>	<p style="text-align: center;">Articles of Incorporation and Reasons for Differences</p>
	<p>voting rights in such manner shall be deemed that they have waived their right to vote in respect of the special motion and/or amendments to the original proposal referred to at the Shareholders' Meeting"; and according to Article 26.3 of the "Articles of Incorporation", it is stated that the voting rights of the Chairperson of the shareholders' meeting shall not be subject to a limit of 3% of the total voting rights of the issued shares. As such differences are due to the fact that the "Company Law of Cayman Islands" does not have the same requirements, the impact of this part on the shareholders' equity of the Republic of China should be limited.</p>
<p>The following resolutions relating to the material interests of shareholders shall be attended by more than two-thirds of the total number of shareholders who have issued shares, and more than half of attending shareholders shall agree by voting. If the total number of shares of the attending shareholders is less than the aforesaid quota, more than half of the shareholders with issued shares shall attend the meeting and more than two-thirds of attending shareholders shall agree upon the following matter by voting:</p> <ol style="list-style-type: none"> 1. The company concludes, alters or terminates the contract for the lease of all business, entrusted operations or cooperation with others, the transfer of all or a major part of the business or property, the transfer of all business or property of others, which has a significant impact on the company's operations. 2. Amendments of the "Articles of Incorporation" 3. If any amendment of the "Articles of Incorporation" impairs the right of shareholders with preferred shares, the resolution of the preferred share shareholder meeting is required. 4. All or one of the dividends and dividends are distributed in the form of new shares. 5. Resolution of Dissolution, Merger or Spin-off 	<ol style="list-style-type: none"> 1. Regarding the resolution method of the shareholders' meeting, in addition to the ordinary and major resolutions under the law of the Republic of China, the "Special Resolution" defined by the "Company Law of Cayman Islands" is also included in Article 1.1 of the "Articles of Incorporation". In other words, in the case of non-violation against the "Company Law of Cayman Islands", the shareholders with the right to vote shall be personally present, or vote by proxy, or shall be legally authorized by the institutional shareholders or non-natural shareholders at the shareholders' meeting of the company (in accordance with Article 23.1 of the Articles, it means that the shareholders who have more than half of the total number of issued voting shares are present); and after calculating the right of each shareholder to vote, at least two-thirds of attending shareholders shall agree. 2. According to the provisions of the "Company Law of Cayman Islands", the following matters shall be determined by special resolution: <ol style="list-style-type: none"> (1) Amendments of the "Articles of Incorporation" <p style="margin-left: 40px;">According to the law of the Islands, amendments of the "Articles of Incorporation" shall be subject to special resolutions as set forth in the</p>

Important Matters for Protecting Shareholders' Equity	Articles of Incorporation and Reasons for Differences
	<p>"Company Law of Cayman Islands". Therefore, Article 11.1 of the "Articles of Incorporation" does not adopt the requirement of the "Checklist of Protecting Shareholders' Equity" to change it into the major resolution under the law of the Republic of China. Besides, in accordance with Article 13 of the "Articles of Incorporation", if any modification or change in the "Articles of Incorporation" damages the priority of any type of shares, relevant amendments or changes shall be approved through special resolution at a separate shareholders' meeting convened by the shareholders with such damaged shares.</p> <p>(2) Dissolution</p> <p>According to the "Company Law of Cayman Islands", if a company decides to voluntarily liquidate and dissolve because it cannot be settled upon expiration of its debt, its dissolution shall be made by ordinary resolution of the shareholders' meeting; however, if the company is voluntarily liquidated for reasons other than the above, a special resolution defined by the "Company Law of Cayman Islands" will be required. Therefore, the resolution threshold of Article 12.4 of the "Articles of Incorporation" regarding liquidation and dissolution is not changed into the major resolution under the law of the Republic of China as set out in the "Checklist of Protecting Shareholders' Equity".</p> <p>(3) Merger</p> <p>As the "Company Law of Cayman Islands" has mandatory provisions for the voting method for the "consolidation defined by the Company Law of Cayman Islands", Article 12.3(b) of the "Articles of Incorporation" stipulates that "merger (except merger and/or combination</p>

Important Matters for Protecting Shareholders' Equity	Articles of Incorporation and Reasons for Differences
	<p>defined in the Company Law of Cayman Islands, only need special resolution)" shall be subject to major resolution.</p> <p>The difference between the above matters and the "Checklist of Protecting Shareholders' Equity" is that the matters that are subject to major resolution as set out in the latter are governed respectively by the rules for major and special resolutions as stated in the former. As these differences are due to the "Company Law of Cayman Islands", and the "Articles of Incorporation" have already listed the major resolutions set out in such Checklist as major and special resolutions in the Articles, the impact of this part in the Articles on the shareholders' equity should be limited.</p>
<ol style="list-style-type: none"> 1. The company shall appoint supervisors who are elected at the shareholders' meeting. At least one of the supervisors must have a residence in this country. 2. The supervisor shall not serve for more than three years, which can be renewed if re-elected. 3. When all supervisors are dismissed, the board of directors shall convene an extraordinary shareholder meeting within 60 days. 4. The supervisors shall supervise the execution of the company's business and may investigate the company's business and financial status at any time, check the books and documents, and may request the Board or manager to submit a report. 5. The supervisors shall check the various forms prepared by the Board and submitted at shareholders' meeting and report the opinions to the shareholders' meeting. 6. The supervisors shall appoint accountants and lawyers to review the matters on behalf of the company. 7. The supervisors must attend the board of directors meetings to make a statement. Where the board of directors or directors' performance of duties goes against laws, 	<p>The law of the Cayman Islands does not have the concept for supervisor, and the issuing company has an audit committee. Therefore, there is no relevant regulation for the supervisors in the "Articles of Incorporation".</p>

Important Matters for Protecting Shareholders' Equity	Articles of Incorporation and Reasons for Differences
<p>regulations or resolutions, the supervisors shall immediately notify the board of directors or the directors to stop their actions.</p> <p>8. The supervisors are entitled to exercise the supervision right independently.</p> <p>9. The supervisors shall not serve as a company director, manager or other employee.</p>	
<p>1. Shareholders who hold more than 3% of the total number of issued shares of the company for more than one year can request the supervisor to file a lawsuit against directors and the Taipei District Court of Taiwan may be the court of first instance.</p> <p>2. Within 30 days after the shareholder makes the request, if the supervisors do not file a lawsuit, the shareholders may file a lawsuit on behalf of the company and the Taipei District Court of Taiwan may be the court of first instance.</p>	<p>The law of the Cayman Islands does not have the concept for supervisor, and the issuing company has an audit committee. Therefore, there is no relevant regulation for the supervisors in the "Articles of Incorporation". However, with reference to Article 214 of the "Company Act of the Republic of China" regarding the request of minority shareholders for a lawsuit against a director, Article 48.3 of the "Articles of Incorporation" provides that the shareholders with more than 3% of the total number of issued shares of the company for more than one year can, to the extent permitted by the law of the Cayman Islands:</p> <p>(a) Request in writing the independent director of the audit committee authorized by the board of directors to file a lawsuit against a director on behalf of the Company, and the Taipei District Court of Taiwan may be the court of first instance; or</p> <p>(b) Request in writing the independent director of the audit committee to file a lawsuit against a director on behalf of the Company, and the Taipei District Court of Taiwan may be the court of first instance;</p> <p>Within 30 days after the request is made in accordance with Paragraph (a) or (b) above, if (i) the requested board of directors fails to authorize an independent director of the audit committee as described in Paragraph (a), or the independent director of the audit committee authorized by the board of directors fails to file a lawsuit as per Paragraph (a); or (ii) (ii) the independent director of the requested audit committee has not filed a lawsuit under Paragraph (b), the shareholders may, to the extent permitted by the law of the Cayman Islands, file a lawsuit against a director on</p>

Important Matters for Protecting Shareholders' Equity	Articles of Incorporation and Reasons for Differences
	<p>behalf of the company, the Taipei District Court of Taiwan may be the court of first instance.</p> <p>However, Cayman's lawyers have clarified the following provisions in accordance with the Act of the Cayman Islands:</p> <p>The "Company Law of Cayman Islands" does not contain specific rules that allow certain minority shareholders to take any derivative action against a director with a court in the Cayman Islands.</p> <p>The "Articles of Incorporation" does not act as a contract between shareholders and directors, but the agreement between the shareholders and the company. Accordingly, even if the minority shareholders are allowed to file a derivative action against the directors as set out in the Articles, Cayman's lawyers believe that this will not be binding upon the directors. However, under common law, all shareholders (including minority shareholders) have the right to file derivative actions (including litigation against directors) regardless of their shareholding or shareholding period. Once the shareholders file a lawsuit, the Cayman-based court will have full discretion to decide whether the shareholders can continue the legal proceedings. In other words, even if the "Articles of Incorporation" states that the minority shareholders (or shareholders with the required shareholding ratio or shareholding period) have filed a lawsuit against the director on behalf of the company, whether the legal proceedings can continue ultimately depends on the Cayman-based court. According to the relevant judgment of the Cayman Grand Court, the Cayman-based courts, when considering whether to approve the continuation of derivative proceedings, the applicable criterion is whether the Cayman-based court believes and accepts that the plaintiff's request on behalf of the company is substantial and the wrongful act is claimed by the controllable company, and the controller can prevent the company from filing a lawsuit. The Cayman-based court will make judgment on a case-by-case basis (although the court may refer to the provisions of the "Articles of</p>

<p align="center">Important Matters for Protecting Shareholders' Equity</p>	<p align="center">Articles of Incorporation and Reasons for Differences</p>
	<p>Incorporation", this is not a decisive factor).</p> <p>Under the "Company Law of Cayman Islands", the board of directors should decide on its behalf (instead of individual directors). Therefore, the directors shall, in accordance with the provisions of the "Articles of Incorporation", authorize any director to file a lawsuit against other directors on behalf of the company.</p> <p>The "Company Law of Cayman Islands" does not clearly state that shareholders can request for a director to convene a board meeting for specific matters. However, the "Company Law of Cayman Islands" does not prohibit the company from establishing rules relating to the board of directors procedures in the "Articles of Incorporation" (including the provisions of the board meeting).</p>
<ol style="list-style-type: none"> 1. The directors of the company shall faithfully carry out the business and perform the duty of care of the manager. If any violation impairs the company, the responsible director shall be liable for damages therefrom. If the act is committed by a director or by others, the shareholders will be able to consider the proceeds of the act as the company's income. 2. If the company's director perform the duty against any law or regulation and thus damages others' right or interest, the director and the company shall be jointly and severally liable for the damages to others. 3. The manager and supervisor of the company shall bear the same liability for damages as the directors of the company within the scope of their duties. 	<p>In accordance with Article 48.4 of the "Articles of Incorporation", without prejudice to the regulation that the directors of the company shall bear the general liability to the company and shareholders under the common law and laws of the Cayman Islands, the directors shall perform their duties faithfully and fulfill the duty of care by the manager; if any violation damages the company, the responsible directors shall be liable for damages therefrom to the maximum extent permitted by law. In the event that a director obtains any benefit for himself or another person in violation of the aforesaid provisions, the company shall take all appropriate actions and steps to the maximum extent permitted by law, as determined by the ordinary resolution of the shareholders' meeting. Any such proceeds arising from such directors shall be owned by the company. If a director of the company conducts business operations against any law or order, which causes the company to be liable for any compensation or damage to any person, the director shall be jointly and severally liable with the company for such compensation or damage. If the director is not liable to the company for compensation for any reason, the director shall compensate the company for any losses suffered by the company in violation of its obligations. The</p>

Important Matters for Protecting Shareholders' Equity	Articles of Incorporation and Reasons for Differences
	<p>manager shall bear the same liability for damages as the directors of the company within the scope of their duties.</p> <p>However, Cayman's lawyers have clarified the following provisions in accordance with the Act of the Cayman Islands:</p> <p>The director's liability to the company under the law of the Cayman Islands can be broadly divided into the responsibilities under common law (i.e. professional competence, attention and diligence) and the duty of loyalty. However, the directors are legally obligated under the provisions of various laws and in certain circumstances, also have obligations to third parties (such as creditors). If the company is unable to pay off its debt or there is such worry, the directors should consider the interests of the creditors when performing their duties. As the "Articles of Incorporation" is an agreement between shareholders and the company, the directors are not parties in the Articles of Incorporation. Therefore, all rights of claim for damages against the directors who breach their obligations should be stated in the service contract or letter of assignment.</p> <p>Under the law of the Cayman Islands, generally a manager or supervisor does not have the same responsibility as a company director for a company or shareholders. However, if the manager or supervisor is authorized to act on behalf of the senior executive, it will be subject to the same obligations as the company's directors. For the avoidance of doubt, Cayman-based companies generally regulate the obligations and duties of managers or supervisors to the company and its shareholders in their service contracts. Similarly, as the "Articles of Incorporation" is an agreement between shareholders and the company, the managers or supervisors are not parties in the Articles of Incorporation. Therefore, all rights of claim for damages against managers or supervisors who breach their obligations should be stated in the service contract.</p> <p>In addition, regarding the provisions of the directors' interests being considered as the company's income, Cayman's lawyers believe</p>

Important Matters for Protecting Shareholders' Equity	Articles of Incorporation and Reasons for Differences
	<p>that such regulations are uncertain and too general, so they have doubts about their enforceability. For example, whether a director's breach of obligation is left to the court to finalize and how to define the benefit (and the period in which it benefits). Cayman's lawyers also believe that this clause does not limit the director's responsibilities. Directors are still subject to various statutory duties, common law and the duty of loyalty under the law of the Cayman Islands.</p>

**Taisun Int'l (Holding) Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

TAISUN INT’L (HOLDING) CORPORATION

By



TAI, CHAO-RONG
Chairman

March 8, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Taisun Int'l (Holding) Corporation

Opinion

We have audited the accompanying consolidated financial statements of Taisun Int'l (Holding) Corporation and its subsidiaries (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.

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.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Key Audit Matter

Since the recognition of the export credit sales of the Group, which is most interrelated to operating performance, has a significant impact on the consolidated financial statements, and therefore the export credit sales is viewed as a key audit matter.

By performing control tests, we got understanding on the process of export credit sales recognition and the design and implementation of the related internal controls. Additionally, we also performed the following audit procedures:

1. Analyzed the changes in major clients between the current and prior years.
2. Analyzed the changes in the main products' gross margins between the current and prior years.
3. Sampled the export credit sales of 2018 and checked the relevant vouchers to evaluate the authenticity of sale recognition.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 Yu-Shiou Su and Shuang-Hsiung Kung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 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.

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars or U.S. Dollars)

ASSETS	2018			2017		
	NTD	USD	%	NTD	USD	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 373,429	\$ 12,158	18	\$ 428,917	\$ 14,413	25
Financial assets at fair value through other comprehensive income - current (Note 6)	15,656	510	1	-	-	-
Available-for-sale financial assets - current (Note 9)	-	-	-	8,648	291	-
Financial assets at amortized cost - current (Note 8)	562,574	18,316	28	-	-	-
Notes receivable	400	13	-	23	1	-
Trade receivables (Note 11)	55,404	1,804	3	28,674	964	2
Other receivables	21,597	703	1	18,432	619	1
Inventories (Note 12)	289,115	9,413	14	235,604	7,917	14
Prepayment for leases (Note 15)	1,621	53	-	1,591	53	-
Other financial assets - current (Note 10)	-	-	-	481,728	16,187	28
Other current assets (Note 16)	50,312	1,637	2	23,809	800	1
Total current assets	<u>1,370,108</u>	<u>44,607</u>	<u>67</u>	<u>1,227,426</u>	<u>41,245</u>	<u>71</u>
NON-CURRENT ASSETS						
Financial assets at amortized cost - non-current (Note 8)	40,147	1,307	2	-	-	-
Property, plant and equipment (Note 14)	364,389	11,863	18	294,001	9,880	17
Other intangible assets	963	31	-	1,427	47	-
Deferred tax assets (Note 23)	4,623	151	-	5,166	174	-
Prepayments for equipment	137,341	4,471	7	76,490	2,570	4
Other financial assets - non-current (Note 10)	-	-	-	29,248	983	2
Long-term prepayments for leases (Note 15)	94,815	3,087	4	94,062	3,161	6
Other non-current assets (Note 16)	35,630	1,160	2	2,018	68	-
Total non-current assets	<u>677,908</u>	<u>22,070</u>	<u>33</u>	<u>502,412</u>	<u>16,883</u>	<u>29</u>
TOTAL	<u>\$ 2,048,016</u>	<u>\$ 66,677</u>	<u>100</u>	<u>\$ 1,729,838</u>	<u>\$ 58,128</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 17)	\$ 228,171	\$ 7,429	11	\$ 111,922	\$ 3,761	7
Trade payables	99,971	3,255	5	102,062	3,430	6
Other payables (Note 18)	65,151	2,121	3	43,107	1,448	3
Current tax liabilities (Note 23)	10,062	328	1	4,113	138	-
Provisions - current	-	-	-	4,085	137	-
Other current liabilities	5,017	162	-	1,256	43	-
Total current liabilities	<u>408,372</u>	<u>13,295</u>	<u>20</u>	<u>266,545</u>	<u>8,957</u>	<u>16</u>
NON-CURRENT LIABILITIES						
Deferred income tax liabilities (Note 23)	223	7	-	290	10	-
Guarantee deposits received	2,798	91	-	2,754	93	-
Total non-current liabilities	<u>3,021</u>	<u>98</u>	<u>-</u>	<u>3,044</u>	<u>103</u>	<u>-</u>
Total liabilities	<u>411,393</u>	<u>13,393</u>	<u>20</u>	<u>269,589</u>	<u>9,060</u>	<u>16</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)						
Ordinary shares	392,700	12,667	19	357,000	11,493	21
Capital surplus	653,216	21,364	32	653,216	21,364	38
Retained earnings						
Legal reserve	54,177	1,794	3	28,792	959	1
Special reserve	112,024	3,684	5	1,346	45	-
Unappropriated earnings	515,697	16,190	25	531,919	16,638	31
Other equity	(91,191)	(2,415)	(4)	(112,024)	(1,431)	(7)
Total equity	<u>1,636,623</u>	<u>53,284</u>	<u>80</u>	<u>1,460,249</u>	<u>49,068</u>	<u>84</u>
TOTAL	<u>\$ 2,048,016</u>	<u>\$ 66,677</u>	<u>100</u>	<u>\$ 1,729,838</u>	<u>\$ 58,128</u>	<u>100</u>

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated balance sheets have been subsequently translated to New Taiwan dollars at an exchange rate of NT\$30.715:US\$1 and NT\$29.76:US\$1 as of December 31, 2018 and 2017, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

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

	2018			2017		
	NTD	USD	%	NTD	USD	%
SALES (Note 21)	\$ 1,744,175	\$ 57,852	100	\$ 1,500,010	\$ 49,291	100
COST OF GOODS SOLD (Note 22)	<u>1,222,866</u>	<u>40,561</u>	<u>70</u>	<u>1,029,294</u>	<u>33,823</u>	<u>68</u>
GROSS PROFIT	<u>521,309</u>	<u>17,291</u>	<u>30</u>	<u>470,716</u>	<u>15,468</u>	<u>32</u>
OPERATING EXPENSES (Note 22)						
Selling and marketing expenses	139,296	4,620	8	142,912	4,696	10
General and administrative expenses	83,387	2,766	5	67,860	2,230	4
Research and development expenses	<u>14,111</u>	<u>468</u>	<u>1</u>	<u>12,109</u>	<u>398</u>	<u>1</u>
Total operating expenses	<u>236,794</u>	<u>7,854</u>	<u>14</u>	<u>222,881</u>	<u>7,324</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>284,515</u>	<u>9,437</u>	<u>16</u>	<u>247,835</u>	<u>8,144</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES						
Other income (Note 22)	48,520	1,609	3	31,865	1,047	2
Other gains and losses (Note 22)	5,403	179	-	13,463	442	1
Finance costs (Note 22)	<u>(2,596)</u>	<u>(86)</u>	<u>-</u>	<u>(646)</u>	<u>(21)</u>	<u>-</u>
Total non-operating income and expenses	<u>51,327</u>	<u>1,702</u>	<u>3</u>	<u>44,682</u>	<u>1,468</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	335,842	11,139	19	292,517	9,612	20
INCOME TAX EXPENSE (Note 23)	<u>37,151</u>	<u>1,232</u>	<u>2</u>	<u>38,664</u>	<u>1,270</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>298,691</u>	<u>9,907</u>	<u>17</u>	<u>253,853</u>	<u>8,342</u>	<u>17</u>
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that will not be reclassified subsequently to profit or loss:						
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(2,273)	(74)	-	-	-	-
Exchange differences on translation to the presentation currency	50,522	-	3	(113,629)	-	(7)
Items that maybe reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	(27,416)	(910)	(2)	1,887	62	-
Unrealized gain on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,064</u>	<u>35</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>20,833</u>	<u>(984)</u>	<u>1</u>	<u>(110,678)</u>	<u>97</u>	<u>(7)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 319,524</u>	<u>\$ 8,923</u>	<u>18</u>	<u>\$ 143,175</u>	<u>\$ 8,439</u>	<u>10</u>
NET PROFIT ATTRIBUTABLE TO:						
Owners of the Company	<u>\$ 298,691</u>	<u>\$ 9,907</u>	<u>17</u>	<u>\$ 253,853</u>	<u>\$ 8,342</u>	<u>17</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the Company	<u>\$ 319,254</u>	<u>\$ 8,923</u>	<u>18</u>	<u>\$ 143,175</u>	<u>\$ 8,439</u>	<u>10</u>

(Continued)

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

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

	2018			2017		
	NTD	USD	%	NTD	USD	%
EARNINGS PER SHARE (Note 20)						
From continuing and discounted operations						
Basic	<u>\$ 7.61</u>	<u>\$ 0.25</u>		<u>\$ 6.50</u>	<u>\$ 0.21</u>	
Diluted	<u>\$ 7.59</u>	<u>\$ 0.25</u>		<u>\$ 6.49</u>	<u>\$ 0.21</u>	

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated statements of comprehensive income have been subsequently translated to New Taiwan dollars at an average exchange rate of NT\$30.149:US\$1 and NT\$30.432:US\$1 for the years ended December 31, 2018 and 2017, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

(Concluded)

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

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

	(Note 16)		Retained Earnings (Note 16)			Exchange Differences on Translation Foreign Operations	Other		Total Equity	
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve		Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		Unrealized Gain (Loss) on Available-for-sale Financial Assets
BALANCE AT JANUARY 1, 2017	30,883	\$ 308,830	\$ 178,233	\$ -	\$ -	\$ 522,404	\$ (1,346)	\$ -	\$ -	\$ 1,008,121
Appropriation of 2016 earnings										
Legal reserve	-	-	-	28,792	-	(28,792)	-	-	-	-
Special reserve	-	-	-	-	1,346	(1,346)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(214,200)	-	-	-	(214,200)
Net profit for the year ended December 31, 2017	-	-	-	-	-	253,853	-	-	-	253,853
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(111,742)	-	1,064	(110,678)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	253,853	(111,742)	-	1,064	143,175
Issuance of ordinary shares for cash (date of issuance: January 13, 2017)	4,817	48,170	474,983	-	-	-	-	-	-	523,153
BALANCE AT DECEMBER 31, 2017	35,700	357,000	653,216	28,792	1,346	531,919	(113,088)	-	1,064	1,460,249
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-	1,064	(1,064)	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	35,700	357,000	653,216	28,792	1,346	531,919	(113,088)	1,064	-	1,460,249
Appropriation of 2017 earnings										
Legal reserve	-	-	-	25,385	-	(25,385)	-	-	-	-
Special reserve	-	-	-	-	110,678	(110,678)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(142,800)	-	-	-	(142,800)
Share dividends distributed by the Company	3,570	35,700	-	-	-	(35,700)	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	298,691	-	-	-	298,691
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	23,106	(2,273)	-	20,833
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	298,691	23,106	(2,273)	-	319,524
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(350)	-	-	-	(350)
BALANCE AT DECEMBER 31, 2018	39,270	\$ 392,700	\$ 653,216	\$ 54,177	\$ 112,024	\$ 515,697	\$ (89,982)	\$ (1,209)	\$ -	\$ 1,636,623

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated statements of changes in equity have been subsequently translated to New Taiwan dollars at an average exchange rate of NT\$30.149:US\$1 and NT\$30.432:US\$1 for the years ended December 31, 2018 and 2017, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of U.S. Dollars)**

	(Note 16)		Retained Earnings (Note 16)			Unappropriated Earnings	Exchange Differences on Translation Foreign Operations	Other		Total Equity
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve			Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2017	30,883	\$ 9,987	\$ 6,368	\$ -	\$ -	\$ 16,433	\$ (1,528)	\$ -	\$ -	\$ 31,260
Appropriation of 2016 earnings										
Legal reserve	-	-	-	959	-	(959)	-	-	-	-
Special reserve	-	-	-	-	45	(45)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(7,133)	-	-	-	(7,133)
Net profit for the year ended December 31, 2017	-	-	-	-	-	8,342	-	-	-	8,342
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	62	-	35	97
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	8,342	62	-	35	8,439
Issuance of ordinary shares for cash (date of issuance: January 13, 2017)	4,817	1,506	14,996	-	-	-	-	-	-	16,502
BALANCE AT DECEMBER 31, 2017	35,700	11,493	21,364	959	45	16,638	(1,466)	-	35	49,068
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-	35	(35)	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	35,700	11,493	21,364	959	45	16,638	(1,466)	35	-	49,068
Appropriation of 2017 earnings										
Legal reserve	-	-	-	835	-	(835)	-	-	-	-
Special reserve	-	-	-	-	3,639	(3,639)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(4,696)	-	-	-	(4,696)
Share dividends distributed by the Company	3,570	1,174	-	-	-	(1,174)	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	9,907	-	-	-	9,907
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	(910)	(74)	-	(984)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	9,907	(910)	(74)	-	8,923
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(11)	-	-	-	(11)
BALANCE AT DECEMBER 31, 2018	<u>39,270</u>	<u>\$ 12,667</u>	<u>\$ 21,364</u>	<u>\$ 1,794</u>	<u>\$ 3,684</u>	<u>\$ 16,190</u>	<u>\$ (2,376)</u>	<u>\$ (39)</u>	<u>\$ -</u>	<u>\$ 53,284</u>

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	NTD	USD	NTD	USD
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	\$ 335,842	\$ 11,139	\$ 292,517	\$ 9,612
Adjustments for:				
Depreciation expenses	58,458	1,940	48,750	1,602
Amortization expenses	515	17	514	17
Amortization of prepayments for leases	1,599	53	1,626	53
Finance costs	2,596	86	646	21
Interest income	(48,042)	(1,593)	(31,865)	(1,047)
Dividend income	(478)	(16)	-	-
Write-downs of inventories	-	-	974	32
Changes in operating assets and liabilities				
Notes receivable	(362)	(12)	(23)	-
Trade receivables	(25,325)	(840)	(1,674)	(55)
Other receivables	874	29	(61)	(2)
Inventories	(45,103)	(1,496)	(47,017)	(1,545)
Prepayments	(25,295)	(839)	(11,321)	(372)
Other current assets	60	2	(122)	(4)
Trade payables	(5,276)	(175)	18,655	613
Other payables	20,109	667	11,625	382
Provisions	-	-	61	2
Other current liabilities	(511)	(17)	(4,260)	(140)
Cash generated from operations	269,661	8,945	279,025	9,169
Interest paid	(2,428)	(81)	(578)	(19)
Income tax paid	(30,820)	(1,022)	(41,007)	(1,347)
Net cash generated from operating activities	<u>236,413</u>	<u>7,842</u>	<u>237,440</u>	<u>7,803</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of available-for-sale financial assets	-	-	(7,791)	(256)
Purchases of financial assets at fair values through other comprehensive income	(19,412)	(632)	-	-
Proceeds from financial assets at fair values through other comprehensive income	10,075	328	-	-
Purchases of financial assets at amortized cost	(73,955)	(2,453)	-	-
Payments for property, plant and equipment	(55,067)	(1,827)	(66,132)	(2,174)
Increase in other financial assets	-	-	(371,514)	(12,208)

(Continued)

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	NTD	USD	NTD	USD
Increase in other non-current assets	\$ (32,923)	\$ (1,092)	\$ (1,582)	\$ (52)
Increase in prepayments for equipment	(127,229)	(4,220)	(51,278)	(1,685)
Interest received	44,618	1,480	14,181	466
Dividends received	<u>478</u>	<u>16</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(253,415)</u>	<u>(8,400)</u>	<u>(484,116)</u>	<u>(15,909)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term borrowings	110,587	3,668	114,455	3,761
Proceeds from guarantee deposits received	(60)	(2)	1,096	36
Dividends paid to owners of the Company	(142,800)	(4,696)	(214,200)	(7,133)
Proceeds from issue of ordinary shares	<u>-</u>	<u>-</u>	<u>523,153</u>	<u>16,502</u>
Net cash (used in) generated from financing activities	<u>(32,273)</u>	<u>(1,030)</u>	<u>424,504</u>	<u>13,166</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES				
	<u>(6,213)</u>	<u>(667)</u>	<u>(49,223)</u>	<u>41</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(55,488)	(2,255)	128,605	5,101
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>428,917</u>	<u>14,413</u>	<u>300,312</u>	<u>9,312</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 373,429</u>	<u>\$ 12,158</u>	<u>\$ 428,917</u>	<u>\$ 14,413</u>

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated statements of cash flows have been subsequently translated to New Taiwan dollars at an average exchange rate of NT\$30.149:US\$1 and NT\$30.432:US\$1 for the years ended December 31, 2018 and 2017, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

(Concluded)

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars or U.S. Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Taisun Int'l (Holding) Corporation (the "Company") was incorporated in the Cayman Islands in February 2014 for the purpose of organizational restructuring for initial public offering and application for listing on the Taiwan Stock Exchange ("TWSE"). Based on the equity exchange agreement, the Company completed the organizational restructuring on December 31, 2014 and became the holding company of all of the consolidated entities.

The Company and the subsidiaries (collectively, the "Group") mainly manufacture and sell baby diapers, baby pants, adult diapers, sanitary napkins and wet wipes.

The Company's shares have been listed on the TWSE since January 2017.

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

The exchange rate of NT\$30.715:US\$1 and NT\$29.76:US\$1 was used for balances as of December 31, 2018 and 2017, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 8, 2019.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS 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 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 amendment

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 at 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.

(In Thousands of New Taiwan Dollars)

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	\$ 8,648	\$ 8,648	a)
Time deposits with original maturity of more than 3 months	Other financial assets	Amortized cost	510,976	510,976	b)

(In Thousands of U.S. Dollars)

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	\$ 291	\$ 291	a)
Time deposits with original maturity of more than 3 months	Other financial assets	Amortized cost	17,170	17,170	b)

(In Thousands of New Taiwan Dollars)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTOCI</u>							
Equity instruments	\$ -	\$ 8,648	\$ -	\$ 8,648	\$ -	\$ -	a)
Add: Reclassification from available-for-sale (IAS 39)	8,648	(8,648)	-	-	-	-	a)
	<u>8,648</u>	<u>-</u>	<u>-</u>	<u>8,648</u>	<u>-</u>	<u>-</u>	
<u>Amortized cost</u>							
Amortized cost	-	510,976	-	510,976	-	-	b)
Add: Reclassification from other financial assets (IAS 39)	510,976	(510,976)	-	-	-	-	b)
	<u>510,976</u>	<u>-</u>	<u>-</u>	<u>510,976</u>	<u>-</u>	<u>-</u>	

(In Thousands of U.S. Dollars)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTOCI</u>							
Equity instruments	\$ -	\$ 291	\$ -	\$ 291	\$ -	\$ -	a)
Add: Reclassification from available-for-sale (IAS 39)	291	(291)	-	-	-	-	a)
	<u>291</u>	<u>-</u>	<u>-</u>	<u>291</u>	<u>-</u>	<u>-</u>	
<u>Amortized cost</u>							
Amortized cost	-	17,170	-	17,170	-	-	b)
Add: Reclassification from other financial assets (IAS 39)	17,170	(17,170)	-	-	-	-	b)
	<u>17,170</u>	<u>-</u>	<u>-</u>	<u>17,170</u>	<u>-</u>	<u>-</u>	

- a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of NT\$1,064 thousand (US\$35 thousand) was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.
- b) Debt investments previously classified as other financial assets and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

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.

- b. 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 by the FSC for application starting from 2019

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.

1) 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 IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. 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

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

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.

Anticipated impact on assets, liabilities and equity

(In Thousands of New Taiwan Dollars)

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets - buildings	\$ -	\$ 3,687	\$ 3,687
Lease liabilities - current	-	3,231	3,231
Lease liabilities - non-current	-	456	456

(In Thousands of U.S. Dollars)

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets - buildings	\$ -	\$ 120	\$ 120
Lease liabilities - current	-	105	105
Lease liabilities - non-current	-	15	15

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

3) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture.

For long-term interests that, in substance, form part of the Group’s net investment in an associate or joint venture and are governed by IFRS 9, the Group shall, based on the facts and circumstances that exist on January 1, 2019, perform an assessment of the classification under IFRS 9 applied retrospectively.

4) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explain that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

5) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

6) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group will apply the above amendments prospectively.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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.

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e. the Group's share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e. the Group's share of the gain or loss is eliminated.

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Except for the above impact, 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

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, 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
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. 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, including structured entities).

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

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

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

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

See Note 13 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary 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 from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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

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

f. Inventories

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

g. Property, plant and equipment

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

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

j. 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 FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

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 amortized cost and investments in equity instruments at FVTOCI.

a) 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 the initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined by 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 a financial asset, except for:

- i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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.

b) 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 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, they 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: Available-for-sale financial assets and loans and receivables.

a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

b) Loans and receivables

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

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.

2) Impairment of financial assets

2018

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

The Group always recognizes lifetime expected credit losses (i.e. ECL) for trade receivables, lease receivables and contract assets. 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 a default occurring as the weights. Lifetime ECLs represents 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 FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables, and other situations.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial assets 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 does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its 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 a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they are 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 trade 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. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

k. Revenue recognition

2018

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

Revenue from the sale of goods

Revenue from sale of goods comes from sales of baby diapers. Sales of baby diapers are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivable is recognized concurrently.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Revenue from the sale of goods

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

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Interest income

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 with reference to the principal outstanding and at the applicable effective interest rate.

l. 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.

1) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case, they are capitalized.

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

2) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case, the entire lease is classified as an operating lease.

m. Borrowing costs

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

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit or when the Group recognizes any related restructuring costs.

o. Taxation

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

1) Current tax

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (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.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2018	2017
<u>New Taiwan dollars</u>		
Cash on hand	\$ 817	\$ 85
Checking accounts and demand deposits	20,572	59,482
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>352,040</u>	<u>369,350</u>
	<u>\$ 373,429</u>	<u>\$ 428,917</u>
<u>U.S. dollars</u>		
Cash on hand	\$ 27	\$ 3
Checking accounts and demand deposits	669	1,999
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>11,462</u>	<u>12,411</u>
	<u>\$ 12,158</u>	<u>\$ 14,413</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	2018	2017
Demand deposits	0.1%-0.8%	0.1%-0.8%
Time deposits	1.4%-5.5%	0.95%-5.50%

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

**December 31,
2018**

New Taiwan dollars

Current

Investments in equity instruments at FVTOCI \$ 15,656

Current

Domestic investments

Listed shares and emerging market shares

Ordinary shares - Satitar Co., Ltd.	\$ 2,513
Ordinary shares - King's Town Bank	4,327
Ordinary shares - China Steel Corporation	<u>4,850</u>

\$ 11,690

Foreign investments

Listed shares and emerging market shares

Ordinary shares - Bao Minh Insurance Corporation	\$ 822
Ordinary shares - PetroVietnam Technical Services Corporation	114
Ordinary shares - Viet Nam Engine And Agricultural Machinery Corporation	1,017
Ordinary shares - Tu Liem Urban Development Joint-Stock Company	<u>2,013</u>

\$ 3,966

U.S. dollars

Current

Investments in equity instruments at FVTOCI \$ 510

Current

Domestic investments

Listed shares and emerging market shares

Ordinary shares - Satitar Co., Ltd.	\$ 82
Ordinary shares - King's Town Bank Co., Ltd.	140
Ordinary shares - China Steel Corporation	<u>158</u>

\$ 380

Foreign investments

Listed shares and emerging market shares

Ordinary shares - Bao Minh Insurance Corporation	\$ 27
Ordinary shares - PetroVietnam Technical Services Corporation	4
Ordinary shares - Viet Nam Engine And Agricultural Machinery Corporation	33
Ordinary shares - Tu Liem Urban Development Joint-Stock Company	<u>66</u>

\$ 130

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

The Group acquired ordinary shares NT\$19,412 thousand (US\$632 thousand) for medium to long-term strategic purposes; at the end of the reporting period the management designated these investments as at FVTOCI.

In 2018, the Group sold its part shares in order to manage credit concentration risk. The sold shares had a fair value of NT\$10,075 thousand (US\$328 thousand) and the Group transferred a loss of NT\$350 thousand (US\$11 thousand) from other equity to retained earnings.

Dividends of \$478 thousand (US\$16 thousand) were recognized during the year. Those related to investments held at the end of the reporting period were \$11,804 thousand (US\$384 thousand).

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
<u>New Taiwan dollars</u>	
<u>Current</u>	
Time deposits with original maturity of more than 3 months	<u>\$ 562,574</u>
<u>Non-current</u>	
Time deposits with original maturity of more than 1 year	<u>\$ 40,147</u>
<u>U.S. dollars</u>	
<u>Current</u>	
Time deposits with original maturity of more than 3 months	<u>\$ 18,316</u>
<u>Non-current</u>	
Time deposits with original maturity of more than 1 year	<u>\$ 1,307</u>

The interest rates for time deposits with original maturity of more than 3 months were from 2.3% to 7.3% as at the end of the reporting period. The time deposits were classified as other financial assets with no active market under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
<u>New Taiwan dollars</u>	
Current	
Domestic investments	
Listed shares and emerging market shares	<u>\$ 8,648</u>
<u>U.S. dollars</u>	
Current	
Domestic investments	
Listed shares and emerging market shares	<u>\$ 291</u>

10. OTHER FINANCIAL ASSETS - 2017

	December 31, 2017
<u>New Taiwan dollars</u>	
Current	
Time deposits with original maturities of more than 3 months	<u>\$ 481,728</u>
Non-current	
Time deposits with original maturities of more than 1 year	<u>\$ 29,248</u>
<u>U.S. dollars</u>	
Current	
Time deposits with original maturities of more than 3 months	<u>\$ 16,187</u>
Non-current	
Time deposits with original maturities of more than 1 year	<u>\$ 983</u>

The market interest rates of the time deposits with original maturities of more than 3 months were 0.65%-7.10% per annum as of December 31, 2017.

11. TRADE RECEIVABLES

	December 31	
	2018	2017
<u>New Taiwan dollars</u>		
At amortized cost		
Gross carrying amount	\$ 56,172	\$ 29,448
Less: Allowance for impairment loss	<u>(768)</u>	<u>(774)</u>
	<u>\$ 55,404</u>	<u>\$ 28,674</u>

(Continued)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>U.S. dollars</u>		
At amortized cost		
Gross carrying amount	\$ 1,829	\$ 990
Less: Allowance for impairment loss	<u>(25)</u>	<u>(26)</u>
	<u>\$ 1,804</u>	<u>\$ 964</u> (Concluded)

In 2018

The average credit period of sales of goods was 30 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group 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.

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 trade receivables based on the Group's provision matrix.

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Posting Date Less Than 90 Days	Posting Date 91 to 180 Days	Posting Date 181 to 360 Days	Posting Date Over 360 Days	Total
Gross carrying amount	\$ 53,724	\$ 1,682	\$ 44	\$ 722	\$ 56,172
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(24)</u>	<u>(22)</u>	<u>(722)</u>	<u>(768)</u>
Amortized cost	<u>\$ 53,724</u>	<u>\$ 1,658</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 55,404</u>

(In Thousands of U.S. Dollars)

	Posting Date Less Than 90 Days	Posting Date 91 to 180 Days	Posting Date 181 to 360 Days	Posting Date Over 360 Days	Total
Gross carrying amount	\$ 1,749	\$ 55	\$ 1	\$ 24	\$ 1,829
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(24)</u>	<u>(25)</u>
Amortized cost	<u>\$ 1,749</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,804</u>

The Group expected credit loss rate, 180 days of 1%; 180 days to 360 days of 50%; 1 years of 100%.

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

	2018
<u>New Taiwan dollars</u>	
Balance at January 1, 2018 per IAS 39	\$ 774
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	774
Add: Amounts recovered/Impairment loss	-
Foreign exchange gains and losses	<u>(6)</u>
Balance at December 31, 2018	<u>\$ 768</u>
<u>U.S. dollars</u>	
Balance at January 1, 2018 per IAS 39	\$ 26
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	26
Add: Amounts recovered/Impairment loss	-
Foreign exchange gains and losses	<u>(1)</u>
Balance at December 31, 2018	<u>\$ 25</u>

In 2017

The Group applied the same credit policy in 2018 and 2017.

The Group recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience was that receivables that are past due beyond 365 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 1 day and 365 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial positions.

The aging of receivables was as follows:

	December 31, 2017
<u>New Taiwan dollars</u>	
Up to 90 days	\$ 28,609
91-180 days	75
181-360 days	5
Over 360 days	<u>759</u>
	<u>\$ 29,448</u>
 <u>U.S. dollars</u>	
Up to 90 days	\$ 961
91-180 days	3
181-360 days	-
Over 360 days	<u>26</u>
	<u>\$ 990</u>

The above aging schedule was based on the number of posting date from the end of the credit term.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
<u>New Taiwan dollars</u>			
Balance at January 1, 2017	\$ -	\$ 838	\$ 838
Less: Impairment losses reversed	-	-	-
Foreign exchange translation gains and losses	<u>-</u>	<u>(64)</u>	<u>(64)</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 774</u>	<u>\$ 774</u>
 <u>U.S. dollars</u>			
Balance at January 1, 2017	\$ -	\$ 26	\$ 26
Less: Impairment losses reversed	-	-	-
Foreign exchange translation gains and losses	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 26</u>

12. INVENTORIES

	December 31	
	2018	2017
<u>New Taiwan dollars</u>		
Merchandise	\$ 2,847	\$ 2,056
Finished goods	105,671	72,122
Raw materials	144,751	117,916
Inventory in transit	<u>35,846</u>	<u>43,510</u>
	<u>\$ 289,115</u>	<u>\$ 235,604</u>
<u>U.S. dollars</u>		
Merchandise	\$ 93	\$ 69
Finished goods	3,440	2,424
Raw materials	4,713	3,962
Inventory in transit	<u>1,167</u>	<u>1,462</u>
	<u>\$ 9,413</u>	<u>\$ 7,917</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 included NT\$1,222,866 thousand (US\$40,561 thousand) and NT\$1,029,294 thousand (US\$33,823 thousand), respectively, which included NT\$974 thousand (US\$32 thousand) in 2017.

13. SUBSIDIARIES

Subsidiary Included in Consolidated Financial Statements

The detailed information on the Company's subsidiaries at the end of the reporting period was as follows:

Investor	Investee	Business Nature	<u>Percentage of Ownership</u>		Note
			<u>2018</u>	<u>2017</u>	
Taisun Int'l (Holding) Corporation	Taisun Vietnam Co., Ltd. (VN)	Manufacture and sale of baby diapers, baby pants, adult diapers, sanitary napkins and wet wipes	100	100	a
	Taipoly (Far East) Corporation (Mauritius)	Trading	100	100	b
	Winsun (Cambodia) Co., Ltd. (Cambodia)	Manufacture and sale of baby diapers, baby pants, adult diapers, sanitary napkins and wet wipes	100	100	c
Winsun (Cambodia) Co., Ltd. (Cambodia)	Winsun Trade Co., Ltd. (VN)	Trading	100	-	d

- a. Taisun Vietnam Co., Ltd. (VN) was incorporated in 2001 in Vietnam.
- b. Taipoly (Far East) Corporation (Mauritius) was incorporated in 2006 in Mauritius.
- c. Winsun (Cambodia) Co., Ltd. (Cambodia) was incorporated in 2005 in Cambodia.
- d. Winsun Trade Co., Ltd. was incorporated in December 2017 in Vietnam.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Finance Leases	Property in Construction	Total
<u>New Taiwan dollars</u>								
<u>Cost</u>								
Balance at January 1, 2018	\$ 66,909	\$ 449,197	\$ 24,088	\$ 3,030	\$ 11,440	\$ 167	\$ 58,382	\$ 613,213
Additions	9,296	8,488	2,121	2,068	85	-	33,009	55,067
Reclassifications	60,973	-	-	12,240	77	-	(73,290)	-
Transfer from prepaid equipment	615	50,697	2,098	16,498	-	-	-	69,908
Effect of foreign currency exchange differences	1,865	4,532	266	624	93	-	933	8,313
Balance at December 31, 2018	<u>\$ 139,658</u>	<u>\$ 512,914</u>	<u>\$ 28,573</u>	<u>\$ 34,460</u>	<u>\$ 11,695</u>	<u>\$ 167</u>	<u>\$ 19,034</u>	<u>\$ 746,501</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2018	\$ 22,532	\$ 271,596	\$ 15,183	\$ 1,799	\$ 8,044	\$ 58	\$ -	\$ 319,212
Depreciation expense	6,384	43,534	3,760	3,617	1,074	89	-	58,458
Effect of foreign currency exchange differences	254	3,882	160	78	75	(7)	-	4,442
Balance at December 31, 2018	<u>\$ 29,170</u>	<u>\$ 319,012</u>	<u>\$ 19,103</u>	<u>\$ 5,494</u>	<u>\$ 9,193</u>	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ 382,112</u>
Carrying amounts at December 31, 2018	<u>\$ 110,488</u>	<u>\$ 193,902</u>	<u>\$ 9,470</u>	<u>\$ 28,966</u>	<u>\$ 2,502</u>	<u>\$ 27</u>	<u>\$ 19,034</u>	<u>\$ 364,389</u>
<u>U.S. dollars</u>								
<u>Cost</u>								
Balance at January 1, 2018	\$ 2,248	\$ 15,093	\$ 809	\$ 103	\$ 385	\$ 6	\$ 1,962	\$ 20,606
Additions	308	282	70	69	3	-	1,095	1,827
Reclassifications	2,022	-	-	406	3	-	(2,431)	-
Transfer from prepaid equipment	20	1,682	70	547	-	-	-	2,319
Effect of foreign currency exchange differences	(51)	(355)	(19)	(6)	(10)	(1)	(6)	(448)
Balance at December 31, 2018	<u>\$ 4,547</u>	<u>\$ 16,702</u>	<u>\$ 930</u>	<u>\$ 1,119</u>	<u>\$ 381</u>	<u>\$ 5</u>	<u>\$ 620</u>	<u>\$ 24,304</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2018	\$ 756	\$ 9,127	\$ 510	\$ 60	\$ 271	\$ 2	\$ -	\$ 10,726
Depreciation expense	212	1,444	125	120	36	3	-	1,940
Effect of foreign currency exchange differences	(19)	(184)	(13)	(2)	(7)	-	-	(225)
Balance at December 31, 2018	<u>\$ 949</u>	<u>\$ 10,387</u>	<u>\$ 622</u>	<u>\$ 178</u>	<u>\$ 300</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 12,441</u>
Carrying amounts at December 31, 2018	<u>\$ 3,598</u>	<u>\$ 6,315</u>	<u>\$ 308</u>	<u>\$ 941</u>	<u>\$ 81</u>	<u>\$ -</u>	<u>\$ 620</u>	<u>\$ 11,863</u>
<u>New Taiwan dollars</u>								
<u>Cost</u>								
Balance at January 1, 2017	\$ 68,692	\$ 483,492	\$ 26,026	\$ 3,064	\$ 9,159	\$ -	\$ -	\$ 590,433
Additions	-	392	-	215	140	171	65,214	66,132
Reclassifications	3,461	1,649	-	-	2,897	-	(5,513)	2,494
Effect of foreign currency exchange differences	(5,244)	(36,336)	(1,938)	(249)	(756)	(4)	(1,319)	(45,846)
Balance at December 31, 2017	<u>\$ 66,909</u>	<u>\$ 449,197</u>	<u>\$ 24,088</u>	<u>\$ 3,030</u>	<u>\$ 11,440</u>	<u>\$ 167</u>	<u>\$ 58,382</u>	<u>\$ 613,213</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2017	\$ 19,221	\$ 252,647	\$ 12,771	\$ 1,387	\$ 7,514	\$ -	\$ -	\$ 293,540
Depreciation expense	4,840	38,766	3,443	528	1,112	61	-	48,750
Effect of foreign currency exchange differences	(1,529)	(19,817)	(1,031)	(116)	(582)	(3)	-	(23,078)
Balance at December 31, 2017	<u>\$ 22,532</u>	<u>\$ 271,596</u>	<u>\$ 15,183</u>	<u>\$ 1,799</u>	<u>\$ 8,044</u>	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ 319,212</u>
Carrying amounts at December 31, 2017	<u>\$ 44,377</u>	<u>\$ 177,601</u>	<u>\$ 8,905</u>	<u>\$ 1,231</u>	<u>\$ 3,396</u>	<u>\$ 109</u>	<u>\$ 58,382</u>	<u>\$ 294,001</u>
<u>U.S. dollars</u>								
<u>Cost</u>								
Balance at January 1, 2017	\$ 2,130	\$ 14,992	\$ 807	\$ 95	\$ 284	\$ -	\$ -	\$ 18,308
Additions	-	13	-	7	5	6	2,143	2,174
Reclassifications	114	54	-	-	95	-	(181)	82
Effect of foreign currency exchange differences	4	34	2	1	1	-	-	42
Balance at December 31, 2017	<u>\$ 2,248</u>	<u>\$ 15,093</u>	<u>\$ 809</u>	<u>\$ 103</u>	<u>\$ 385</u>	<u>\$ 6</u>	<u>\$ 1,962</u>	<u>\$ 20,606</u>

(Continued)

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Finance Leases	Property in Construction	Total
Accumulated depreciation and impairment								
Balance at January 1, 2017	\$ 596	\$ 7,834	\$ 396	\$ 43	\$ 233	\$ -	\$ -	\$ 9,102
Depreciation expense	159	1,274	113	17	37	2	-	1,602
Effect of foreign currency exchange differences	1	19	1	-	1	-	-	22
Balance at December 31, 2017	<u>\$ 756</u>	<u>\$ 9,127</u>	<u>\$ 510</u>	<u>\$ 60</u>	<u>\$ 271</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 10,726</u>
Carrying amounts at December 31, 2017	<u>\$ 1,492</u>	<u>\$ 5,966</u>	<u>\$ 299</u>	<u>\$ 43</u>	<u>\$ 114</u>	<u>\$ 4</u>	<u>\$ 1,962</u>	<u>\$ 9,880</u>

(Concluded)

For the years ended December 31, 2018 and 2017, the Group did not recognized any impairment loss.

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

Buildings

Industrial building	20-50 years
Engineering systems	14-15 years
Other	5-7 years
Machinery and equipment	2-10 years
Transportation equipment	3-8 years
Office equipment	2-6 years
Other equipment	3-10 years

15. PREPAYMENTS FOR LEASES

	<u>December 31</u>	
	2018	2017
<u>New Taiwan dollars</u>		
Current assets	\$ 1,621	\$ 1,591
Non-current assets	<u>94,815</u>	<u>94,062</u>
	<u>\$ 96,436</u>	<u>\$ 95,653</u>
<u>U.S. dollars</u>		
Current assets	\$ 53	\$ 53
Non-current assets	<u>3,087</u>	<u>3,161</u>
	<u>\$ 3,140</u>	<u>\$ 3,214</u>

The Group obtained land use rights certificates in Cambodia in 2016. The useful lives of the rights are 50 years, and they will be renewed for another 50 years starting from the contract date until the expiration date.

As of December 31, 2018 and 2017, the prepayments for leases are for the land use rights in Vietnam and Cambodia.

16. OTHER ASSETS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>New Taiwan dollars</u>		
<u>Current</u>		
Prepayments	\$ 4,688	\$ 7,202
Business tax carry forward	34,333	11,279
Others	<u>11,291</u>	<u>5,328</u>
	<u>\$ 50,312</u>	<u>\$ 23,809</u>
<u>Non-current</u>		
Refundable deposits	\$ 2,123	\$ 2,018
Prepayment for buildings and land	<u>33,507</u>	<u>-</u>
	<u>\$ 35,630</u>	<u>\$ 2,018</u>
<u>U.S. dollars</u>		
<u>Current</u>		
Prepayments	\$ 153	\$ 242
Business tax carry forward	1,118	379
Others	<u>366</u>	<u>179</u>
	<u>\$ 1,637</u>	<u>\$ 800</u>
<u>Non-current</u>		
Refundable deposits	\$ 69	\$ 68
Prepayment for buildings and land	<u>1,091</u>	<u>-</u>
	<u>\$ 1,160</u>	<u>\$ 68</u>

The Group signed an agreement to acquire ownership of lands and buildings in Vietnam with non-related parties in September 2018. Because the transferring procedures for the ownership of lands and buildings had not completed on December 31, 2018, it was recorded as prepayment for buildings and land.

17. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>New Taiwan dollars</u>		
Unsecured borrowings		
Line of credit borrowings	<u>\$ 228,171</u>	<u>\$ 111,922</u>

(Continued)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>U.S. dollars</u>		
Unsecured borrowings		
Line of credit borrowings	\$ <u>7,429</u>	\$ <u>3,761</u> (Concluded)

The range of weighted average effective interest rates on bank loans was 1.41%-4.50% and 1.45%-3.57% per annum as of December 31, 2018 and December 31, 2017.

18. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>New Taiwan dollars</u>		
Other payables		
Payables for salaries or bonuses	\$ 14,140	\$ 10,284
Payables for bonuses for employees and directors	9,149	7,768
Payables for services	5,941	6,842
Payables for retention from construction	5,727	4,784
Payables for purchases of equipment	17,336	-
Others	<u>12,858</u>	<u>13,429</u>
	<u>\$ 65,151</u>	<u>\$ 43,107</u>
<u>U.S. dollars</u>		
Other payables		
Payables for salaries or bonuses	\$ 460	\$ 346
Payables for bonuses for employees and directors	298	261
Payables for services	193	230
Payables for retention from construction	186	161
Payables for purchases of equipment	564	-
Others	<u>420</u>	<u>450</u>
	<u>\$ 2,121</u>	<u>\$ 1,448</u>

19. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

Taisun Int'l (Holding) Corporation Taiwan Branch of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, Taisun Int'l (Holding) Corporation Taiwan Branch makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary, Taisun Vietnam Co., Ltd. (VN), in Vietnam are members of a state-managed retirement benefit plan operated by the government of Vietnam. 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. The other related expenses are included in employee benefits expense.

20. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>39,270</u>	<u>35,700</u>
Shares issued (in New Taiwan dollars)	<u>\$ 392,700</u>	<u>\$ 357,000</u>
Shares issued (in U.S. dollars)	<u>\$ 12,667</u>	<u>\$ 11,493</u>

The appropriation of earnings for 2017 was approved in the shareholder's meetings on June 29, 2018. The distribution of share dividends were NT\$35,700 thousand (US\$1,174 thousand), with a par value of NT\$10, which increased the share capital issued and fully paid to NT\$392,700 thousand (US\$12,667 thousand). On December 31, 2018, above transaction was approved by the FSC, and the related corporate registration was updated at September 11, 2018.

b. Capital surplus

Capital surplus which is generated from the issuance of ordinary shares may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be distributed at less than 2% as directors' salaries and over 2% as employees' compensation. If the Company has accumulated deficits, the profit shall be set aside as a reserve. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employee benefits expense in Note 22-f.

Because the Company is still in the growth stage, the Company's board of directors shall propose a distribution plan for dividends of shareholders based on the consideration of each fiscal year's profit, overall development, financial planning, capital needs, industry forecasts and the Company's prospects. When the Company issues shares in the Republic of China and the Company's board of directors proposes a plan for the distribution of dividends, the profit shall first be utilized for paying taxes, offsetting losses of previous years, setting aside as a 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 which are more than 20% of the net profit 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 the distribution of dividends to shareholders according to their shareholding percentage. The distribution of dividends to shareholders is made by the issuance of share dividends and the payment of cash dividends. In principle, cash dividends are limited to 50% of the total dividends distributed.

An appropriation of earnings to a 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.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June 29, 2018 and June 7, 2017, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash dividends	\$ 142,800	\$ 214,200	\$ 4	\$ 6
Share dividend	35,700	-	1	-
Legal reserve	25,385	28,792	-	-
Special reserve	110,678	1,346	-	-

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 8, 2019. The appropriation and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 29,869	\$ -
Cash dividends	208,131	5.3
Share dividends	-	-

The appropriation of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 28, 2019.

d. Special reserve

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>New Taiwan dollars</u>		
Beginning at January 1	\$ 1,346	\$ -
Appropriation in respect of:		
Debit to other equity items	<u>110,678</u>	<u>1,346</u>
Balance at December 31	<u>\$ 112,024</u>	<u>\$ 1,346</u>
<u>U.S. dollars</u>		
Beginning at January 1	\$ 45	\$ -
Appropriation in respect of:		
Debit to other equity items	<u>3,639</u>	<u>45</u>
Balance at December 31	<u>\$ 3,684</u>	<u>\$ 45</u>

21. REVENUE

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>New Taiwan dollars</u>		
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 1,744,175</u>	<u>\$ 1,500,010</u>
<u>U.S. dollars</u>		
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 57,852</u>	<u>\$ 49,291</u>

a. Contract information

Revenue from sale of goods

The Group mainly sell baby diapers, baby pants, adult diapers, sanitary napkins and wet wipes to the retailer, the dealer, the self-operated stores and the online sales. As sales discounts are provided when the sales to certain retailers reach the pre-agreed amount, revenue is reduced by the estimated sales discounts which are forecasted based on past experience. The rest of the goods are sold at a fixed price per the contract.

b. Contract balances

	December 31, 2018
<u>New Taiwan dollars</u>	
Trade receivables (Note 11)	<u>\$ 55,404</u>
Contract liabilities - current	
Sale of goods	<u>\$ 409</u>
<u>U.S. dollars</u>	
Trade receivables (Note 11)	<u>\$ 1,804</u>
Contract liabilities - current	
Sale of goods	<u>\$ 13</u>

The Group makes the collection in advance and account for other current liabilities based on the contracts.

Before the application of IFRS 15, the Group recognized and accounted for advances when collected the payment.

22. NET PROFIT AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

a. Other income

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>New Taiwan dollars</u>		
Interest income		
Bank deposits	\$ 48,042	\$ 31,865
Dividends		
Investments in equity instruments at FVTOCI	<u>478</u>	<u>-</u>
	<u>\$ 48,520</u>	<u>\$ 31,865</u>
<u>U.S. dollars</u>		
Interest income		
Bank deposits	\$ 1,593	\$ 1,047
Dividends		
Investments in equity instruments at FVTOCI	<u>16</u>	<u>-</u>
	<u>\$ 1,609</u>	<u>\$ 1,047</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>New Taiwan dollars</u>		
Net foreign exchange gains	\$ 3,537	\$ 9,856
Other	<u>1,866</u>	<u>3,607</u>
	<u>\$ 5,403</u>	<u>\$ 13,463</u>
<u>U.S. dollars</u>		
Net foreign exchange gains	\$ 117	\$ 324
Other	<u>62</u>	<u>118</u>
	<u>\$ 179</u>	<u>\$ 442</u>

c. Finance costs

For the Year Ended December 31
2018 **2017**

New Taiwan dollars

Interest on bank loans	\$ <u>2,596</u>	\$ <u>646</u>
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U.S. dollars

Interest on bank loans	\$ <u>86</u>	\$ <u>21</u>
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d. Depreciation and amortization

For the Year Ended December 31
2018 **2017**

New Taiwan dollars

Property, plant and equipment	\$ 58,458	\$ 48,750
Intangible assets	515	514
Prepayments for leases	<u>1,599</u>	<u>1,626</u>
	<u>\$ 60,572</u>	<u>\$ 50,890</u>

U.S. dollars

Property, plant and equipment	\$ 1,940	\$ 1,602
Intangible assets	17	17
Prepayments for leases	<u>53</u>	<u>53</u>
	<u>\$ 2,010</u>	<u>\$ 1,672</u>

New Taiwan dollars

<u>An analysis of depreciation by function</u>		
Operating costs	\$ 55,833	\$ 47,961
Operating expenses	<u>2,625</u>	<u>789</u>
	<u>\$ 58,458</u>	<u>\$ 48,750</u>

U.S. dollars

<u>An analysis of depreciation by function</u>		
Operating costs	\$ 1,853	\$ 1,576
Operating expenses	<u>87</u>	<u>26</u>
	<u>\$ 1,940</u>	<u>\$ 1,602</u>

New Taiwan dollars

<u>An analysis of amortization by function</u>		
Operating costs	\$ <u>2,114</u>	\$ <u>2,140</u>

(Continued)

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>U.S. dollars</u>		
An analysis of amortization by function		
Operating costs	\$ <u>70</u>	\$ <u>70</u> (Concluded)

e. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>New Taiwan dollars</u>		
Other employee benefits		
Others (including post-employment benefits, see Note 19)	\$ <u>176,612</u>	\$ <u>167,802</u>
<u>U.S. dollars</u>		
Other employee benefits		
Others (including post-employment benefits, see Note 19)	\$ <u>5,858</u>	\$ <u>5,514</u>
<u>New Taiwan dollars</u>		
An analysis of employee benefits expense by function		
Operating costs	\$ 73,955	\$ 68,898
Operating expenses	<u>102,657</u>	<u>98,904</u>
	<u>\$ 176,612</u>	<u>\$ 167,802</u>
<u>U.S. dollars</u>		
An analysis of employee benefits expense by function		
Operating costs	\$ 2,453	\$ 2,264
Operating expenses	<u>3,405</u>	<u>3,250</u>
	<u>\$ 5,858</u>	<u>\$ 5,514</u>

f. Employees' compensation and remuneration of directors for 2018 and 2017

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017 were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	2018	2017
Employees' compensation	2.3%	2.4%
Remuneration of directors	0.3%	0.3%

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
<u>New Taiwan dollars</u>				
Employees' compensation	\$ 7,948	\$ -	\$ 6,968	\$ -
Remuneration of directors	1,200	-	800	-
<u>U.S. dollars</u>				
Employees' compensation	259	-	234	-
Remuneration of directors	39	-	27	-

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

There is 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 years 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 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES RELATING TO CONTINUING

- a. The major components of tax expense (benefit) were as follows:

	For the Year Ended December 31	
	2018	2017
<u>New Taiwan dollars</u>		
Current tax		
In respect of the current period	\$ 37,665	\$ 39,846
Deferred tax		
In respect of the current period	<u>(514)</u>	<u>(1,182)</u>
Income tax expense recognized in profit or loss	<u>\$ 37,151</u>	<u>\$ 38,664</u>
<u>U.S. dollars</u>		
Current tax		
In respect of the current period	\$ 1,248	\$ 1,308
Deferred tax		
In respect of the current period	<u>(16)</u>	<u>(38)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,232</u>	<u>\$ 1,270</u>

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

	For the Year Ended December 31	
	2018	2017
<u>New Taiwan dollars</u>		
Profit before tax from continuing operations	\$ <u>335,842</u>	\$ <u>292,517</u>
Income tax expense at the 20% statutory rate	\$ 67,168	\$ 58,503
Tax effect of adjustments:		
Tax credits	(19,087)	(24,162)
Income tax expense calculated at the statutory rate	3,425	3,607
Effect of different tax rates of group entities operating in other jurisdictions	(1,977)	1,230
Adjustment for prior years' tax	<u>(12,378)</u>	<u>(514)</u>
Income tax expense recognized in profit or loss	\$ <u>37,151</u>	\$ <u>38,664</u>
<u>U.S. dollars</u>		
Profit before tax from continuing operations	\$ <u>11,139</u>	\$ <u>9,612</u>
Income tax expense at the 20% statutory rate	\$ 2,228	\$ 1,922
Tax effect of adjustments:		
Tax credits	(633)	(794)
Income tax expense calculated at the statutory rate	114	119
Effect of different tax rates of group entities operating in other jurisdictions	(66)	40
Adjustment for prior years' tax	<u>(411)</u>	<u>(17)</u>
Income tax expense recognized in profit or loss	\$ <u>1,232</u>	\$ <u>1,270</u>

Tax rates used by group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Current tax assets and liabilities

	December 31	
	2018	2017
<u>New Taiwan dollars</u>		
Current tax liabilities		
Income tax payable	\$ <u>10,062</u>	\$ <u>4,113</u>
<u>U.S. dollars</u>		
Current tax liabilities		
Income tax payable	\$ <u>328</u>	\$ <u>138</u>

c. 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

	Opening Balance	Recognize in Profit or Loss	Exchange Differences	Closing Balance
<u>New Taiwan dollars</u>				
<u>Deferred tax assets</u>				
Expenses payable	\$ 3,032	\$ (624)	\$ 25	\$ 2,433
Payables for annual leave	111	81	-	192
Allowance for write-downs of inventories	1,223	(41)	10	1,192
Unrealized termination benefits	635	-	5	640
Allowance for impaired receivables	<u>165</u>	<u>-</u>	<u>1</u>	<u>166</u>
	<u>\$ 5,166</u>	<u>\$ (584)</u>	<u>\$ 41</u>	<u>\$ 4,623</u>
<u>Deferred tax liabilities</u>				
Foreign exchange gains or losses	<u>\$ 290</u>	<u>\$ (70)</u>	<u>\$ 3</u>	<u>\$ 223</u>
<u>U.S. dollars</u>				
<u>Deferred tax assets</u>				
Expenses payable	\$ 102	\$ (20)	\$ (3)	\$ 79
Payables for annual leave	4	3	(1)	6
Allowance for write-downs of inventories	41	(1)	(1)	39
Unrealized termination benefits	21	-	-	21
Allowance for impaired receivables	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>
	<u>\$ 174</u>	<u>\$ (18)</u>	<u>\$ (5)</u>	<u>\$ 151</u>
<u>Deferred tax liabilities</u>				
Foreign exchange gains or losses	<u>\$ 10</u>	<u>\$ (2)</u>	<u>\$ (1)</u>	<u>\$ 7</u>

For the year ended December 31, 2017

	Opening Balance	Recognize in Profit or Loss	Exchange Differences	Closing Balance
<u>New Taiwan dollars</u>				
<u>Deferred tax assets</u>				
Expenses payable	\$ 2,516	\$ 725	\$ (209)	\$ 3,032
Payables for annual leave	65	65	(19)	111
Allowance for write-downs of inventories	1,129	196	(102)	1,223
Unrealized termination benefits	612	70	(47)	635
Allowance for impaired receivables	<u>161</u>	<u>-</u>	<u>4</u>	<u>165</u>
	<u>\$ 4,483</u>	<u>\$ 1,056</u>	<u>\$ (373)</u>	<u>\$ 5,166</u>
<u>Deferred tax liabilities</u>				
Foreign exchange gains or losses	<u>\$ 452</u>	<u>\$ (126)</u>	<u>\$ (36)</u>	<u>\$ 290</u>
<u>U.S. dollars</u>				
<u>Deferred tax assets</u>				
Expenses payable	\$ 78	\$ 24	\$ -	\$ 102
Payables for annual leave	2	2	-	4
Allowance for write-downs of inventories	35	6	-	41
Unrealized termination benefits	19	2	-	21
Allowance for impaired receivables	<u>5</u>	<u>-</u>	<u>1</u>	<u>6</u>
	<u>\$ 139</u>	<u>\$ 34</u>	<u>\$ 1</u>	<u>\$ 174</u>
<u>Deferred tax liabilities</u>				
Foreign exchange gains or losses	<u>\$ 14</u>	<u>\$ (4)</u>	<u>\$ -</u>	<u>\$ 10</u>

d. Income tax assessments

The Company and subsidiaries disagreed with the tax authorities' assessment of its tax return and applied for a re-examination.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	<u>\$ 7.61</u>	<u>\$ 6.50</u>
Diluted earnings per share	<u>\$ 7.59</u>	<u>\$ 6.49</u>

Unit: US\$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	<u>\$ 0.25</u>	<u>\$ 0.21</u>
Diluted earnings per share	<u>\$ 0.25</u>	<u>\$ 0.21</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 5, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 7.15</u>	<u>\$ 6.50</u>
Diluted earnings per share	<u>\$ 7.14</u>	<u>\$ 6.49</u>

Unit: US\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 0.23</u>	<u>\$ 0.21</u>
Diluted earnings per share	<u>\$ 0.23</u>	<u>\$ 0.21</u>

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

Net Profit for the Year

New Taiwan dollars

	For the Year Ended December 31	
	2018	2017
Profit for the year attributable to owners of the Company	<u>\$ 298,691</u>	<u>\$ 253,853</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 298,691</u>	<u>\$ 253,853</u>

U.S. dollars

	For the Year Ended December 31	
	2018	2017
Profit for the year attributable to owners of the Company	\$ <u>9,907</u>	\$ <u>8,342</u>
Earnings used in the computation of diluted earnings per share	\$ <u>9,907</u>	\$ <u>8,342</u>
	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares used in the computation of basic earnings per share	39,270	39,052
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>74</u>	<u>76</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>39,344</u>	<u>39,128</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will 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, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Operating leases relate to leases of office space with lease terms of 2 years.

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

	December 31	
	2018	2017
	<u>New Taiwan dollars</u>	
Not more than 1 year	\$ 2,519	\$ 2,589
More than 1 year and not more than 5 years	<u>399</u>	<u>2,887</u>
	\$ <u>2,918</u>	\$ <u>5,476</u>
	<u>U.S. dollars</u>	
Not more than 1 year	\$ 82	\$ 87
More than 1 year and not more than 5 years	<u>13</u>	<u>97</u>
	\$ <u>95</u>	\$ <u>184</u>

26. 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 stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

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

- Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>New Taiwan dollars</u>				
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares and emerging market shares	\$ 11,690	\$ -	\$ -	\$ 11,690
Foreign listed shares and emerging market shares	<u>3,966</u>	<u>-</u>	<u>-</u>	<u>3,966</u>
	<u>\$ 15,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,656</u>
<u>U.S. dollars</u>				
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares and emerging market shares	\$ 380	\$ -	\$ -	\$ 380
Foreign listed shares and emerging market shares	<u>130</u>	<u>-</u>	<u>-</u>	<u>130</u>
	<u>\$ 510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
<u>New Taiwan dollars</u>				
Available-for-sale financial assets				
Domestic listed shares and emerging market shares	<u>\$ 8,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,648</u>
<u>U.S. dollars</u>				
Available-for-sale financial assets				
Domestic listed shares and emerging market shares	<u>\$ 291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291</u>

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

b. Categories of financial instruments

	<u>December 31</u>	
	2018	2017
<u>New Taiwan dollars</u>		
Financial assets		
Loans and receivables (1)	\$ -	\$ 987,022
Available-for-sale financial assets (2)	-	8,648
Financial assets at amortized cost (3)	1,053,551	-
Financial assets at FVTOCI Equity instruments	15,656	-
Financial liabilities		
Financial liabilities measured at amortized cost (4)	393,293	257,091
<u>U.S. dollars</u>		
Financial assets		
Loans and receivables (1)	-	33,167
Available-for-sale financial assets (2)	-	291
Financial assets at amortized cost (3)	34,301	-
Financial assets at FVTOCI Equity instruments	510	-
Financial liabilities		
Financial liabilities measured at amortized cost (4)	12,805	8,639

- 1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents and trade and other receivables.
- 2) The balances include the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents and notes receivable and trade receivables.
- 4) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable and trade and other payables.

c. Financial risk management objectives and policies

The Group's propose of financial risk management is to manage the foreign currency risk, interest rate risk, credit risk and liquidity risk that related to its management and operating activities. To reduce the relevant financial risk, the Group not only judges and assesses the uncertainty of the market, it also uses conservative principles as the highest guidelines and will not utilize derivative financial instruments or other instruments which possess higher risk. Based on the above principles, the Group reduces the potential risk of market variations affecting its financial performance.

1) Market risk

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign-currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Group was mainly exposed to the VND and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar/U.S. dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and which represents management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign-currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the VND/RMB strengthening 5% against the relevant currency. For a 5% weakening of the VND/RMB 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.

	VND Impact		RMB Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2018	2017	2018	2017
<u>New Taiwan dollars</u>				
Profit or loss	\$ (6,389)	\$ (6,060)	\$ 250	\$ 6,120
<u>U.S. dollars</u>				
Profit or loss	(208)	(204)	8	206

i. This was mainly attributable to the exposure outstanding on USD receivables and payables which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure outstanding on RMB payables which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring that the most cost-effective hedging strategies are applied.

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>New Taiwan dollars</u>		
Fair value interest rate risk		
Financial assets	\$ 954,761	\$ 880,326
Financial liabilities	-	-
Cash flow interest rate risk		
Financial assets	19,723	59,171
Financial liabilities	228,171	111,922
<u>U.S. dollars</u>		
Fair value interest rate risk		
Financial assets	31,085	\$ 29,581
Financial liabilities	-	-
Cash flow interest rate risk		
Financial assets	641	1,988
Financial liabilities	7,429	3,761

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would have decreased/increased by NT\$521 thousand (US\$17 thousand) and NT\$132 thousand (US\$4 thousand), respectively, which would be mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and continuously monitored such transactions to ensure that the aggregate value of concluded transactions is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually by the risk management committee.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized short-term bank loan facilities which are set out in the following section (b).

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has 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. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>New Taiwan dollars</u>					
<u>Non-derivative financial liabilities</u>					
Trade payables	\$ 99,971	\$ -	\$ -	\$ -	\$ -
Variable interest rate liabilities	<u>327</u>	<u>138,521</u>	<u>89,323</u>	<u>-</u>	<u>-</u>
	<u>\$ 100,298</u>	<u>\$ 138,521</u>	<u>\$ 89,323</u>	<u>\$ -</u>	<u>\$ -</u>
<u>U.S. dollars</u>					
<u>Non-derivative financial liabilities</u>					
Trade payables	\$ 3,255	\$ -	\$ -	\$ -	\$ -
Variable interest rate liabilities	<u>11</u>	<u>4,510</u>	<u>2,908</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,266</u>	<u>\$ 4,510</u>	<u>\$ 2,908</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>New Taiwan dollars</u>					
<u>Non-derivative financial liabilities</u>					
Trade payables	\$ 94,134	\$ 5,208	\$ 2,720	\$ -	\$ -
Variable interest rate liabilities	<u>99</u>	<u>89,531</u>	<u>22,292</u>	<u>-</u>	<u>-</u>
	<u>\$ 94,233</u>	<u>\$ 94,739</u>	<u>\$ 25,012</u>	<u>\$ -</u>	<u>\$ -</u>
<u>U.S. dollars</u>					
<u>Non-derivative financial liabilities</u>					
Trade payables	\$ 3,164	\$ 175	\$ 91	\$ -	\$ -
Variable interest rate liabilities	<u>3</u>	<u>3,009</u>	<u>749</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,167</u>	<u>\$ 3,184</u>	<u>\$ 840</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

	<u>December 31</u>	
	2018	2017
<u>New Taiwan dollars</u>		
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 228,171	\$ 111,922
Amount unused	<u>387,889</u>	<u>246,686</u>
	<u>\$ 616,060</u>	<u>\$ 358,608</u>
<u>U.S. dollars</u>		
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 7,429	\$ 3,761
Amount unused	<u>12,629</u>	<u>8,289</u>
	<u>\$ 20,058</u>	<u>\$ 12,050</u>

28. RELATED-PARTY TRANSACTIONS

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.

a. Related party name and relationship

<u>Name</u>	<u>Relationship</u>
Tai, Chao-Rong	Key management personnel (chairman of the Company)

b. Endorsements and guarantees provided by related parties

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>New Taiwan dollars</u>		
Key management personnel		
Amount endorsed	<u>\$ 616,060</u>	<u>\$ 358,608</u>
Amount utilized (accounted for borrowings)	<u>\$ 228,171</u>	<u>\$ 111,922</u>
<u>U.S. dollars</u>		
Key management personnel		
Amount endorsed	<u>\$ 20,058</u>	<u>\$ 12,050</u>
Amount utilized (accounted for borrowings)	<u>\$ 7,429</u>	<u>\$ 3,761</u>

c. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>New Taiwan dollars</u>		
Short-term benefits	<u>\$ 34,955</u>	<u>\$ 28,820</u>
<u>U.S. dollars</u>		
Short-term benefits	<u>\$ 1,138</u>	<u>\$ 968</u>

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

29. EXCHANGE RATE OF FINANCIAL 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

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>New Taiwan dollars</u>			
<u>Financial assets</u>			
Monetary items			
VND	\$ 1,342	23,198 (USD:VND)	\$ 41,211
RMB	1,117	0.1457 (RMB:USD)	4,998

Financial liabilities

Monetary items			
VND	5,502	23,198 (USD:VND)	168,990

U.S. dollars

Financial assets

Monetary items			
VND	1,342	23,198 (USD:VND)	1,342
RMB	1,117	0.1457 (RMB:USD)	163

Financial liabilities

Monetary items			
VND	5,502	23,198 (USD:VND)	5,502

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>New Taiwan dollars</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,104	22,655 (USD:VND)	\$ 32,849
RMB	26,874	0.1530 (RMB:USD)	122,398

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 5,177	22,655 (USD:VND)	\$ 154,056
<u>U.S. dollars</u>			
<u>Financial assets</u>			
Monetary items			
USD	1,104	22,655 (USD:VND)	1,104
RMB	26,874	0.1530 (RMB:USD)	4,113
<u>Financial liabilities</u>			
Monetary items			
USD	5,177	22,655 (USD:VND)	5,177 (Concluded)

For the years ended December 31, 2018 and 2017, unrealized net foreign exchange gains were NT\$3,537 thousand (US\$117 thousand) and NT\$9,856 thousand (US\$324 thousand), respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposals 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 (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)

- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 3)
- 11) Information on investees (Table 4)
- 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 (None)
 - 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 (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest period balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services

31. SEGMENT INFORMATION

a. Segment revenue and results

The chief operating decision maker views the segment directly selling baby and adult diapers and feminine products in Asia and Africa as one individual operating segment. Though the Group considers the following elements in decision-making, management views the segment mentioned above as a single operating segment when preparing the consolidated financial statements:

- 1) Whether operating units have similar long-term gross margins.
- 2) Whether the nature of products and production processes are similar.
- 3) Whether the delivery of products to customers is the same.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Taisun Vietnam Co., Ltd. (VN)		Taipoly (Fare East) Corporation (Mauritius)		Other Subsidiaries		Internal Transfer Pricing		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
New Taiwan dollars										
Revenue	\$ 1,575,389	\$ 1,476,748	\$ 58,911	\$ 50,353	\$ 151,416	\$ 3,381	\$ (41,541)	\$ (30,472)	\$ 1,744,175	\$ 1,500,010
Expenditures	(1,294,259)	(1,205,543)	(62,994)	(54,264)	(145,224)	(24,130)	42,817	31,762	(1,459,660)	(1,252,175)
Operating profit	281,130	271,205	(4,083)	(3,911)	6,192	(20,749)	1,276	1,290	284,515	247,835
Interest revenue	41,192	21,865	665	562	6,185	9,438	-	-	48,042	31,865
Financial costs	(1,432)	(353)	-	-	(1,163)	(294)	(1)	1	(2,596)	(646)
Other gains or losses	4,635	5,947	(464)	(4,140)	306,168	266,996	(304,458)	(255,340)	5,881	13,463
Profit before tax	\$ 325,525	\$ 298,664	\$ (3,882)	\$ (7,489)	\$ 317,382	\$ 255,391	\$ (303,183)	\$ (254,049)	\$ 335,842	\$ 292,517
Recognizable assets										
Notes receivable	\$ -	\$ -	\$ -	\$ -	\$ 400	\$ 23	\$ -	\$ -	\$ 400	\$ 23
Trade receivables	50,184	28,601	5,745	3,286	5,123	144	(5,648)	(3,357)	55,404	28,674
Inventories	220,350	233,951	-	-	533	1,653	68,232	-	289,115	235,604
Property, plant and equipment	212,825	240,562	-	-	155,464	58,478	(3,900)	(5,039)	364,389	294,001
General assets	\$ 483,359	\$ 503,114	\$ 5,745	\$ 3,286	\$ 161,520	\$ 60,298	\$ 58,684	\$ (8,396)	709,308	558,302
Total assets									\$ 2,048,016	\$ 1,729,838
Recognizable liabilities										
Short-term loans	\$ 123,171	\$ 51,922	\$ -	\$ -	\$ 105,000	\$ 60,000	\$ -	\$ -	\$ 228,171	\$ 111,922
Accounts payable	84,553	102,065	3,452	2,953	1,100	401	10,866	(3,357)	99,971	102,062
General liabilities	\$ 207,724	\$ 153,987	\$ 3,452	\$ 2,953	\$ 106,100	\$ 60,401	\$ 10,866	\$ (3,357)	328,142	213,984
Total liabilities									\$ 411,393	\$ 269,589
Depreciation and amortization	\$ 50,402	\$ 51,348	\$ -	\$ -	\$ 11,396	\$ 829	\$ (1,226)	\$ (1,287)	\$ 60,572	\$ 50,890
Capital expenditures (increase in fixed assets)	\$ 93,678	\$ 7,709	\$ -	\$ -	\$ 87,340	\$ 104,858	\$ 1,278	\$ 4,843	\$ 182,296	\$ 117,410
U.S. dollars										
Revenue	\$ 52,253	\$ 48,526	\$ 1,954	\$ 1,655	\$ 5,023	\$ 111	\$ (1,378)	\$ (1,001)	\$ 57,852	\$ 49,291
Expenditures	(42,929)	(39,614)	(2,089)	(1,783)	(4,817)	(793)	1,420	1,043	(48,415)	(41,142)
Operating profit	9,324	8,912	(135)	(128)	206	(682)	42	42	9,437	8,144
Interest revenue	1,366	719	22	18	205	310	-	-	1,593	1,047
Financial costs	(48)	(12)	-	-	(39)	(10)	1	1	(86)	(21)
Other gains or losses	154	195	(15)	(136)	10,155	8,773	(10,099)	(8,390)	195	442
Profit before tax	\$ 10,796	\$ 9,814	\$ (128)	\$ (246)	\$ 10,522	\$ 8,391	\$ (10,056)	\$ (8,342)	\$ 11,139	\$ 9,612
Recognizable assets										
Notes receivable	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ 1	\$ -	\$ -	\$ 13	\$ 1
Trade receivables	1,634	961	187	110	167	5	(184)	(112)	1,804	964
Inventories	7,174	7,861	-	-	17	56	2,222	-	9,413	7,917
Property, plant and equipment	6,929	8,083	-	-	5,062	1,965	(128)	(168)	11,863	9,880
General assets	\$ 15,737	\$ 16,905	\$ 187	\$ 110	\$ 5,259	\$ 2,027	\$ 1,910	\$ (280)	23,093	18,762
Total assets									\$ 66,677	\$ 58,128
Recognizable liabilities										
Short-term loans	\$ 4,010	\$ 1,745	\$ -	\$ -	\$ 3,419	\$ 2,016	\$ -	\$ -	\$ 7,429	\$ 3,761
Accounts payable	2,753	3,430	112	99	36	13	354	(112)	3,255	3,430
General liabilities	\$ 6,763	\$ 5,175	\$ 112	\$ 99	\$ 3,455	\$ 2,029	\$ 354	\$ (112)	10,684	7,191
Total liabilities									\$ 2,709	\$ 1,869
Depreciation and amortization	\$ 1,672	\$ 1,687	\$ -	\$ -	\$ 378	\$ 27	\$ (40)	\$ (42)	\$ 2,010	\$ 1,672
Capital expenditures (increase in fixed assets)	\$ 3,107	\$ 253	\$ -	\$ -	\$ 2,897	\$ 3,523	\$ 43	\$ 83	\$ 6,047	\$ 3,859

The Group measures the financial information by overall operating condition and the key management personnel formulate decisions based on that information. Thus, the segment information is disclosed from the consolidated perspective.

Segment revenue reported above represents revenue generated from external customers.

Segment profit represented the profit before tax earned by each segment without the allocation of central administration costs and directors' salaries, the share of profit of associates, the gains recognized on the disposal of interests in former associates, rental revenue, interest income, the gains or losses on disposals of property, plant and equipment, the gains or losses on disposals of financial instruments, foreign exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Geographical information

The Group operates in four principal geographical areas - Vietnam, Asia (seen as not including Vietnam), Africa, and the United States (USA) and others.

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
<u>New Taiwan dollars</u>				
Vietnam	\$ 817,758	\$ 767,718	\$ 389,924	\$ 294,684
Asia	756,615	572,740	283,361	202,562
Africa	126,383	103,402	-	-
USA and others	<u>43,419</u>	<u>56,150</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,744,175</u>	<u>\$ 1,500,010</u>	<u>\$ 673,285</u>	<u>\$ 497,246</u>
<u>U.S. dollars</u>				
Vietnam	\$ 27,124	\$ 25,227	\$ 12,695	\$ 9,902
Asia	25,096	18,821	9,224	6,807
Africa	4,192	3,398	-	-
USA and others	<u>1,440</u>	<u>1,845</u>	<u>-</u>	<u>-</u>
	<u>\$ 57,852</u>	<u>\$ 49,291</u>	<u>\$ 21,919</u>	<u>\$ 16,709</u>

Non-current assets exclude deferred tax assets.

c. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2018	2017
<u>New Taiwan dollars</u>		
Customer A	<u>\$ 524,532</u>	<u>\$ 391,356</u>
<u>U.S. dollars</u>		
Customer A	<u>\$ 17,398</u>	<u>\$ 12,860</u>

TAISUN INT'L (HOLDING) CORPORATION 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 Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Taisun Int'l (Holding) Corporation	Winsun (Cambodia) Co., Ltd. (Cambodia)	Other receivables	Yes	\$ 153,575 (US\$ 5,000)	\$ 153,575 (US\$ 5,000)	\$ 46,073 (US\$ 1,500)	2	The need for short-term financing	\$ -	Operating capital	\$ -	\$ -	\$ -	\$ 327,325 (US\$ 10,657)	\$ 654,649 (US\$ 21,314)	1

Note 1: The total amount for lending to a company for funding for a short-term period shall not exceed twenty percent 20% of the net worth of the Company, and the aggregate amount for lending purpose shall not exceed forty percent 40% of the net worth of the Company.

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value
Tausan Int'l (Holding) Corporation	<u>Stock-listed company (domestic)</u> Sanitar Co., Ltd.	None	Financial assets at fair value through other comprehensive income - current	68	\$ 2,513 (US\$ 82)	-	\$ 2,513 (US\$ 82)
	King's Town Bank	None	Financial assets at fair value through other comprehensive income - current	150	4,327 (US\$ 140)	-	4,327 (US\$ 140)
	China Steel Corporation	None	Financial assets at fair value through other comprehensive income - current	200	4,850 (US\$ 158)	-	4,850 (US\$ 158)
Taisun Vietnam Co., Ltd. (VN)	<u>Stock-listed company (foreign)</u> Bao Minh Insurance Corporation	None	Financial assets at fair value through other comprehensive income - current	30	822 (US\$ 27)	-	822 (US\$ 27)
	Petro Vietnam Technical Services Corporation	None	Financial assets at fair value through other comprehensive income - current	5	114 (US\$ 4)	-	114 (US\$ 4)
	Viet Nam Engine And Agricultural Machinery Corporation	None	Financial assets at fair value through other comprehensive income - current	20	1,017 (US\$ 33)	-	1,017 (US\$ 33)
	Tu Liem Urban Development Joint-Stock Company	None	Financial assets at fair value through other comprehensive income - current	80	2,013 (US\$ 66)	-	2,013 (US\$ 66)

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars or U.S. Dollars)

No.	Company Name	Counterparty	Natural of Relationship (Note)	Intercompany Transactions			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
1	Taisun Vietnam Co., Ltd. (VN)	Taipoly (Far East) Corporation (Mauritius)	3	Sales	\$ 25,097 (US\$ 832)	No significant difference from those with third parties	1
				Trade receivables	3,446 (US\$ 112)	No significant difference from those with third parties	-
		Taisun Int'l (Holding) Corporation	2	Sales	10,088 (US\$ 335)	No significant difference from those with third parties	1
				Trade receivables	2,202 (US\$ 72)	No significant difference from those with third parties	-
2	Tausan Int'l (Holding) Corporation	Winsun (Cambodia) Co., Ltd. (Cambodia)	1	Other receivables	46,073 (US\$ 1,500)	Financing provided and the term of each loan for funding is one year.	2

Note: The following numerals indicate the respective nature of relationship between the two parties in the transaction:

1. Transactions from parent company to subsidiary.
2. Transactions from subsidiary to parent company.
3. Transactions between subsidiaries.

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

INFORMATION OF INVESTEEES

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2018	December 31, 2017	Number of Shares (In Thousands)	Percentage Ownership (%)	Carrying Amount			
The Company	Taisun Vietnam Co., Ltd. (VN)	Vietnam	Manufacture and sale of baby diapers, adult diapers, feminine products and wipes	\$ 246,585 (US\$ 7,791)	\$ 246,585 (US\$ 7,791)	-	100	\$ 1,157,822 (US\$ 37,696)	\$ 288,468 (US\$ 9,568)	\$ 288,468 (US\$ 9,568)	Difference from side stream transactions of US\$43 thousand
	Taipoly (Far East) Corporation (Mauritius)	Mauritius	Trading	5,450 (US\$ 180)	5,450 (US\$ 180)	-	100	41,305 (US\$ 1,345)	(3,882) (US\$ (129))	(2,606) (US\$ (86))	
	Winsun (Cambodia) Co., Ltd. (Cambodia)	Cambodia	Manufacture and sale of baby diapers, adult diapers, feminine products and wipes	365,343 (US\$ 11,690)	324,359 (US\$ 10,300)	-	100	377,632 (US\$ 12,295)	18,590 (US\$ 617)	18,590 (US\$ 617)	
Winsun (Cambodia) Co., Ltd. (Cambodia)	WINSUN Trade Co., Ltd. (VN)	Vietnam	Trading	14,773 (US\$ 500)	- (US\$ -)	-	100	15,351 (US\$ 500)	332 (US\$ 11)	332 (US\$ 11)	

TAISUN INT'L (HOLDING) CORP.

Chairman: Chao-Jung Tai, Representative of Everlink Overseas Inc.