

Letter to Shareholders

Dear Shareholders:

Thanks to our shareholders' full support over the past year. Pili is an original story of Taiwan, and also a brand with original intellectual property (IP) originating in Taiwan ; driven by the spirit of "heritage and creativity without boundaries," Pili International continues to live up to its values of "culture, aesthetics, innovation and harmony" and bring original ideas to its shows. Pili International has made continuous efforts to improve corporate governance, expand business operations, maximize shareholder value and fulfill duties as a corporate citizen. The Company also made an attempt to prepare a corporate social responsibility report, and was ranked top 20% among TPEX-listed companies in Corporate Governance Evaluation for another year. In the future, Pili International "taking deeper cultural roots and going high-tech," Pili is increasing its presence in the world.

I. 2018 performance report

Consolidated operating revenue in 2018 was NT\$665,769,000, grew by approximately 4.63% from NT\$636,316,000 of the previous year. Gross profit was NT\$325,934,000, a slight decrease of around 9.05% from NT\$358,354,000 of the previous year. Net profit after tax was NT\$101,875,000 significant growth 2846.07% from NT\$3,458,000 of the previous year. Earnings per share (EPS) was NT\$1.95. 2018 consolidated operating results of the Company are as follows: (I) Business plan outcomes

Unit: NT\$1,000

Item	2018		2017		Difference	Percentage of Increase (Decrease)
	Amount	%	Amount	%		
Net Operating Revenue	665,769	100	636,316	100	29,453	4.63
Operating Cost	339,835	51	277,962	44	61,873	22.26
Gross Profit	325,934	49	358,354	56	(32,420)	(9.05)
Operating Expenses	281,782	42	306,218	48	(24,436)	(7.98)
Operating Profit	44,152	7	52,136	8	(7,984)	(15.31)
Non-Operating Incomes	55,347	8	(45,832)	(7)	101,179	(220.76)

& Expenses						
Net Profit Before Tax	99,499	15	6,304	1	93,195	1478.35
Net Profit After Tax	101,875	15	3,458	1	98,417	2846.07
Net Earnings Per Share (in dollars)	1.95		0.08			

(II) Analysis of Revenues, Expenses and Profitability

Item		2018	2017
Financial Structure	Debt-Asset Ratio (%)	12.34	21.80
	Ratio of Long-Term Capital to Property, Plant and Equipment (%)	711.34	642.17
Solvency	Current Ratio (%)	816.74	416.42
	Quick Ratio (%)	670.50	365.60
	Interest Coverage Ratio (Multiple)	37.91	2.25
Profitability	Return on Assets (%)	5.08	0.35
	Return on Equity (%)	6.18	0.21
	Ratio of Income Before Tax to Paid-In Capital (%)	18.91	1.31
	Profit Margin (%)	15.30	0.54
	Earnings per Share (NTD)	1.95	0.08

II. Summary of 2019 Business Plan

Pili International Multimedia was the first cultural & creativity enterprise to go public. Since our formal entry into the capital market, we have continued to strengthen the quality of corporate governance, expand our business and enhance the rights and interests of shareholders. Unconventional marketing techniques were also aggressively used to boost the international visibility of Pili to facilitate the introduction of international talent and expertise. 2018 had been a critical year for Pili International, for it marked the 30th anniversary for the debut of Su Huan-chen, the No. 1 male character in the Pili universe. A series of celebrations were held since Birthday of the White Lotus on April 29 to take the audience through a look of how the series has evolved over the last 3 decades. The Company first celebrated for being recognized by Guinness World Records as the longest running TV puppet show, which was an unprecedented accomplishment in the history of Taiwan's cultural and performing arts. Next, the Company won

the 3rd Presidential Innovation Award for being "the pioneer of Taiwanese puppetry, leader in cultural innovations and role model in the transfer and creation of Taiwan's cultural heritage." During the summer vacation, the Company held an exhibition titled "Pili Fantasy World of Puppet Art" at CKS Memorial Hall using a combination of virtual technology and real figures to present the legend of Su Huan-chen and bring new possibilities to the traditional art of puppetry.

2018 saw the release of "Thunderbolt Fantasy II," streamed exclusively on "iQIYI Taiwan," "Tokyo MX" in Japan and "youku" in the Mainland, as well as live performance featuring Takarazuka Revue's adaptation of "Thunderbolt Fantasy" in Taipei and Kaohsiung. Meanwhile, "Draca's Adventure" - world's first puppet show targeting children as the main audience premiered on television. Scripted by Benesse, renowned publisher of children's books, the show tells fun stories that are relevant to children's daily activities. Featuring cute characters, top-notch voice actors, colorful scenes and fun props, it is the most thoughtfully produced local puppet show for all ages. From Pili Dramas, Thunderbolt Fantasy to Draca's Adventure, 2018 had been a year full of exciting accomplishments as we expanded our IPs to a wider audience in terms of age and locality.

Pili International also has many prominent projects planned for the current year. "Pili Fantasy: War Of Dragons," the first Pili series to feature different voice actors, was released on January 23 through a combination of physical and streaming channels including 7-ELEVEN, FamilyMart, MOD (Chunghwa Telecom), myVideo (Taiwan Mobile) and FriDay (Far EastOne) to online as well as offline audience. The Company even engaged VIESHOW CINEMAS in a collaboration to promote the show in greater breadth and depth. Not only was "Pili Fantasy World of Puppet Art" relocated to Pier-2 Art Center before the Chinese New Year, the Company also made a new light rail car design in support of Kaohsiung Lantern Festival featuring the Pili theme to be operated during the Chinese New Year period. This new promotion effort had successfully attracted visitors to the exhibition in southern Taiwan. In March, the Company announced the release of a side story for "Thunderbolt Fantasy II" in the third quarter this year. This new series will further expand the Pili Dramas and Thunderbolt Fantasy to an unprecedented level, and bring creativity to the time-tested IP. A feature-length film titled Pili Fantasy: Su Huan-chen has been scheduled for release in the summer of 2020, and is expected to set a new milestone for Pili International Multimedia.

III. Future Development Strategy

Apart from continued consolidation and development in the Taiwan market, Pili is also focusing on new markets in Japan and mainland China. In its cultivation of the Taiwan market, Pili continues to sell its television drama series DVDs at convenience stores across the country while endeavoring to develop its pay television business in hopes of making a breakthrough and building a completely new business model. As for the Japanese market, Pili continues to keep “Thunderbolt Fantasy: Sword Seekers” a hot topic among locals and extend the fan effect arising from it. The Company is enthusiastic about extending the IP influence of the series, in addition to the side story to be released this year, Pili International also expects to release a new production in the third quarter next year and consistently thereafter. The aim is to gain a foothold in anime markets in Japan and elsewhere in the world. Pili’s development strategy for the market in mainland China is driven by two main engines: shows played by real actors based on glove puppet shows and management and development of the pay television business. The target is set at developing new IP and remaking old IP in markets in Japan and mainland China. It is hoped that an entirely new film and television milestone will be set accordingly and that a new model of generating revenues from overseas operations will be built. Pili’s unique cultural and creative value can be maximized in the long run.

In years to come, Pili will further expand its movie production capacity, planning to release, starting from 2020, a “big movie” every spring. Borrowing ideas from The Avengers series of movies, Pili intends to use film adaptations to re-interpret 70 Pili glove puppetry dramas, the total running time of which exceeds 2,600 hours. Fans and audience can get a new understanding of Pili glove puppetry dramas from an entirely different perspective. The first Pili movie to be made in the direction is expected to be one that features Su Huan-chen, the “Fresh and Fragrant White Lotus.” It will bring for all viewers a new world view shaped by Pili, also creating another avenue for the operation and production of Pili IP.

IV. Impact from external competition, regulatory environment, and the overall economic climate

The Company has established a solid and positive relationship with consumers and fans through its rich content and extensive service channels. The volatile global economic climate

contributes to intensifying competition in the industry. In response, we will not only continue to follow market trends and meet consumer demands even more closely but also continue to invest in the creation and development of new products. The Company will continue to uphold its philosophy of ethical management by implementing corporate governance best practices. We will also continue to innovate and leverage the competitive edge of market differentiation to create more value for shareholders.

Best

regards

Pili International Multimedia Co., Ltd.

Chairman: Wen-Chang Huang