Stock Code:4545

Min Aik Precision Industrial Co., Ltd.

Annual Report 2018

Annual Report is available at:
Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw
Min Aik Precision Industrial Co., Ltd. Annual Report is available at: http://www.mapi.com.tw

Printed on May 10, 2019

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

1. Spokesperson

Name: Mong, Ching-Yu
Title: CFO/ Vice General Manager
Tel: 03-4389966
E-mail: Investor@mapi.com.tw

Deputy Spokesperson

Name: Hsieh, Hsiu-Lan & Hsiao, Chia-Ling
Title: Assistant Manager
Tel:03-4389966
E-mail:Investor@mapi.com.tw

2. Address and Telephone of Headquarters, Branches and Plant

Headquarters, Branches and Plant: No.2, Guorui Rd., Guanyin Dist., Taoyuan City 328, Taiwan R.O.C.
Tel:03-4389966
Branches: N/A

3. Stock Transfer Agent

Fubon Securities Co., Ltd. Share Administration Department
Address: 2F., No.17, Xuchang St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)
Website: www.fubon.com/securities/
Tel: 02-2361-1300

4. CPA for latest certified annual financial statements

Name of CPA firm: KPMG
CPAs: Chen, Cheng-Chien & Huang, Yung-Hua
Address: 68F, Taipei 101 Tower, No.7, Sec.5, Xinyi Road, Taipei City 110, Taiwan (R.O.C.)
Website:www.kpmg.com.tw
Tel: 02-8101-6666

5. Name of stock exchange for overseas listed securities and method for enquiry of overseas securities information: N/A

6. Corporate Website: www.mapi.com.tw

Table of Contents

I. Report to Shareholders

Dear Shareholders,

It was very tough for Min Aik Precision Industrial Co., Ltd. in 2018. The company faced a quite difficult business environment due to the poor sales of the terminal products and the impact of the Sino-US trade war. Thank you again for your long-term support to Min Aik Precision Industrial Co., Ltd. At the same time, I would like to express my regret to all of you that the performance in 2018 was not as good as expected. Looking forward to 2019, our management team shall continuously invest the resources to win over the new customers and orders of the new products while actively implementing innovation and reform. In this way, the company will lead Min Aik Precision Industrial Co., Ltd. to get out of the business difficulties and return to the growth track as soon as possible even facing the forthcoming operating adversity in 2019, and accordingly live up to the mission and expectations of the shareholders to the management team entrusted by the company.

I. Operating achievements in 2018

(I) Operating policies and implementation overview

Compared with the impact on the profits of the company as a result of sharp appreciation of US dollar in 2017, the difficulties that the company faced during operation in 2018 almost entirely resulted from the recession of the industry to which the customers belong. With the shrinking hard disk market and the saturated sales of the smart phones, the operating revenue and profits in 2018 declined compared with that of the last year. Taking the businesses of precision stamping and automation as an example, the demand for the terminal products was sluggish and the market was saturated, thereby leading to reduction of the order amounts of the assembly and automatic equipment from the customers, and causing that the operating revenues of two main business units of the company were not as good as expected in 2018. However, the operating revenue and the profit of the Medical Plastic Department were increased compared with those in 2017 because the distribution of the past few years had gradually matured and the industry grew stably. Moreover, a stable source of funds was appropriately provided to the Group by the cash flow from this business, to support the resources required by other two businesses during the transition period.

The precision metal stamping and the automatic equipment are closely related to the market situation of the consumer electronic products. Due to the influence of the market saturation and the Sino-US trade war in 2018, the two businesses were still suffered from the considerable impact even though the market was not affected by fluctuation of the exchange rate in 2018. At present, it seems that such industry and the market situation may affect the operating condition significantly in 2019, and the company may face the considerable challenges this year during operation. The management team of the company shall strictly control the cost and the expenses and get ready to pass through the tough time while actively developing the medical business to provide the Group with the stable resource by virtue of the industrial characteristics of the business and own operating strength, to pass through the difficult period of transformation and industrial adjustment.

(II) Implementation achievements of the operating plan

Item	2018	2017
Operating Revenue	2,073,532	2,469,384
Operating Gross Profit	360,103	500,760
Operating profit/loss	-53,333	110,993
Non-Operating Income and Expenses	19,124	-92,026
Net income	-56,767	16,513

(III) Analysis of profitability

Item		2018	2017
Return on asset (%)		-1.61%	0.70%
Return on equity (%)		-3.19%	0.87%
Paid-in capital (%)	Operating Income	-6.93%	14.41%
	Pre-tax Profit	-4.44%	2.46%
Profit ratio (%)		-2.74%	0.67%
Earnings per share (NT$)		-0.74	0.21

(IV) Research and development situations

The company cannot take resource investment of the new technology and the new product lightly even though the challenges of the industry became more and more severe in the past two years and the demand for terminal products was weakened due to the saturation of the market. Because manufacturing is taken as the core in metal stamping, automatic equipment and medical plastics, the company spares no effort in introducing the Industry 4.0 in three business areas to implement the concept and mechanism of intelligent manufacturing and big data analysis in each area of the company. In this way, the company can improve the production efficiency and the product yield by implementing the concept of Industry 4.0. In addition, due to rapid changes of the electronic industry and the rise of the red supply chain, the industry to which the metal stamping and automatic equipment belong has become the Red Ocean industry at present. Therefore, in terms of the two businesses, the company actively seeks for the next Blue Ocean product respectively, and has invested the considerable human and material resources in research and development of the electronic industry for automobile, vision identification system and Artificial Intelligence (AI) respectively, to acquire the outstanding industry status when the next generation of products come out. As for the medical plastic industry, the company also actively develops the materials and moulds to reserve the necessary competitiveness in the industry.

When facing the business adversities in these two years, all business units of the Group were actively developing the new businesses and controlling the cost and expenses with the considerable cautious attitude. However, the company never stopped the investment in research and development of the new products. The company deeply understands that the leading position of the company can be maintained only through continuous R&D and innovation. The R&D of each business unit of the Group is guided by the future requirements of the customers and the potential market, and the development and investment are implemented with the help of the core competencies of the company in different business areas. In addition, the company also actively cooperates with the domestic academic units to seek for the market opportunities of the new technologies by virtue of cooperation between the two sides. The management team of the company believes that such a layout can support the company to lay the foundation for the business development in the new target industry and the market by means of the accurate objective setting and resource input and by combining with innovation and leading technology development of the academic unit.

II. Overview of operating plan in 2019

(I) Operating policy of this year

Because the development of Sino-US trade war is unknown, the star product is scarce and the economic cycle comes to the end of the 10-year cycle, the macroeconomic environment in 2019 may not be optimistic. Therefore, the operating policy of the company this year is to control the cost and expenses of each business unit strictly to avoid unnecessary waste. On the other hand, the company plans to continuously seek for the Blue Sea -- new businesses, in order to restore the growth of the precision metal stamping product line and the automatic equipment business and accordingly make the Group return to the profit track. For the automatic equipment part, the company shall enter into the fields of the vision inspection and automatic equipment of the artificial intelligence products actively, in order to avoid the highly competitive trap of the automatic equipment of the electronic product. In addition, the company shall establish the customer risk management system to support the automation business management team to control the project selection and customer credit management more efficiently. For the metal stamping business, because it is expected that the market of the hard disk product may face the considerable challenges in 2019, and there is no space for development of the smart phone product, the company may offset the stagnation of the hard disk industry by means of growth of the new products, such as the automobile electronics and the heat spreader, and turn the loss into profit in 2019.

In terms of the medical business, because the layout in the past few years has gradually fermented, it is expected that there will still be 5-10% stable growth this year. Because the customers of the medical plastic business have been actively expanding in the emerging markets in Southeast Asia in recent years, the company shall cooperate with the customers later on to invest in the markets of the emerging countries including India, Vietnam, Indonesia and so on. In addition, the company shall also support other business units of the Group to introduce the medical product customers by virtue of the relationship and trust formed after long-term cooperation, in order to achieve the objective of cross-selling and resource sharing within the Group. However, even though the medical industry is featured with high gross profit, the Group shall continued to control the cost and expenses, in order to make the medical plastic business have the higher gross profit and accordingly make the higher contribution to the profit of the Group.

(II) Expected sales volume and its basis, and important production and marketing policies

The International Monetary Fund (IMF) estimated that the economic growth rate of the world would be about 3.5% in 2019, while the economic growth rate of the United States would be about 2.5%, the economic growth rate of the mainland China would be about 6.2%, and the economic growth rate of the Eurozone would be only about 1.6%. The economic growth in 2019 shall be slowed down significantly compared with that of all major economic entities in 2018. This is mainly affected by the Sino-US trade war, the Brexit and the slowdown of the economic growth of China. In this case, it is expected that the company would inevitably face a strong operating adversity in 2019, especially in the precision metal stamping business and the automatic equipment business which are closely related to the consumer product. Based on the expectation of Industrial Economics & Knowledge Center (IEK), the growth of the electronic information industry of Taiwan will be about 1.5% only in 2019, and will still be determined in accordance with various variables affecting the industrial development. While it is estimated that the growth of the automatic equipment output value will still be 5-6% and will mainly occur in automation detection and intelligent manufacturing. After considering the above expectation to the whole industry, the company believes that it is the year of transformation and adjustment in 2019. The company shall gradually reduce the dependence on the existing industries and customers while entering into the non-consumer terminal market, such as automobile electronics and vision system through the development of the new products and the customers, in order to end the decline of the business and profit in the past two years, and even drive the company to recover from the difficulties gradually by means of fermentation of the new products and the application products.

In terms of the medical plastic business, the stable demand itself is the characteristic of the industry. Plus aging of the global population and gradual development of the emerging markets, it were estimated by all major research organizations that the growth of the global medical material market would be 6-8% in 2019. At present, the medical product customers of the company have been deploying in the populous markets in South Asia and East Asia positively, such as India, Vietnam and Indonesia. The company shall work closely with the customers while making use of the location of Singapore at the Southeast Asian hub to pursue growth with the strategy of entering into the emerging markets in Southeast Asia. At the same time, the company shall also provide the customers with various products, options and the production solutions of the Group; in this way, the company may interact with the customers more closely, to accordingly acquire more business opportunities.

Considering the unpredictable economic situation in 2019 and the situation that the development of some industries has become stagnant, three business units operated by the Group shall actively control the costs and expenses to avoid unnecessary losses. Meanwhile, the company shall also be committed to seeking for various opportunities for transformation and looking for the turning point that has competitive advantages and is suitable for entry, so as to create the maximum benefit for the shareholders.

III. Development strategy of the company in the future

Manufacturing shall be taken as the core as for the products of the company, while intelligent manufacturing and Industry 4.0 shall be the policies that must be introduced and implemented in the manufacturing industry in the next few years. Otherwise, the company will be inevitably eliminated in the big data and AI world. Therefore, regardless of type of the industry, the management team shall actively lead all business units and the factories to implement the intelligent upgrading and continuously improve the operating efficiency of the company by virtue of analysis of the big data. In this way, the company can grasp the first opportunity in the next round of economic take-off cycle. Meanwhile, the company shall also acquire the products or technologies with the market potentials through the internal R&D or the external merge & acquisition investment, to prevent the company from lagging behind in the rapid developing industry at present. In this way, the company can have the opportunity to create the value for the shareholders.

IV. Influence from the external competitive environment, regulatory environment and overall operating environment

U. S. President Donald Trump had implemented various retaliatory measures to the trade of China in allusion to Sino-US trade deficit in the fourth quarter of 2018, and started several rounds of trade negotiations between the two major economic entities. Under this atmosphere, the companies involved in different industrial supply chains have been seeking for the ways of dispersing the risk. In addition, the European and the United States have been containing the rise of technology companies of China and there may be the secret worry – inflation. Therefore the operating situation may be full of uncertainties in 2019. The management team of the company is actively promoting the control of cost and expense at present, while strictly supervising the cash flow, to prevent the operating situation of the company from any problem as a result of any risk. The management team of the company shall continuously and actively gather all information and analyze the trend while thinking about the way of reducing the risk and continuously strengthening the competitive advantage. Meanwhile, the management team of the company shall also discuss with the board of directors, the external experts and consultants to find out the best hedge mode to avoid the impact on the profits of the company as a result of various uncertain factors and accordingly protect the rights and interests of the shareholders.

After being listed in 2016, the operating performance of the company was indeed not as good as expected because the growth of the industry slowed down or even declined and the transformation was not implemented as quickly as possible. Thank you very much for your continued support. Looking into the year 2019, the company shall still face the considerable uncertainties on the macroeconomic and industrial aspect. But after learning and investment over the past few years, the view of the future and the strategy distribution of the management team have become apparent. Although it will be very difficult to operate in 2019, we believe that the company will gradually get out of the past difficulties and return to the track of growth, to meet the expectations of the shareholders.

In the end, I would like to thank you again for your trust and support on behalf of the board of directors, the management team and all employees, and wish you all the best.

Chairman: Jin, Bor-Shi

II. Company Description

2.1 Date of Incorporation: January 18, 2001

2.2 Corporate History:

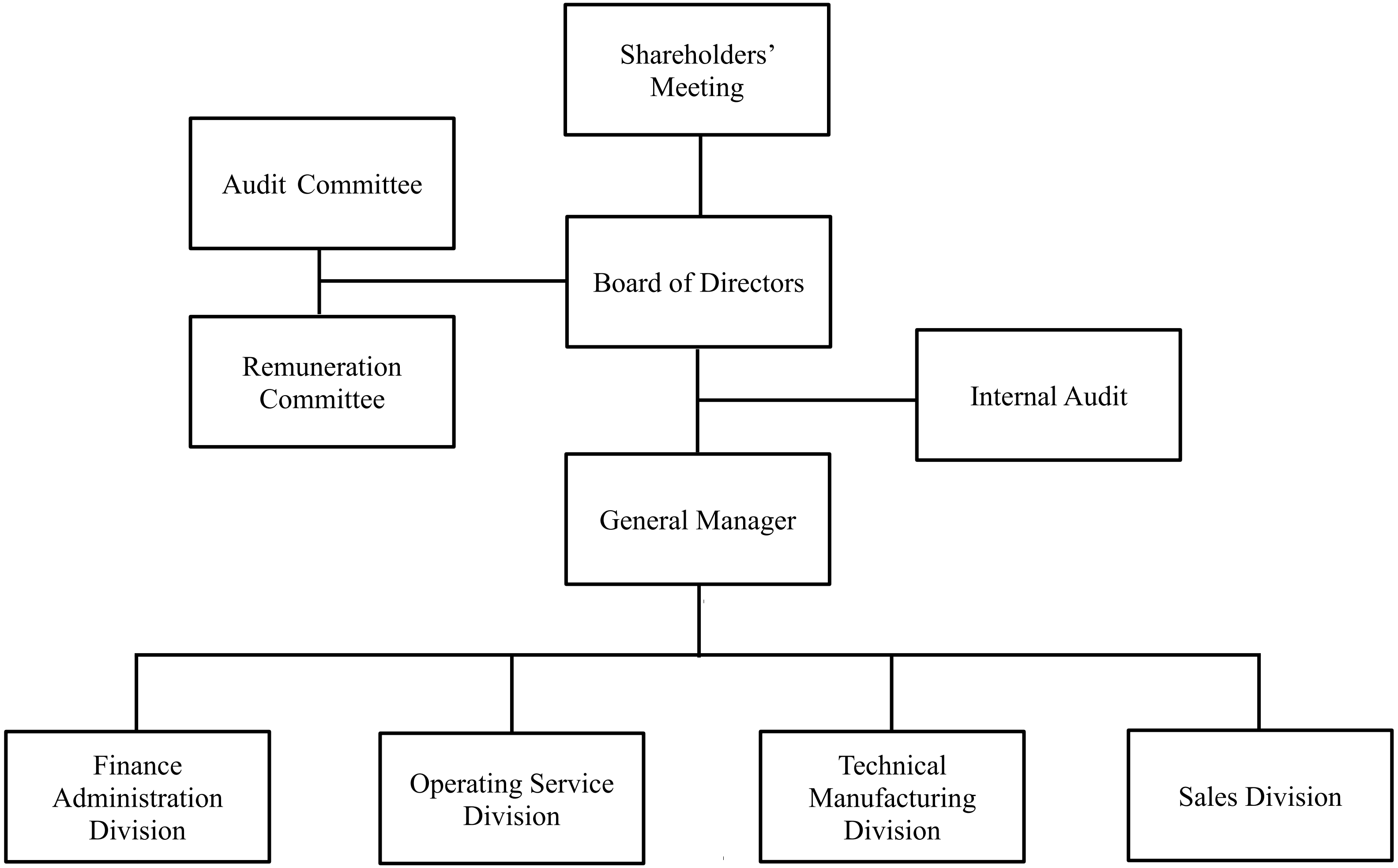
Year	Important Matters
Jan. 2001	The company was duly incorporated. It was originally named Min En Color Plating Co., Ltd. Its address was No. 5, Jingjian 4th Road, Guanyin Industrial Park, Guanyin District, Taoyuan County. The registered capital was NT$120 million, and the paid-in capital, NT$60 million. The company engaged in business of was surface treatment.
Sep. 2001	The capital was increased by NT$80 million. The paid-in capital was increased to NT$140 million.
Jul. 2003	Capital was increased by NT$140 million in cash. The paid-in capital was increased to NT$280 million. Min En Color Plating Co., Ltd. was renamed as Min Aik Precision Industrial Co., Ltd. For business expansion, more business items were included. The company was moved to No. 2, Guorui Road, Guanyin Industrial Park, Guanyin District, Taoyuan City.
Apr. 2004	The capital was reduced by NT$63 million and the capital was increased by NT$100 million in cash. The paid-in capital was increased to NT$317 million.
May 2006	The earnings in the amount of NT$92 million were transferred to capital. The paid-in capital was increased to NT$409 million.
May 2008	The company achieved FREESCALE certification.
Mar. 2009	The company achieved ISO14001/OHSAS18001 certification.
Dec. 2009	The company achieved TOSHMS certification.
Jan. 2010	The company achieved SEAGATE certification.
Mar. 2012	The company proceeded with achievement of PAS2050: 2008 and ISO14064-1: 2006 certification.
Mar. 2012	The company invested in Esteem King Limited (hereinafter referred to as Esteem King), and indirectly invested US$360 thousand in Ming Hung Material and Technology (Changshoou) Co.; Ltd..
Jul. 2012	The company invested in Esteem King and indirectly invested US$4,258,943 in MATC Technology (M) Sdn. Bhd (hereinafter referred to as MATC).
Aug. 2012	The company invested in Esteem King and indirectly invested US$8,066,990 in MAP Plastic Pte. Ltd. (hereinafter referred to as MAPP).
Sept. 2012	The company invested in Esteem King and indirectly invested US$1,253,419 in Amould Plastic Industries Pte. Ltd (hereinafter referred to as API).
Sep. 2012	The company invested in Esteem King and indirectly invested US$3,500,000 in API.
Sep. 2012	The employee stock option in the amount of NT$32,720,000 was transferred to capital. The paid-in capital was increased to NT$441,720,000.
Dec. 2012	Initial public offering

Year	Important Matters
Dec. 2012	The company completed the merger program with respect to holding companies that it controlled 100% in Singapore. MAPP, a sub-subsidiary that it controlled 100%, merged with Seb Plastic Pte. Ltd. and Seb Engineering & Trading Pte. Ltd., both of which were subsidiaries that it controlled 100%, API and Amould Technologies Pte. Ltd, a subsidiary that it controlled 100%. MAPP was the surviving company after the merger.
Apr. 2013	Stocks were registered at Emerging Stock Market.
Jul. 2013	The earnings and capital surplus in the amount of NT$119,280,000 were transferred to capital. The paid-in capital was increased to NT$561,000,000.
Dec. 2013	Ming Hung Material and Technology (Changshoou) Co.; Ltd., a company in which the company had reinvested, was dissolved and liquidated.
Jun. 2014	The earnings in the amount of NT$51,100,000 were transferred to capital. The paid-in capital was increased to NT$617,100,000.
Apr. 2015	The company indirectly invested US$2,500,000 in Dongguan Yi Hong Precision Industrial Co., Ltd. (hereinafter referred to as Dongguan Yi Hong) by investing in Evolution Holdings Limited (hereinafter referred to as Evolution).
Aug. 2015	The earnings in the amount of NT$61,710,000 were transferred to capital. The paid-in capital was increased to NT$678,810,000.
Dec. 2015	For initial public offerings, the capital was increased by NT$91,190,000 in cash. The paid-in capital was increased to NT$770,000,000.
Jan. 2016	Listed on the Taiwan Stock Exchange.
Feb. 2017	The company achieved ISO22301 certification.
Mar. 2017	Increased investment in Dongguan Yi Hong US$1,900,000 and paid-in capital increased to US$4,100,000.
Mar. 2018	The company achieved IATF16949: 2016 certification.
Mar. 2018	Increased investment in Evolution US$2,100,000 and paid-in capital increased to US$4,600,000.
Jun. 2018	Disposal of the investment company SEB Manufacturing (Malaysia) Sdn. Bhd.

III. Corporate Governance Report

3.1 Organization system

3.1.1 Organization structure



3.1.2 Business of Each Main Department

Department	Business
Department of Internal Audit	Development, establishment, amendment and implementation of internal control and internal audit systems; supervision and management of subsidiaries; conduction of audit and submission of audit reports; reporting the result to the board of directors
Finance Administration Division	Daily accounting routines and preparation of financial statements; management of affairs relating to applicable laws; control of risks relevant to exchange rate and interest rate; management of working capital and its liquidity; budgeting, planning and review; matters relating to board of directors and shares
Operational Service Division	Supervision of personnel, administration and general affairs; monitoring of environmental pollution; prevention of occupational injury; maintenance of the company's internal information system, and management and maintenance of software and hardware for computer and the information system; management, review and approval of procurement; review of prices offered for procurement, and control of procurement cost; supervision of supplier management and assessment; management, control and review of demand for production; management of raw materials and purchase requisition; production capacity planning and effectuation; import and export management; warehouse management planning, and management and review of materials and supplies; management of idle goods
Technical Manufacturing Division	Mold development, design and management; sample delivery management and confirmation; collection of information of customers; control or production and product quality; management and planning of production units; production capacity planning and effectuation; production management, control, review and approval; management of expenses and purchase requisition of production units; planning of mass production and research of manufacturing process; production and delivery control; maintenance of production equipment and power supply; introduction of automatic equipment, and maintenance and repair of factory equipment
Sales Division	Establishment and performance of business goals; achievement of business objectives; maintenance of customer relationship and service; communication with customers; understanding and collection of information of customers and market trends; understanding of problems mentioned by customers and provision of feedback for factories; credit management; quotation management; order management

3.2 Director and Management Team

3.2.1 Directors

May 10,2019

Title	Name	Nationality or Place of Registration	Gender	Date First Elected	Date Elected	Term (Years)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main Experience/Educational Background	Current Positions at The Company and Other Companies	Others with a relationship of spouse or second-degree relative		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Beacon Investments Limited	Malaysia	-	100.12.20	106.06.16	3	25,375,763	32.96	25,375,763	32.96	0	0	0	0	-	-	-	-	-
	Representative: Jin, Bor-Shi	R.O.C	Male	107.12.04	107.12.04	3	0	0	0	0	0	0	0	0	• Master of Business Administration, New York University, USA • Managing Director of Leon Capital Management Co., Ltd. • Vice President, Citibank	• Director of MAP Plastics Pte. Ltd. (Singapore)	-	-	-
Director	Representative: Kuo, Yao-Wen	R.O.C	Male	100.06.17 (Note1)	106.06.16	3	0	0	0	0	0	0	0	0	• Master of Business Administration, University of Chicago, USA • Managing Director of Leon Capital Management Co., Ltd. • Vice President, Citibank	-	-	-	-
Director	Fang, Kuang-Yi	R.O.C	Male	91.12.31	106.06.16	3	591,022	0.77	591,022	0.77	0	0	0	0	• Bachelor of Science, St. John University of Technology • Sanyo Audio Machinery Development Engineer • Vice General Manager, Manufacturing Department, Min Aik Technology Co., Ltd.	• General Manager of Min Aik Precision Industry Co., Ltd. • Chairman and General Manager of Amould Plastic Technology (Suzhou) Co., Ltd. • Director of Evolution Holdings Limited • CEO of MAP Technology Holdings Pte. Ltd. • Director and General Manager of M&J Technologies Co., Ltd. • Chairman of Dongguan Yi Hong Precision Industrial Co., Ltd.	-	-	-

Title	Name	Nationality or Place of Registration	Gender	Date First Elected	Date Elected	Term (Years)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main Experience/Educational Background	Current Positions at The Company and Other Companies	Others with a relationship of spouse or second-degree relative		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Min Aik Technology Co., Ltd.	R.O.C	-	90.01.09 (Note 2)	106.06.16	3	26,982,910	35.04	26,982,910	35.04	0	0	0	0	-	-	-	-	-
	Representative：Chia, Kin-Heng	Singapore	Male	90.01.09 (Note 3)	106.06.16	3	543,766	0.71	415,766	0.54	70,000	0.09	0	0	• Nanyang University Business School, Singapore • Senior Purchasing Assistant of Singapore Baigong Electric Appliance Co., Ltd. • Senior Director of Miniscribe Co., Ltd. • Leica Instrument Pte. Ltd. Senior Materials Manager • Western Digital (S)Pte. Ltd. Senior Associate of The Materials Department • Corner Co. Ltd. Vice President, Far East Region • Maxtor Peripherals (S) Pte. Ltd. Vice President, Materials and Production Planning • Director of Min Aik Precision Industry Co., Ltd.	• Chairman and CEO of Min Aik Technology Co., Ltd. • Director of Min Aik Technology Usa Inc. • Director of Min Aik International Development Pte. Ltd. • Min Aik Technology (M) Sdn. Bhd. Director • Matc Technology Malaysia Sdn. Bhd. Director • Map Technology Holdings Pte. Ltd. Director • Director of M&J Technologies Co., Ltd. • Director of Mingyu Technology (Suzhou) Co., Ltd. • Director of Jinghao (Shanghai) Energy Technology Co., Ltd. • Director of Jinghao (Suzhou) New Energy Technology Co., Ltd. • Director of Geminnovative Technology Co., Ltd.	-	-	-
Independent Director	Liu, Chin-Tang	R.O.C	Male	102.05.16	106.06.16	3	0	0	0	0	0	0	0	0	• Bachelor of Accountancy, Tamkang University • Assistant Professor of Tamkang University • The 21st Board of Directors of the Taiwan Institute of Certified Public Accountants • KPMG Accountant	• Independent Director, Remuneration committee of Prolific Technology Inc. • Remuneration committee of Unizyx Holding Corporation	-	-	-

Title	Name	Nationality or Place of Registration	Gender	Date First Elected	Date Elected	Term (Years)	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main Experience/Educational Background	Current Positions at The Company and Other Companies	Others with a relationship of spouse or second-degree relative		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Kung, Tien-Hsing	R.O.C	Male	106.06.16	106.06.16	3	0	0	0	0	0	0	0	0	• Bachelor of Economics, National Chung Hsing University • Master of Economics / Master of Business Administration, New York University • Fubon Product Insurance Co., Ltd. Chairman • Fubon Financial Holding Co., Ltd. General Manager • Executive Deputy General Manager and CFO of Fubon Financial Holdings Co., Ltd. • Executive Vice President, Walden International Investment Group • Vice President, Citibank Hong Kong Branch • Investment Director, AIG Investment Corporation • Assistant Vice President, Owen Trust Bank, USA	• Senior Consultant of Fubon Financial Holding Co., Ltd. • Senior Consultant of Fubon Insurance • Supervisor of Fubon Bank (China) • Adjunct Professor, College of Management, National Taiwan University	-	-	-
Independent Director	Chen, John-Sea	R.O.C	Male	106.06.16	106.06.16	3 年	0	0	0	0	0	0	0	0	• Bachelor of Materials Science and Engineering, National Tsinghua University • Ph.D. in Materials Science, University of Southern California, USA • Researcher, Rockwell Scientific Center, USA • Co-founder and General Manager of Hexawave, Inc. • Deputy General Manager and Spokesperson of Etron Technology, Inc. • General Manager of CMSC, Inc.	• Chairman and CEO of CMSC, Inc. • Director of Art Analog, Inc. • Chairman of Logos Electornics, Inc.	-	-	-

Note 1: After the first election date, the discharge date is May 15 2013; Since July 28 2015, it has been appointed as a director again.
Note 2: After the first election date, the discharge date is June 29 2007; Since December 20 2011, it has been appointed as a director again.
Note 3: After the first election date, the discharge date is December 1 2014; Since June 16 2017, it has been appointed as a director again.

3.2.2 Major shareholders of the institutional shareholders

May 10,2019

Name of Institutional Shareholders	Major Shareholders
Min Aik Technology Co., Ltd.	Zhen-Long Investment Co., Ltd.(2.05%), Chen-Source Inc.(2.01%), Koh Soe Khon(1.44%), Chia Kin Heng (1.38%), Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds (1.30%), Hong-Yu Social Welfare Charitable Trust Fund (1.07%), Dimensional Emerging Markets Value Fund (1.04%), Emerging Markets Core Equity Portfolio Of Dfa Investment Dimensions Group Inc. (1.04%), JPMorgan Chase Bank N.A. Taipei Branch In Custody For Vanguard Total International Stock Index Fund A Series Of Vanguard Star Funds (0.93%), Norges Bank(0.88%)
Beacon Investments Limited (Malaysia)	Alpha Option Investments Limited (B.V.I) (100%)

3.2.3 Major shareholders of the Company’s major institutional shareholders

May 10,2019

Name of Institutional Shareholders	Major Shareholders
Zhen-Long Investment Co., Ltd.	Chang, Lung-Ken (90%)
Chen-Source Inc.	Ming-Guan Investment Co., Ltd. (21.82%), Chen, Feng-Ming (21.74%), Chen, Mei-Chi (3.31%)
Alpha Option Investments Limited (B.V.I)	Leon Capital L.P. I (100%)

3.2.4 Professional qualifications and independence analysis of directors

May 10,2019

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Jin, Bor-Shi			✓	✓		✓	✓		✓	✓	✓	✓		0
Fang, Kuang-Yi			✓				✓	✓	✓	✓	✓	✓	✓	0
Chia, Kin-Heng			✓				✓			✓	✓	✓		0
Kuo, Yao-Wen			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Liu, Chin-Tang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Kung, Tien-Hsing	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen, John-Sea			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.5 Management Team

May 10,2019

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager	R.O.C	Fang, Kuang-Yi	Male	99.05.01	591,022	0.77%	0	0	0	0	• Bachelor of Science, St. John University of Technology • Sanyo Audio Machinery Development Engineer • Vice General Manager, Manufacturing Department, Min Aik Technology Co., Ltd.	• General Manager of Min Aik Precision Industry Co., Ltd. • Chairman and General Manager of Amould Plastic Technology (Suzhou) Co., Ltd. • Director of Evolution Holdings Limited • CEO of MAP Technology Holdings Pte. Ltd. • Director and General Manager of M&J Technologies Co., Ltd. • Chairman of Dongguan Yi Hong Precision Industrial Co., Ltd.	-	-	-
Vice General Manager CFO	R.O.C	Mong, Ching-Yu	Male	101.06.01	179,689	0.23%	0	0	0	0	• National Taiwan University EMBA • Master of Business Administration, University of Washington, USA • Vice General Manager of KPMG Financial Consulting Co., Ltd.	• Director of MAP Plastics Pte. Ltd. (Singapore) • Supervisor of Amould Plastic Technology (Suzhou) Co., Ltd. • Director of Evolution Holdings Limited • Supervisor of Dongguan Yi Hong Precision Industrial Co., Ltd.	-	-	-
Vice General Manager of Technical Manufacturing Division	R.O.C	Lu, Jung-Ching	Male	107.10.17	65,000	0.08%	0	0	0	0	• Preston University Master of Business • Taipei Institute of Mechanical Engineering • Director of Xuda Industrial Co., Ltd. • Head of Hongjun Precision Co., Ltd. • Associate Professor of Manufacturing Department of Min Aik Technology Co., Ltd.	• Director of Evolution Holdings Limited • Director of Dongguan Yi Hong Precision Industrial Co., Ltd.	-	-	-
Assistant Vice President of Operating Service Division	R.O.C	Hsieh, Hsiu-Lan	female	103.01.01	121,054	0.16%	250	0.00%	0	0	• Department of Business Administration, South Asian Institute of Technology • Purchasing Director of Qiming Machinery Co., Ltd.	-	-	-	-
Assistant Vice President of Accountant	R.O.C	Hsiao, Chia-Ling	female	99.07.01	55,734	0.07%	0	0	0	0	• Department of Enterprise Management, Longhua University of Science and Technology • Chongshi United Certified Public Accountants auditor • Min Aik Technology Co., Ltd. Accounting	-	-	-	-
Assistant Manager of Audit	R.O.C	Chang, Ya-Wen	female	105.09.02	5,020	0.01%	0	0	0	0	• University of Science and Technology, Department of Accounting • Section Chief, Accounting Department, Min Aik Precision Industry Co., Ltd.	-	-	-	-

3.3 Remuneration paid to directors, general manager and vice general managers in the most recent year

3.3.1 Remuneration of Directors

Unit: NT$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation from investments other than subsidiaries
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Beacon Investments Limited Representative: Jin, Bor-Shi (Note 1)	0	0	0	0	0	0	4	4	-0.01%	-0.01%	0	0	0	0	0	0	0	0	-0.01%	-0.01%	None
Director	Fang, Kuang-Yi	0	0	0	0	0	0	32	32	-0.06%	-0.06%	6,654	9,068	138	138	0	0	0	0	-12.03%	-16.28%	None
Director	Min Aik Technology Co., Ltd. Representative: Chia, Kin-Heng	0	0	0	0	0	0	36	37	-0.06%	-0.06%	0	0	0	0	0	0	0	0	-0.06%	-0.06%	None
Director	Beacon Investments Limited Representative: Kuo, Yao-Wen	0	0	0	0	0	0	40	40	-0.07%	-0.07%	0	0	0	0	0	0	0	0	-0.07%	-0.07%	None
Director	Beacon Investments Limited Representative: Shih Ta-Shao (Note 2)	0	0	0	0	0	0	36	36	-0.06%	-0.06%	0	0	0	0	0	0	0	0	-0.06%	-0.06%	None
Independent Director	Liu, Chin-Tang	240	240	0	0	0	0	44	44	-0.50%	-0.50%	0	0	0	0	0	0	0	0	-0.50%	-0.50%	None
Independent Director	Kung, Tien-Hsing	240	240	0	0	0	0	40	40	-0.49%	-0.49%	0	0	0	0	0	0	0	0	-0.49%	-0.49%	None
Independent Director	Chen, John-Sea	240	240	0	0	0	0	36	36	-0.49%	-0.49%	0	0	0	0	0	0	0	0	-0.49%	-0.49%	None

※ In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors: None

Note 1：New appointment on 2018.12.04

Note 2：Discharge on 2018.12.04

3.3.2 Remuneration of the President and Vice Presidents

Unit: NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary(A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonuses and Allowances (C)</th><th colspan="4">Employee Compensation (D)</th><th colspan="2">Ratio of total compensation (A+B+C+D) to net income (%)</th><th rowspan="3">Compensation from investments other than subsidiaries</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th colspan="2">The company</th><th colspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>General Manager</td><td>Fang, Kuang-Yi</td><td>6,000</td><td>8,414</td><td>138</td><td>138</td><td>654</td><td>654</td><td>0</td><td>0</td><td>0</td><td>0</td><td>-11.96%</td><td>-16.22%</td><td>None</td></tr>
<tr><td>Vice General Manager</td><td>Mong, Ching-Yu</td><td>2,244</td><td>2,244</td><td>108</td><td>108</td><td>1,246</td><td>1,246</td><td>0</td><td>0</td><td>0</td><td>0</td><td>-6.34%</td><td>-6.34%</td><td>None</td></tr>
<tr><td>Vice General Manager</td><td>Lu, Jung-Ching</td><td>588</td><td>588</td><td>22</td><td>22</td><td>288</td><td>288</td><td>0</td><td>0</td><td>0</td><td>0</td><td>-1.58%</td><td>-1.58%</td><td>None</td></tr>
</table>

3.3.3 Names of managerial officers allocated with remuneration to employees and facts of allocation

Unit: NT$ thousands

Title	Name	Total Share Bonus	Total Cash Bonus	Total	Ratio of the Aggregate Amount to the Net Income After Tax (%)
General Manager	Fang, Kuang-Yi	0	0	0	0
Vice General Manager	Mong, Ching-Yu				
Vice General Manager	Lu, Jung-Ching				
Assistant Vice President	Hsieh, Hsiu-Lan				
Assistant Vice President	Hsiao, Chia-Ling				

3.3.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents.

(1) The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Unit: NT$ thousands

Remuneration payment object	2017				2018			
	Total remuneration		Ratio of total remuneration (%)		Total remuneration		Ratio of total remuneration (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Director	928	928	5.62%	5.62%	989	989	-1.74%	-1.74%
General Manager and Vice General Manager	10,903	13,283	66.02%	80.44%	11,288	13,702	-19.88%	-24.14%
Total	11,831	14,211	71.64%	86.06%	12,277	14,691	-21.63%	-25.88%

(2) The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

The policy of the director's remuneration payment is set out in the company's articles of association. The payment method of the general manager and the deputy general manager is based on the company's “salary management method” standard, and the performance bonus is based on the company's operating performance and individual work performance. Basis for evaluation. All payments must be submitted to the " Remuneration Committee" for review, and then implemented after the resolution of the Director, and fully disclosed in the annual report in accordance with the provisions of the law.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

The board of directors met for 10 times (A) in the latest year (2018). Directors attending the meetings are as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Beacon Investments Limited Representative: Jin, Bor-Shi	1	0	100%	New appointment on 2018.12.04 (Should attend 1 time)
Director	Fang, Kuang-Yi	9	1	90%	-
Director	Min Aik Technology Co., Ltd. Representative: Chia, Kin-Heng	8	2	80%	-
Director	Beacon Investments Limited Representative: Kuo, Yao-Wen	10	0	100%	-
Director	Beacon Investments Limited Representative: Shih, Ta-Shao	9	0	100%	Discharge on 2018.12.04 (Should attend 9 time)
Independent Director	Liu, Chin-Tang	10	0	100%	-
Independent Director	Kung, Tien-Hsing	9	1	90%	-
Independent Director	Chen, John-Sea	8	2	80%	-

Note 1: The rate of all directors attending the meetings in 2018 was 91.4% on average.
Note 2: At least one independent director attended the meeting held by the board of directors every time in 2018.

Other mentionable items:

1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable, since the company has established an audit committee; matters listed under Article 14-5 of the Securities and Exchange Act shall be applicable instead.
   (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:
   (1) The proposal of the annual bonus to be distributed to managers for 2017 was discussed at the board meeting on Jan. 25, 2018. As Fang Kuang-Yi, Chairman of the company, had interest in the proposal, he did not participate in the discussion or vote pursuant to the principle of recusal due to conflicts of interest, and should not vote on behalf of any director. Therefore, Kung Tien-Hsing, an independent director, was designated as the acting chairman of the meeting. The proposal was unanimously approved by all attending directors after the acting chairman asked for their opinions.
   (2) The proposal of increase in loans from Cathay United Bank was discussed at the board meeting on Mar. 15, 2018. As Kung Tien-Hsing, an independent director, was also a senior

advice at Fubon Financial, he voluntarily requested to evade and did not participate in the discussion or voting for the proposal. The proposal was unanimously approved by all attending directors after the chairman of the meeting asked for their opinions.

3. Evaluation of achievement of the goal of strengthening functions of the board of directors (e.g.: establishing an audit committee, enhancing transparency of information, etc.) during the current year and the latest years: The company has set up a salary and remuneration committee and an audit committee and established the corporate governance principles to enhance the governance of the company.

3.4.2 Audit Committee

The audit meeting met for 8 times (A) in the latest year (2018). Independent directors attending the meetings are as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Liu, Chin-Tang	8	0	100%	-
Independent Director	Kung, Tien-Hsing	7	1	87.5%	-
Independent Director	Chen, John-Sea	8	0	100%	-

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

   (1) Matters referred to in Article 14-5 of the Securities and Exchange Act.：

Date of Board Meeting / Term of Board of Directors	Content of Proposal, Resolution of Audit Committee, and How the Board of Directors Dealt With it Subsequently
2018.01.25 The 6th meeting of the 8th- Session	1. The proposal of acquisition of land and plants was approved. ■ Resolution of Audit Committee (2018.01.25): It was approved unanimously by all members of the audit committee. ■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee.
2018.03.15 The 7th meeting of the 8th Session	1. The reversal of the deferred income tax liabilities allocated due to recognized gains on reinvestment was approved. 2. The business report, individual financial report and consolidated financial report of the company for 2017 were approved. 3. The proposal of earning distribution for 2017 was approved. 4. The proposal of capital surplus to be distributed in cash was approved. 5. The proposal of appointment of the auditing CPA for 2018 and his/her remuneration was approved. 6. The internal control system declaration of the company for 2017 was approved. 7. The proposal of increasing the capital of Evolution Holdings Limited, a subsidiary owned 100% by the company, by US$2,100,000 in cash was approved.

Date of Board Meeting / Term of Board of Directors	Content of Proposal, Resolution of Audit Committee, and How the Board of Directors Dealt With it Subsequently
	8. The proposal of providing endorsement and guarantees for Evolution Holdings Limited and Esteem King Limited, the subsidiaries owned 100% by the company, was approved. ■ Resolution of Audit Committee (2018.03.15): It was approved unanimously by all members of the audit committee. ■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee.
2018.05.10 The 8th meeting of the 8th Session	1. The consolidated financial report of the company for Q1 of 2018 was approved. 2. The endorsement and guarantees provided by the company for customs duty related matters was approved. ■ Resolution of Audit Committee (2018.05.10): It was approved unanimously by all members of the audit committee. ■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee.
2018.06.15 The 9th meeting of the 8th Session	1. The disposal of SEB Manufacturing (Malaysia) Sdn. Bhd., a reinvested company owned 100% by the company, was approved. ■ Resolution of Audit Committee (2018.06.15): It was approved unanimously by all members of the audit committee. ■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee.
2018.08.09 The 10th meeting of the 8th Session	1. The consolidated financial report of the company for Q2 of 2018 was approved. ■ Resolution of Audit Committee (2018.08.09): It was approved unanimously by all members of the audit committee. ■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee.
2018.11.07 The 14th meeting of the 8th Session	1. The consolidated financial report of the company for Q3 of 2018 was approved. ■ Resolution of Audit Committee (2018.11.07): It was approved unanimously by all members of the audit committee. ■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee.
2018.12.20 The 15th meeting of the 8th Session	1. Establishing the annual audit plan of the company for 2019. ■ Resolution of Audit Committee (2018.12.20): It was approved unanimously by all members of the audit committee. ■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee.
2019.03.18 The 18th meeting of the 8th Session	1. The business report, individual financial report and consolidated financial report of the company for 2018 were approved. 2. The proposal of Deficit Compensation for 2018 was approved. 3. The proposal of appointment of the auditing CPA for 2018 and his/her remuneration was approved. 4. The internal control system declaration of the company for 2017 was approved. 5. The proposal of providing endorsement and guarantees for Esteem King Limited, the subsidiaries owned 100% by the company, was approved.

Date of Board Meeting / Term of Board of Directors	Content of Proposal, Resolution of Audit Committee, and How the Board of Directors Dealt With it Subsequently
	6. The proposal of Amendment to “Procedures for Acquisition or Disposal of Assets “and “Procedures for the Loaning of Funds” and “Procedures for Endorsements and Guarantees”, was approved. ■ Resolution of Audit Committee (2019.03.18): It was approved unanimously by all members of the audit committee. ■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee.
2019.05.10 The 19th meeting of the 8th Session	1. The consolidated financial report of the company for Q1 of 2019 was approved. 2. The endorsement and guarantees provided by the company for customs duty related matters was approved. ■ Resolution of Audit Committee (2019.05.10): It was approved unanimously by all members of the audit committee. ■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee.

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

2. If there are independent directors’ avoidance of motions in conflict of interest, the directors’ names, contents of motion, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.):

(1) All independent directors were members of the audit committee. They not only had to review the audit report of the head of internal audit periodically and communicate with the head of internal audit, but also should invite the head of internal audit to report at the meeting of the audit committee, if necessary.

(2) Certified public accountants were also invited periodically to fully explain certification of financial statements of the company and relevant internal control and audit at the meeting of the audit committee

(3) Communication between independent directors and the head of internal audit and certified public accountants was as follows:

Date	Method of communication	Person to communicate with	Matters communicated	Result
2018.01.25	Audit Committee	Head of audit	(1) Performance of the audit plan for November 2017	(1) To deal with as suggested
2018.02.27	Meeting on discussion	Head of audit	(1) No significant fault was shown in the result of self-evaluation in the internal control system in 2017. The internal control declaration stating that the internal	(1) The way used to explain the implementation of the evaluation of 5 major elements of internal control is amended slightly after the discussion.

Date	Method of communication	Person to communicate with	Matters communicated	Result
			control system had been valid would be prepared and submitted to the board of directors. (2) Report of internal audit work	(2) To inform independent directors of the method the company has adopted, and to communicate to members of relevant departments the opinions obtained after the discussion
2018.03.15	Audit Committee	Head of audit, Auditing CPA	(1) Performance of the audit plan for the period between December 2017 to January 2018 (2) Internal control declaration for 2017 to be issued (3) Individual financial report and consolidated financial report of the company for 2017 to be reviewed	(1) To deal with as suggested (2) To consent to issue the internal control declaration of the company for 2017 (3) To submit to the board of directors for its resolution after the review
2018.05.10	Audit Committee	Head of audit, Auditing CPA	(1) Performance of the audit plan for the period between February to March 2018 (2) Consolidated financial report of the company for Q1 of 2018 to be reviewed	(1) To deal with as suggested (2) To submit to the board of directors for its resolution after the review
2018.06.15	Board of Directors	Head of audit	(1) Performance of the audit plan for April 2018	(1) To deal with as suggested
2018.08.01	Meeting on discussion	Head of audit	(1) Report of internal audit work of the subsidiary in Suzhou	(1) To inform independent directors of the method the company has adopted, and to communicate to members of relevant departments the

Date	Method of communication	Person to communicate with	Matters communicated	Result
				opinions obtained after the discussion
2108.08.09	Audit Committee	Head of audit, Auditing CPA	(1) Performance of the audit plan for the period between May to June 2018 (2) Consolidated financial report of the company for Q2 of 2018	(1) To deal with as suggested (2) To submit to the board of directors for its resolution after the review
2018.09.12	Board of Directors	Head of audit	(1) Performance of the audit plan for July 2018	(1) To deal with as suggested
2018.10.16	Audit Committee	Head of audit	(1) Performance of the audit plan for August 2018	(1) To deal with as suggested
2108.11.01	Meeting on discussion	Head of audit	(1) Report of internal audit work of the subsidiary in Suzhou	(1) To inform independent directors of the method the company has adopted, and to communicate to members of relevant departments the opinions obtained after the discussion
2018.11.06	Meeting on discussion	Auditing CPA	(1) CPA's annual audit and planning report (2) Key matters for audit to be identified, and explanation and discussion of audit procedures to be implemented	(1) The CPA has provided with the planning for the annual audit. (2) The CPA has explained and identified the key matters for audit and the audit procedures to be implemented. (3) Both parties have reached an agreement.
2018.11.07	Audit Committee	Head of audit, Auditing CPA	(1) Performance of the audit plan for September 2018 (2) Consolidated financial report of the company for Q3 of 2018	(1) To deal with as suggested (2) To submit to the board of directors for its resolution after the review

4. Functionality of the Audit Committee:

(1) The main function of the Audit Committee is to supervise the following matters:

A. Fair presentation of the financial reports of this Corporation.
B. The hiring (and dismissal), independence, and performance of certificated public accountants of this Corporation.
C. The effective implementation of the internal control system of this Corporation.
D. Compliance with relevant laws and regulations by this Corporation.
E. Management of the existing or potential risks of this Corporation.

(2) The audit committee of the company held 8 meetings in 2018, and the actual attendance rate of all members was 95.8%. The work priorities completed this year are as follows: :

A. Assessment of the effectiveness of the internal control system.
B. Asset transactions.
C. Loans of funds, endorsements, or provision of guarantees of a material nature.
D. The hiring or dismissal of a certified public accountant, or their compensation.
E. Annual and quarterly financial reports.
F. Other material matters as may be required by this Corporation or by the competent authority. ◦

5. The state of participation in board meetings by the supervisors in the most recent year: Not applicable, since the company has established an audit committee.

3.4.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The board of directors of the company established and disclosed the corporate governance principles in Market Observation Post System and its website on Jan. 26, 2016.	None
2. Shareholding structure & shareholders' rights				None
(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?		✓	(1) The company has not established an internal operating procedure, but has designated a spokesperson, an acting spokesperson and share affairs personnel to deal with suggestions, disputes and conflicts of shareholders. It has also established a specific section for stakeholders and designated a contact person for investors at its website.	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The company has designated share affairs personnel to manage relevant information and appointed a stock transfer agent to assist the company in dealing with share-related matters. By doing so, the company is informed of main shareholders that actually control the company and the final controllers of the main shareholders.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The company and its affiliates have their respective rights and responsibilities for management of their respective employees, assets and financial affairs, and have established their	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
			respective internal control systems to clarify and ensure everything goes in compliance with applicable laws. Risk evaluation is also conducted periodically and from time to time to complete the management mechanism and establish proper firewalls.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(4) The company has established the Operating Procedure for Processing of Internal Important Information to regulate its operation of internal important information confidentiality and its procedure of banning purchase and sale in order to prevent insider trading.	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) In order to strengthen the functions of the Board, the Company's " Corporate Governance Best Practice Principles" specifies that the composition of the Board of Directors should be diversified to ensure that the Board as a whole can have operational judgment, operational management and analytical oversight capabilities, and in the Company's "Procedures for Election of Directors" Establish a policy of diversity of board members. The Professional background of the 7 current directors covers commerce, finance, accounting and the field in which the company engages its business. The ability of the board of directors of	None

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
			the company to implement the diversification policy and the ability to perform duties is as follows (Note 2)	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	(2) The company has set up the salary and remuneration committee in accordance with applicable laws and established an audit committee actively. It also plans to set up other committees with different functions in accordance with applicable laws and based on actual needs in the future.	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?		✓	(3) When evaluating performance of a director, the company also takes into account attendance of the director at meetings and his/her participation in meetings. More detailed regulations of performance evaluation and methods of evaluation will be established based on actual needs in the future.	
(4) Does the company regularly evaluate the independence of CPAs?	✓		(4) Before appointing an auditing CPA every year, The company evaluates independence (Note 2) and competence (Note 3) of the auditing CPA pursuant to Statement No. 10 "Integrity, Fairness and Independence" of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, requests the auditing CPA to issue the declaration of independence, and submit the proposal of appointment and remuneration of the	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
			auditing CPA to the audit committee and Board of Directors for approval.	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	✓		The company has appointed the CFO MONG, CHING-YU as the Corporate Governance Officer, responsible for handling corporate governance related matters, and its terms of reference, current year's business execution and training are as follows (Note 5).	None
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The company has established the stakeholder section at its website to identify stakeholders that it contacts or influences based on the business of each unit and collect feedback and concerns of stakeholders through course of business, interview, telephone, Email, website and any other communication chancel. For the concerns of different stakeholders, the company determines priority and actions based on the importance and impact of the concerns on the company and through internal communication and negotiation and the integrated evaluation made by the management. the company responses timely to their important concerns of the stakeholders after further understanding their reasonable expectations and needs through proper channels.	None

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company has appointed Stock Transfer Agency Department, Fubon Financial to deal with affairs relating to shareholders' meetings.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	 ✓ ✓		 (1) The company has established a website to disclose its financial business and governance information. (2) The company has designated proper persons to collect and, if necessary, disclose its information. With the established system of spokesperson, the company has a spokesperson and an acting spokesperson.	None
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		Information relating to governance of the company is as follows: (1) Rights of Employees and Care for Employees: The company adopts the minimum requirements provided in the Labor Standards Act, the Act of Gender Equality in Employment, the Sexual Harassment Prevention Act and applicable government regulations in its personnel management regulations to ensure rights and benefits of its employees. (2) Relationship with Investors: The company discloses its important operational information periodically and also continues to enhance	None

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
			information transparency for investors to be aware of operational activities and development planning of the company. (3) Relationship with Suppliers: The company maintains a good and long-term relationship with its suppliers and provides a mailbox for complaints in the stakeholder section on its webpage. (4) Rights of Stakeholders: For protecting rights and interests of stakeholders, the company has established various unimpeded communication channels. It deals with things pursuant to the principle of good faith and with a responsible attitude and also assumes corporate social responsibility properly. (5) Training Programs for Directors and Supervisors: The courses and hours of the training programs taken by the company's directors and independent directors meet the Directions for the Implementation of Continuing Education for Directors and Supervisors of Listed and OTC Companies. The status of training is disclosed in Market Observation Post System. (Please see the table below.) (6) Performance of Risk Management Policy and Risk Evaluation Standards: The company conducts risk	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
			management and evaluation in accordance with internal regulations to control risks. (7) Performance of Customer Policy: The company and its subsidiaries value opinions of customers very much. It holds meetings periodically to review business with customers in order to understand opinions of customers about products and relevant questions and maintain a stable relationship with customers to create profits for the company. (8) Insurance Acquired by the company for Directors and Supervisors: The company has acquired liability insurance for directors.	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.	✓		The company's 2018 corporate governance evaluation results for the former 36%~50% company. In 2019, the disclosure of English information and the performance evaluation of directors will be the priority improvement goals, and efforts will be made to meet the requirements of new indicator projects.	None

Note 1: Please specify in the memo section no matter whether you have chosen "Yes" or "No" for the status of operation.

Note 2: Board members implement diversification policy

(1) The 8th Board of Directors of the Company consists of 4 General Directors and 3 Independent Directors.
Among them, the directors with employee status accounted for 14%, female directors accounted for 0%;
The two Independent Directors are appointed for a period of two years, One Independent Director is appointed for a period of 6 years;
The two directors are between 51 and 60 years old, the five directors are between 61 and 70 years old, the average age of all directors is about 61 years old. ◦

(2) The ability of individual members to perform their duties is as follows:

Diversity items / Name	Nationality	Gender	The ability to make judgments about operations	Accounting and financial analysis ability	Business management ability	Crisis management ability	Knowledge of the industry	An international market perspective	Leadership ability	Decision-making ability
Jin, Bor-Shi	R.O.C	Male	✓	✓	✓	✓	✓	✓	✓	✓
Fang, Kuang-Yi	R.O.C	Male	✓	✓	✓	✓	✓	✓	✓	✓
Chia, Kin-Heng	Singapore	Male	✓	✓	✓	✓	✓	✓	✓	✓
Kuo, Yao-Wen	R.O.C	Male	✓	✓	✓	✓	✓	✓	✓	✓
Liu, Chin-Tang	R.O.C	Male	✓	✓	✓	✓	✓	✓	✓	✓
Kung, Tien-Hsing	R.O.C	Male	✓	✓	✓	✓	✓	✓	✓	✓
Chen, John-Sea	R.O.C	Male	✓	✓	✓	✓	✓	✓	✓	✓

Note 3: Independent evaluation items: (15 items in total)

(1) The term of office of the auditing CPA is less than 7 years.
(2) Do the members of the audit service team, other joint practicing CPAs or CPA firm shareholders, CPA firms and their respective affiliates remain independent from the company?
(3) Neither the auditing CPA nor the members of the audit service team serve as director, supervisor or manager of any audited customer or in any important position currently or in the latest 2 years.
(4) Neither the auditing CPA nor the members of the audit service team have a kinship relationship with any director, supervisor, manager of the company or any person having an important influence on an audit case.
(5) The auditing CPA has not served as director, supervisor or manager of the company or in any important position having an important influence on an audit case within one year after his/her resignation.
(6) The auditing CPA does not have any direct or indirect important financial interest in the company.
(7) The revenue of the auditing CPA's firm does not come from a single customer (The Company).
(8) The auditing CPA does not have a significant and close business relationship with the company.
(9) There is not an employer and employee relationship between the auditing CPA and the company.
(10) The auditing CPA has no contingent sponsorship relevant to an audited case.
(11) No item in the non-audit service provided by the company to the auditing CPA influences an audited case directly.
(12) The auditing CPA does not represent the company to defend in a legal case of a third party or any other dispute.
(13) The auditing CPA does not promote or introduce stocks or securities issued by the company.
(14) The auditing CPA does not receive valuable gifts or special preference from the company or any of its directors, supervisors, managers or main shareholders.
(15) Neither the auditing CPA nor the members of the audit service team temporarily take care of money on behalf of the company.

Note 4: Competence Evaluation Items:

(1) Service Quality and Scale: 7 items in total
(2) Profession: 5 items in total
(3) Time Limitation: 3 items in total

Note 5：Corporate Governance Officer established and Operation:

(1) In order to strengthen corporate governance and enhance the effectiveness of the Board of Directors, we will consider the relevant provisions of Article 3(1) of the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the “Regulations Governing the Appointment and Exercise of Powers by the Board of Directors of Listed Companies”, and will be issued on January 17, 2019. The board of directors decided to appoint the CFO, Mong, Ching-Yu, Vice general manager of the company's, as the head of corporate governance, which is in compliance with the position of the publicly issued company in the financial, shareholding and corporate governance related units for more than 3 years. ◦

(2) Terms of Reference: including but not limited to the following:

A. Handling matters related to the meetings of the board of directors and shareholders meeting in accordance with the law.
B. Production of the board of directors and shareholders' meeting.
C. Assist the directors to take up their duties and continue their education.
D. Provide the information required by the directors to conduct business.
E. Assist the directors to follow the laws and regulations.
F. Other matters as stipulated in the company's articles of association or contract.

(3) The implementation of the annual business: the implementation of the above business will be handled or supervised in accordance with the laws and regulations.

A. Handle the pre-registration and various announcements of the shareholders' meeting according to law, and make relevant notices, discussion manuals and other related matters within the statutory time limit.
B. Assist in the compliance of the board of directors and the committee's proceedings and resolutions to ensure compliance with relevant laws and corporate governance practices:
    a. Prepare the agenda of each board of directors, notify the directors and provide the information required for the meeting before the 7th, and complete the production and distribution of the minutes within 20 days after the meeting.
    b. Remind the directors to abide by the regulations and matters that need to be avoided when implementing the business or conference resolutions.
    c. Issue important information of important resolutions of the board of directors and ensure the legality and correctness of the contents of the announcement to protect the rights and interests of investors.
C. Formulate an annual training plan and assist in arranging courses according to the company's business field and the characteristics of the industry and the background of each director's study and experience.
D. Arrange for the audit supervisor, accountant, visa accountant and relevant department heads to communicate and communicate with the directors to assist the directors in performing their duties.

(4) Annual training situation: At least 18 hours of training certificate will be completed this year.

Note 6：2018 Directors' training records

Name	Study Date	Sponsoring Organization	Course	Training hours	Annual training hours
Jin, Bor-Shi	2018/12/11	Securities and Futures Institute	Directors, supervisors, executive duties and business judgment principles	3	12
	2018/12/13	Securities and Futures Institute	Competition behavior norms and practices of company management rights	3	
	2018/12/19	Taiwan Corporate Governance Association	Tax disputes for employees who are sent to the mainland to receive salary	3	
	2018/12/19	Taiwan Corporate Governance Association	Potential tax risks under the common operating model of Taiwanese businessmen	3	
Fang, Kuang-Yi	2018/12/19	Taiwan Corporate Governance Association	Tax disputes for employees who are sent to the mainland to receive salary	3	6
	2018/12/19	Taiwan Corporate Governance Association	Potential tax risks under the common operating model of Taiwanese businessmen	3	
Kuo, Yao-Wen	2018/12/19	Taiwan Corporate Governance Association	Tax disputes for employees who are sent to the mainland to receive salary	3	6
	2018/12/19	Taiwan Corporate Governance Association	Potential tax risks under the common operating model of Taiwanese businessmen	3	
Chia, Kin-Heng	2018/12/19	Taiwan Corporate Governance Association	Tax disputes for employees who are sent to the mainland to receive salary	3	6
	2018/12/19	Taiwan Corporate Governance Association	Potential tax risks under the common operating model of Taiwanese businessmen	3	
Liu, Chin-Tang	2018/01/23	Taiwan Corporate Governance Association	Major economic crimes in enterprises--Discussion on insider trading	1	28
	2018/03/07	Taiwan Corporate Governance Association	New mode of operation management under innovative technology	1	
	2018/04/24	Taiwan Corporate Governance Association	Viewing the performance and effectiveness evaluation of the board of directors from the perspective of directors and supervisors	3	
	2018/05/08	TPEx	Corporate Governance Roadmap (2018~2020)	3	
	2018/08/21	Taiwan Corporate Governance Association	Effective use of directors' strategic guidance function	1	

Name	Study Date	Sponsoring Organization	Course	Training hours	Annual training hours
	2018/10/15	Financial Supervisory Commission	The 12th Taipei Corporate Governance Forum	6	
	2018/09/19	Taiwan Corporate Governance Association	The 14th International Forum on Corporate Governance - Obligation to Obey and Supervise Directors	6	
	2018/12/11	Taiwan Corporate Governance Association	Looking at the wisdom property protection strategy from the international big manufacturers	1	
	2018/12/19	Taiwan Corporate Governance Association	Tax disputes for employees who are sent to the mainland to receive salary	3	
	2018/12/19	Taiwan Corporate Governance Association	Potential tax risks under the common operating model of Taiwanese businessmen	3	
Kung, Tien-Hsing	2018/09/11	Taiwan Corporate Governance Association	Directors and senior executives guard against money laundering and counter-terrorism	3	12
	2018/11/27	Taiwan Corporate Governance Association	2018 Development Trend of Responsible Investment in International Financial Industry	3	
	2018/12/19	Taiwan Corporate Governance Association	Tax disputes for employees who are sent to the mainland to receive salary	3	
	2018/12/19	Taiwan Corporate Governance Association	Potential tax risks under the common operating model of Taiwanese businessmen	3	
Chen, John-Sea	2018/12/19	Taiwan Corporate Governance Association	Tax disputes for employees who are sent to the mainland to receive salary	3	6
	2018/12/19	Taiwan Corporate Governance Association	Potential tax risks under the common operating model of Taiwanese businessmen	3	

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

1. Information on Members of the Remuneration Committee

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Liu, Chin-Tang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent Director	Kung, Tien-Hsing	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Chen, John-Sea			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Law.

2. Remuneration Committee Scope of duties

According to the company's Remuneration Committee Charter, the Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion. However, recommendations regarding compensation for supervisors may be submitted to the board of directors for discussion only when the board of directors is expressly authorized to resolve on that matter by the articles of incorporation or by a resolution of the shareholders meeting:

(1) Periodically reviewing this Charter and making recommendations for amendments.
(2) Establishing and periodically reviewing the annual and long-term performance goals for the directors, supervisors, and managerial officers of this Corporation and the policies, systems, standards, and structure for their compensation.
(3) Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of this Corporation have been achieved, and setting the types and amounts of their individual compensation.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

(1) Ensuring that the compensation arrangements of this Corporation comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
(2) Performance assessments and compensation levels of directors, supervisors, and managerial officers shall take into account the general pay levels in the industry, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and this Corporation's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of this Corporation.
(3) There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of this Corporation.
(4) For directors and senior managerial officers, the percentage of bonus to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of this Corporation's business.
(5) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

"Compensation" as used in the preceding two paragraphs includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures. Its scope shall be consistent with the compensation for directors, supervisors, and managerial officers as set out in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

If the decision-making and handling of any matter relating to the remuneration of directors and managerial officers of a subsidiary is delegated to the subsidiary but requires ratification by the board of directors of this Corporation, the Committee shall be asked to make recommendations before the matter is submitted to the board of directors for deliberation.

3. Attendance of Members at Remuneration Committee Meetings

(1) The Remuneration Committee of the Company is comprised 3 members.

(2) Committee members' tenure of their current term: from June 16, 2017 to June 15, 2020. and the Remuneration Committee held three meetings(A) in 2018, during the most recent year, and members' qualifications and their attendance are given as bellows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Convener	Kung, Tien-Hsing	5	0	100%	-
Commission member	Liu, Chin-Tang	5	0	100%	-
Commission member	Chen, John-Sea	4	0	80%	-

Other mentionable items:

(1) If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion : None

(2) Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None

(3) Content of Proposal, Resolution of Remuneration Committee, and How the company Dealt With it Subsequently：

Date/Term	Content of Proposal, Resolution of Remuneration Committee, and How the company Dealt With it Subsequently
2018.01.25 The 2nd meeting of the 3rd Session	1. Approving the proposal of distributing annual bonuses to managers for 2017. 2. Approving the KPI of managers for 2017. 3. Approving the Remuneration committee's work plan for 2018. ■ Resolution: It was approved unanimously by all members of the Remuneration committee.。 ■ How to deal with the opinion given by the committee: Consent to the resolution made by the committee.
2018.03.15 The 3rd meeting of the 3rd Session	1. Approving the proposal of distributing annual bonues to managers of MAP Plastic Pte. Ltd., a reinvested company owned 100% by the company, for 2017. ■ Resolution: It was approved unanimously by all members of the Remuneration committee.。 ■ How to deal with the opinion given by the committee: Consent to the resolution made by the committee.
2018.08.29 The 4th meeting of the 3rd Session	1. Approving the appointment of managers of the company. ■ Resolution: It was approved unanimously by all members of the Remuneration committee.。 ■ How to deal with the opinion given by the committee: Consent to the resolution made by the committee.
2018.10.16 The 5th meeting of the	1. Approving the appointment of managers of The Company.

Date/Term	Content of Proposal, Resolution of Remuneration Committee, and How the company Dealt With it Subsequently
3rd Session	■ Resolution: It was approved unanimously by all members of the Remuneration committee.。 ■ How to deal with the opinion given by the committee: Consent to the resolution made by the committee.
2018.11.07 The 6th meeting of the 3rd Session	1、Approving the resignation for managers of the company. ■ Resolution: It was approved unanimously by all members of the Remuneration committee.。 ■ How to deal with the opinion given by the committee: Consent to the resolution made by the committee.

3.4.5 Performance of Social Responsibility

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
1. Corporate Governance Implementation				None
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	✓		(1) The company participates in care for employees, industrial safety, environmental protection, social participation and other fields of corporate citizens, and makes the social responsibility policy containing 1. Labor: legal compliance, 2. Safety and health: reduction of risk, 3. Environmental protection: continuous improvement, 4. System: solid implementation, and 5. Ethics: discipline and responsibility.	
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	✓		(2) The company and its subsidiaries promote matters relevant to corporate social responsibility at the meeting held periodically.	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		(3) Operational Service Office is authorized by the company to create the best interests for shareholders and employees and perform social responsibility based on the philosophy of sustainable operation and enhance of corporate values.	
(4) (4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate	✓		(4) The company has established the salary and remuneration policy and combined the employees' performance assessment system with the corporate social responsibility policy, and has also	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
social responsibility policy, as well as establish an effective reward and disciplinary system?			established a clear and effective reward and punishment system.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (2) Does the company establish proper environmental management systems based on the characteristics of their industries? (3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	 ✓ ✓ ✓		 (1) The company and its subsidiaries recycle and establish the area for collection of recyclable resources. It uses recycled paper and encourages people to use reusable chopsticks and reusable cups in order to reduce the impact on environment.To reduce consumption of water resource, the company has waste water recycled in order to reduce the burden of waste water on the natural environment. (2) The company obtains necessary permits for various pollution facilities and emissions in accordance with applicable regulations and pays pollution control fees. A proper environmental management system has been established to prevent environment from being polluted. (3) The company and its subsidiaries develop energy saving measures and smart watthour meters are installed in some areas for proper management.	None
3. Preserving Public Welfare				None

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The company not only complies with applicable labor regulations, but also acquires for each employee, in addition to labor / national health insurance. The employees welfare committee has also been organized to hold a labor-management consultation meeting periodically to protect rights and benefits of employees.	
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		(2) The company has established the regulations for internal complaints to protect legal rights and benefits of employees, help resolve any unreasonable treatment toward any employee, and maintain a legal, reasonable and fair work environment.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) The company provides a safe and healthy work environment for employees, holds a safety training for employees periodically, and provides health checkup services.	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		(4) For coordinating labor relations, facilitating labor-management cooperation and enhancing work efficiency, the company holds a labor-management consultation meeting periodically in accordance with the Labor Standards Act for effective management and exchange through smooth two-way communication.	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
(5) Does the company provide its employees with career development and training sessions?	✓		(5) The company has established training programs for all employees and has provided educational training pursuant to regulations.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		(6) The company has established procedures, and set up a specific service line and a mailbox for complaints about any unreasonable operation and processes.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		(7) Products of the company are labeled pursuant to the requirements of customers and in compliance with international laws and regulations.	
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		(8) The company assesses its main suppliers every year, and participates social welfare activities actively. It may invite upstream and downstream companies of supply chain to work jointly to enhance corporate social responsibility in the future.	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		(9) The company has made contracts with its main suppliers. If a supplier violates social responsibility and such violation apparently influences environment, the company may cancel or terminate the contract in accordance with the terms and conditions of the contract.	
4. Enhancing Information Disclosure				None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description of Summary</th></tr>
<tr><td>Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?</td><td>✓</td><td></td><td>The corporate social responsibility section has been established at the company’s website to disclose the corporate social responsibility policy and relevant information.</td><td></td></tr>
<tr><td colspan="5">5. If the company has its own corporate social responsibility policy in accordance with the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies, please specify its operation and the difference from its policy.
The company has not established the code of practice and corporate social responsibility. However, to keep its promise to employees, shareholders and the public, the company not only makes information transparent, but also actively participates in environmental protection and public welfare activities. By doing so, the company has complied with the spirit of the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td colspan="5">6. Important information helpful for understanding corporate social responsibility:
(1) Employees of the company are offered equal rights of employment and opportunities of expressing opinions and developing abilities freely regardless of race, sex and age. the company has also established and complied with strict standards for safety and health of the work environment for employees.
(2) As a corporate citizen, the company, when developing its business, also pays attention to protection of natural environment and prevention of occupational injury to meet the requirements provided by internal and external customers. To perform social responsibility, the company also promotes the road adoption activity while facilitating the growth of the enterprise as well as environmental protection.
(3) The company has achieved ISO14001, OHSAS18001 and CNS15506 certification. A team of Code of Conduct - Responsible Business Alliance (RBA; former EICC) has been established internally. Members of the team not only promote the aforementioned system, but also visit nearby underprivileged groups needing assistance in hopes of starting from communities to take care every corner that needs us.
(4) With the philosophy of “Take from Society and Give Back to Society”, the company performs its obligations as an enterprise by developing and realizing the concept of environmental protection and making charitable contributions in order to bring about care and warmness for the society. Checking greenhouse gases has been listed as one of the key points in work in recent years. The company actively reduces greenhouse gases in order to achieve the objective of reduction of CO2 omission.</td></tr>
<tr><td colspan="5">7. If the report of corporate social responsibility indicates any item certified by a certification body, please specify the standards for the certification:
The company has not prepared a report of corporate social responsibility.</td></tr>
</table>

Note 1: Please specify in the memo section no matter whether you have chosen “Yes” or “No” for the status of operation.

3.4.6 Performance of Ethical Corporate Management and Measures Taken

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
1. Establishment of ethical corporate management policies and programs				None
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		(1) The company not only establishes the ethical corporate management principles and the procedures for ethical management and guidelines for conduct, but also establishes FCPA management procedures and ethics management procedures in accordance with the Responsible Business Alliance (RBA; former EICC) specifications..	
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		(2) The company has established the ethical corporate management principles and the procedures for ethical management and guidelines for conduct, and has implemented them step by step. Training for new employees and on-the-job training will be communicated to all employees pursuant to the company's requirements for integrity and guidelines for conduct.	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		(3) Relevant preventive measures have been established in the ethical corporate management principles of the company	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
2. Fulfill operations integrity policy				None
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) The company and its subsidiaries have established an assessment mechanism for their customers. When executing a contract with a customer, the company, which has clearly provided the rights and obligations of both parties in detail in the contract, makes a confidentiality agreement with the customer.	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		(2) Operational Service Office is authorized by the company to be responsible for developing and dealing with ethical corporate management related matters for the company and its subsidiaries, and reporting the status of performance of the previous year to the Board of Directors every year.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) The company provides a policy for prevention of conflicts of interest and states relevant channels in the ethical management procedures for employees and the procedure for employees to complain and participate in management.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(4) The design of the accounting systems and internal control systems of the company and its subsidiaries are examined by the CPAs retained by the company and its subsidiaries and are reviewed periodically. During the audit	

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description of Summary	
			conducted by internal auditors, no violation by any employee or the management of ethical corporate management principles has been found.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) The company holds internal educational training on ethical corporate management periodically and from time to time and holds external educational training based on actual needs.	
3. Operation of the integrity channel				None
(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The company has provided a concrete reporting and reward system in the procedures for ethical management and guidelines for conduct. Internal or external persons are able to complain or report via telephone and Email. An ad hoc unit is authorized to deal with matters relevant to complaints.	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		(2) The company has provided relevant standard procedures and the confidentiality mechanism in the procedures for ethical management and guidelines for conduct.	
(3) Does the company provide proper whistleblower protection?	✓		(3) The company has provided relevant measures in the procedures for ethical management and guidelines for conduct.	
4. Strengthening information disclosure	✓		The company has disclosed information regarding ethical corporate management principles at its website	None

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description of Summary	
Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?			and in Market Observation Post System.	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: None				
6. Important information helpful for understanding ethical corporate management: (e.g.: review and amendment of the ethical corporate management principles, etc.) The Board of Directors of the company approved the establishment of the ethical corporate management principles on Mar. 6, 2013 and approved the establishment of the procedures for ethical management and guidelines for conduct on Aug. 9, 2013. On Mar. 25, 2015, the Board of Directors also amended the company’s ethical corporate management principles and procedures for ethical management and guidelines for conduct, after referring to the examples announced by the competent authority, in accordance with applicable laws and the company’s governance-related rules and based on the company’s actual needs.				

Note 1: Please specify in the memo section no matter whether you have chosen “Yes” or “No” for the status of operation.

3.4.7 If the Company has established Corporate Governance Best Practice Principles and related regulations, the inquiry methods shall be disclosed：The information has disclosed At the Investor’s Zone of the Company’s official website the and Market Observation Post System (MOPS).

3.4.8 Other Important Information Relating to Governance of the company:

(1) The company set up the salary and remuneration committee on March 6, 2013.
(2) The company set up the audit committee on April 17, 2014.
(3) The Board of Directors of the company approved to establish the “corporate governance principles” on January 26, 2016.

3.4.9 The Performance in Internal Control System shall disclose items given as follows:

(1) Declaration of Internal Control System

Min Aik Precision Industrial Co., Ltd.
Declaration of Internal Control System
Date: March 18, 2019

Over the Company's internal control system of Year 2018, based on the results of our self-evaluation, we'd hereby like to declare enumerated below:

1. Here at the Company, we confirm full awareness that implementation and maintenance of the internal control system are the inherent responsibility of the Company's Board of Directors and managers. The Company has duly set up such internal control system in an attempt to provide rational assurance of the effect and efficiency of the business operation (including profitability, performance and assurance of the safety of assets), reliability of reports, timeliness, transparency and accomplishment of the compliance targets on related requirements, laws and regulations.

2. Internal control system is subject to inherent restriction, disregarding how sound it has been designed. Effective internal control system could only provide rational assurance for accomplishment of the three aforementioned targets. Besides, in line with the changes in circumstances and environments, effectiveness of internal control system might change as well. For the Company's internal control system, nevertheless, we have set up sound self-superintendence mechanism. As soon as a defect is identified, the Company would take corrective action forthwith.

3. Exactly in accordance with the items of judgment for the effectiveness of the internal control system under "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Managerial Regulations"), we duly judge whether the internal control system is effective in design and implementation. The items adopted for aforementioned "Managerial Regulations" for judgment of internal control system are the process for management control. The internal control system is composed of five composition elements: 1. Circumstances of control, 2. Risk evaluation, 3. Control operation, 4. Information and communication, and 5. Superintendence. Each and every composing element includes a certain items. For more details regarding the aforementioned items, please refer to contents of the "Criteria".

4. Here at the Company, we have adopted the aforementioned items of judgment over internal control system to evaluate the effectiveness of the design and implementation of the internal control system.

5. On the grounds of the results of evaluation in the preceding paragraph, we are confident that the Company's internal control system in design and implementation as of December 31, 2018 (including the superintendence and management over subsidiaries), including the understanding of the results and efficiency of business operation in accomplishment of the targets, reliability of reports, timeliness, transparency and compliance of the relevant laws and regulations are effective and would reasonably assure accomplishment of the aforementioned targets.

6. The Declaration will function as the key element of the Company's Annual Report and Prospectus and will be made public externally. In the event that the aforementioned made public involve misrepresentation, concealment or such unlawful practice, the Company shall get involved in the legal responsibilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

7. This Declaration has been approved by the Company's Board of Directors on March 18, 2019. Seven (7) directors were in attendance, none kept objecting opinions, and all directors in

attendance hereby state their agreement to the contents of this declaration.

Min Aik Precision Industrial Co., Ltd.

Chairman: Jin, Bor-Shi

General Manager: Fang, Kuang-Yi

(2) Where accountant was commissioned to perform ad hoc review on the internal control system, the accountant review report required to be disclosed: N/A

3.4.10 In the most recent year and as of the Annual Report issuance date, facts of penalty imposed upon the Company and its internal personnel for their violation of the regulations of the internal control system, the major defects and the corrective actions taken: None

3.4.11 In the most recent year and as of the Annual Report issuance date, the Key Resolutions resolved in the shareholders' meeting and Board of Directors are as below:

(1) The summary and important resolutions made at the sharheolders' meeting and the status of performance are stated as follows:

<table>
<tr><th colspan="3">Important Resolutions Made at Regular Meeting of Sharhoelders on June 15, 2018</th></tr>
<tr><th>Subject</th><th>Result of Resolution</th><th>Status of Performance</th></tr>
<tr><td>(1) Proposal of recognizing the business report and financial statements of 2017</td><td>Approved after voting</td><td>Relevant statements have been announced and reported in accordance with applicable regulations.</td></tr>
<tr><td>(2) Proposal of recognizing the proposal of earning distribution for 2017</td><td>Approved after voting</td><td rowspan="2">Earnings are distributed based on the resolution made at the shareholders' meeting and pursuant to the legal procedure as follows:
1. Record date of distribution: 2018.7.31
2. Date of cash distribution: 2018.8.16</td></tr>
<tr><td>(3) Proposal of distributing funds in cash from capital reserve</td><td>Approved after voting</td></tr>
</table>

(2) Important matters resolved by board of directors: (Jan. 1, 2018 to May 10, 2019)

Date/Term	Important matters resolved
2018.01.25 The 6th meeting of the 8th Session	(1) Approving the proposal of distributing annual bonuses to managers for 2017 (2) Approving the proposal of acquisition of land and factories (3) Approving the proposal of applying to the bank for credit extension
2018.03.15 The 7th meeting of the 8th Session	(1) Approving the proposal of distributing annual bonuses to managers of MAP Plastic Pte. Ltd., an reinvested company owned 100% by the company, for 2017 (2) Approving the proposal of reversing the deferred income tax liabilities recognized due to gains on investments (3) Approving the proposal of applying to the bank for credit extension (4) Approving the remuneration to employees and the remuneration to directors and supervisors for 2017

Date/Term	Important matters resolved
	(5) Approving the business report, individual financial report and consolidated financial report of the company for 2017 (6) Approving the proposal of distributing earnings of 2017 (7) Approving the proposal of cash distribution from the capital reserve (8) Approving the appointment and remuneration of the auditing CPA for 2018 (9) Approving the declaration for internal control system of the company for 2017 (10) Approving the proposal of increasing the capital of Evolution Holdings Limited, a subsidiary owned 100% by the company, by US$2,100,000 (11) Approving the endorsement and guarantees provided for Evolution Holdings Limited and Esteem King Limited, the subsidiaries owned 100% by the company (12) Approving the proposal of increasing credit limit with Cathay United Bank (13) Approving the proposal of convening the general meeting of shareholders for 2018 and other relevant matters
2018.05.10 The 8th meeting of the 8th Session	(1) Approving the consolidated financial report of the company for Q1 2018 (2) Approving the proposal of applying to Yuanta Bank for credit (3) Approving the endorsement and guarantees to be provided by the company for customs duty related matters
2018.06.15 The 9th meeting of the 8th Session	(1) Disposing SEB Manufacturing (Malaysia) Sdn. Bhd., an invested company owned 100% by the company (2) Determining the record date of distributing dividends and capital surplus in cash for 2017 and the date of distribution
2018.08.09 The 10th meeting of the 8th Session	(1) Approving the consolidated financial report of the company for Q2 2018
107.08.29 The 11th meeting of the 8th Session	(1) Approving the appointment of managers of the company (2) Reporting the structure of Min Aik Precision Group and each of its subsidiaries (3) Approving the proposal of holding a board meeting periodically every month from September and reporting the business performance of the previous month
2018.09.12 The 12th meeting of the 8th Session	(1) Please provide the processes of approving loans and guarantees between the company and each subsidiary and sub-subsidiary, the capital process, the control process and the expenditure and income review process. (2) Each operational unit of the company is required to provide cost analysis and quotation pattern for its products.
2018.10.17 The 13th meeting of the 8th-term	(1) Discussing the structure of the group (2) Approving the proposal of appointing managers of the company (3) Approving the ratification of endorsement and guarantees provided for Yi Mo Plastics and Technology (Suzhou) Co., Ltd., an reinvested company owned 100% by the company
2018.11.07 The 14th meeting of the 8th Session	(1) Approving the consolidated financial report of the company for Q3 2018 (2) Approving the severance pay for managers of the company
2018.12.20	(1) Establihsing the annual audit plan of the company for 2019

Date/Term	Important matters resolved
The 15th meeting of the 8th Session	(2) Election of new chairman
2019.01.17 The 16th meeting of the 8th Session	(1) Approving the proposal of distributing annual bonuses to managers for 2018 (2) Approving the salary of the chairman (3) Approving the proposal of extended functional unit of group organization (4) Approving the appointment of Corporate Governance Officer (5) Approving the proposal of applying to the bank for credit extension (6) Approving the proposal of changing the keeping unit of the Seal registered with the Ministry of Economic Affairs of the company (7) Approving the operational plan of the company for 2019
2019.02.22 The 17th meeting of the 8th Session	(1) Approving the adjustment of the chairman's salary (2) Approving the proposal of amendment to the Procedures for Limit of Authority
2019.03.18 The 18th meeting of the 8th Session	(1) Approving the business report, individual financial report and consolidated financial report of the company for 2018 (2) Approving the proposal of the proposal for 2018 Deficit Compensation (3) Approving the Proposal of cash distribution from the capital reserve (4) Approving the appointment and remuneration of the auditing CPA for 2019 (5) Approving the declaration for internal control system of the company for 2018 (6) Approving the endorsement and guarantees provided for Esteem King Limited, the subsidiaries owned 100% by the company (7) Approving the proposal of amendment to the "Procedures for Acquisition or Disposal of Assets", "Procedures for the Loaning of Funds" and "Procedures for Endorsements and Guarantees" of the company and each subsidiary (8) Approving the proposal of designate Jin, Bor-Shi as the authorized signatory of Esteem King Limited (9) Approving the proposal of convening the general meeting of shareholders for 2019 and other relevant matters (10) Approving the adjustment of the board timetable
2019.05.10 The 19th meeting of the 8th Session	(1) Approving the consolidated financial report of the company for Q1 2019 (2) Approving the proposal of the company's grade and rank structure case (3) Approving the proposal of amendment to the "Measures for the operation and management of subsidiaries" (4) Approving the proposal of amendment to the "Procedures for Limit of Authority" of subsidiaries (5) Approving the proposal of Set the company's "standard operating procedures for handling directors' requirements" (6) Approving the endorsement and guarantees to be provided by the company for customs duty related matters (7) Approving the proposal of changing the keeping unit of the Seal registered with the Ministry of Economic Affairs of the company

3.4.12 In the most recent year and as of the Annual Report issuance date, different opinions posed by the directors to the Key Resolutions in the board of directors, as backed with written records or declaration in writing: None

3.4.13 In the most recent year and as of the Annual Report issuance date, facts regarding the compilation for resignation, discharge of the chairman, general manager, chief accountant, financial head, principal internal auditor and research & development head:

May 10,2019

Title	Name	Date of Appointment	Date of Termination	Reasons for resignation or discharge
Chairman	Fang, Kuang-Yi	2013.10.29	2018.12.20	(Note)
R&D Officer	Chiang, Chih-Pin	2014.01.01	2019.04.19	Resignation
Note：The company is chaired by Mr. Fang, Kuang-Yi as the general manager and chairman. In order to comply with the trend of corporate governance and promote the overall operation and supervision of the company, the duties of the chairman and general manager should be clearly divided. Therefore, on December 20, 2018, the Board of Directors decided to elect Jin, Bor-Shi as the chairman.				

3.5 Information on CPA professional fees

(1) Information on CPA professional fees

<table>
<tr><th>Accounting Firm</th><th>Name of CPA</th><th>Audit period</th><th>Remarks</th></tr>
<tr><td rowspan="2">KPMG</td><td>Chen, Cheng-Chien</td><td rowspan="2">2018.01.01~2018.12.31</td><td rowspan="2">-</td></tr>
<tr><td>Huang, Yung-Hua</td></tr>
</table>

Unit: NT$ Thousand

Fee Range / Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000	-	52	-
2	NT$2,000,001 ~ NT$4,000,000	-	-	-
3	NT$4,000,001 ~ NT$6,000,000	5,745	-	5,797
4	NT$6,000,001 ~ NT$8,000,000	-	-	-
5	NT$8,000,001 ~ NT$10,000,000	-	-	-
6	Over NT$100,000,000	-	-	-

Unit: NT$ Thousand

<table>
<tr><th rowspan="2">Accounting Firm</th><th rowspan="2">Name of CPA</th><th rowspan="2">Audit Fee</th><th colspan="5">Non-audit Fee</th><th rowspan="2">Audit period</th><th rowspan="2">Remarks</th></tr>
<tr><th>System of Design</th><th>Company Registration</th><th>Human Resource</th><th>Others</th><th>Subtotal</th></tr>
<tr><td rowspan="2">KPMG</td><td>Chen, Cheng-Chien</td><td rowspan="2">5,745</td><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2">52</td><td rowspan="2">52</td><td rowspan="2">2018.01.01
~
2018.12.31</td><td rowspan="2">Others: Printing fee</td></tr>
<tr><td>Huang, Yung-Hua</td></tr>
</table>

(2) If any of the following applies to the company, it shall disclose information as follows:

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

3.6 Information on replacement of CPA

(1) Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="4">2018.3.15</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">The original CPAs of the Company were Wu, Mei-Ping and Huang, Yung-Hua from KPMG firm. Due to internal restructuring at KPMG firm, the CPAs of the Company were changed to Chen, Cheng-Chien and Huang, Yung-Hua, beginning January 1, 2018.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="2">Parties
Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination of appointment</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of Financial Statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Remarks/specify details:</td></tr>
<tr><td>Other facts of disclosure (Facts to be disclosed under Article 10, Paragraph 6, Subparagraph 1, Item 4 ~ 7 of the Regulations)</td><td colspan="4">None</td></tr>
</table>

(2) Regarding the successor CPA

Name of accounting firm	KPMG
Name of CPA	Chen, Cheng-Chien & Huang, Yung-Hua
Date of appointment	2018.3.15
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA’s written opinion of disagreement toward the former CPA	None

(3) The reply by the former CPA in response to the three key points under Subparagraphs 1 and 2 of Paragraph 6, Article 10:N/A

3.7 Where the company's Chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed:None

3.8 In the most recent year and as of the Annual Reportissuance date, transfer of shares, pledge or change in equity by the directors, managers and shareholders holding over 10% of the aggregate total:

(1) Changes in directors, managerial officers and Major shareholders

Title	Name	2018		As of May 10, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Jin, Bor-Shi (Note 1)	0	0	0	0
Director General Manager	Fang, Kuang-Yi	0	0	0	0
Director Major shareholders	Min Aik Technology Co., Ltd.	0	0	0	0
Director	Chia, Kin-Heng	(128,000)	265,000	0	0
Director Major shareholders	Beacon Investments Limited	0	0	0	0
Director	Shih, Ta-Shao (Note 2)	0	0	0	0
Director	Kuo, Yao-Wen	0	0	0	0
Independent Director	Liu, Chin-Tang	0	0	0	0
Independent Director	Kung, Tien-Hsing	0	0	0	0
Independent Director	Chen, John-Sea	0	0	0	0
Vice General Manager CFO	Mong, Ching-Yu	0	0	0	0
Vice General Manager	Lu, Jung-Ching (Note 3)	33,000	0	0	0
Assistant Vice President	Chang, Wei-Tsung (Note 4)	0	0	0	0
Assistant Vice President	Hsiao, Chia-Ling	0	0	0	0
Assistant Vice President	Hsieh, Hsiu-Lan	(8,000)	0	0	0
Assistant Vice President	Chiang, Chih-Pin (Note 5)	0	0	0	0
Assistant Vice President	Chen, Hsing-Lung (Note 6)	0	0	0	0

Note 1: New appointment on 2018.12.04
Note 2: Discharge on 2018.12.04
Note 3: New appointment on 2018.10.17
Note 4: Discharge on 2018.11.08
Note 5: Discharge on 2019.04.19
Note 6: Discharge on 2019.03.17

(2) Where the transferee of equity transfer is a related party, the Company should disclose the name, his or her relationship with the Company, the Company's directors and supervisors, key shareholders holding over 10% shares and the number of shares held: None

(3) Where the pledge of equity transfer is a related party, the Company should disclose the name, his or her relationship with the Company, the Company's directors and supervisors, key shareholders holding over 10% shares and the number of shares held: None

3.9 Information of the interrelationship as related party, spouse, blood relatives within the second degree of kinship among the top 10 shareholders in shareholding

Apr. 15, 2019

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top 10 Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Min Aik Technology Co., Ltd.	26,982,910	35.04%	-	-	-	-	Chia, Kin-Heng	Chairman of Min Aik	-
Min Aik Technology Co., Ltd. Representative: Chia, Kin-Heng	415,766	0.54%	70,000	0.09%	-	-			-
Beacon Investments Limited	25,375,763	32.96%	-	-	-	-	-	-	-
Beacon Investments Limited Representative: Kuo, Yao-Wen	-	-	-	-	-	-	-	-	-
Taiwan Fu Hsing Industrial Co., Ltd.	2,112,000	2.74%	-	-	-	-	-	-	-
Taiwan Fu Hsing Industrial Co., Ltd. Representative: Lin, Jui-Chang	-	-	168,298	0.22%	-	-	Lin, Miao-Chen	Second Degree Relatives	-
Yin, Yu-Min	1,174,000	1.52%	-	-	-	-	-	-	-
Bao Huang Construction Co., Ltd	768,369	1.00%	-	-	-	-	-	-	-
Bao Huang Construction Co., Ltd Representative: Lin, Miao-Chen	48,508	0.06%	-	-	-	-	Lin, Jui-Chang	Second Degree Relatives	-
Huang, Chih-Ming	604,000	0.78%	-	-	-	-	-	-	-
Fang, Kuang-Yi	591,022	0.77%	-	-	-	-	-	-	-
Pan, Chih-Heng	447,000	0.58%	-	-	-	-	-	-	-
LGT Bank (Singapore) Ltd.	444,000	0.58%	-	-	-	-	-	-	-
Chia, Kin-Heng	415,766	0.54%	70,000	0.09%	-	-	Min Aik	Chairman	-

Note 1: The top ten shareholders shall be listed in full; corporate shareholder shall list its name and the names of its proxy separately.

Note 2: The calculation of the shareholding percentage refers to the percentage of shares held in his/her/its own name, or under the name of his/her/its spouse, children under twenty (20) years of age, or others.

Note 3:The relationship between above-listed juristic person shareholders and natural person shareholders shall be disclosed pursuant to the regulations governing the preparation of financial reports of the issuer.

3.10 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company

May 10, 2019; Unit: thousand shares

Investees	Investments of the Company		Investment by directors, supervisor, manager and directly or indirectly controlled company		Comprehensive investements	
	Shares	%	Shares	%	Shares	%
MATC TECHNOLOGY MALAYSIA SDN.BHD.	10,527	20%	42,107	80%	52,634	100%

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

(1) Process for the share capital to come into being

May 10, 2019; NT$ thousands; thousand shares

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Other
Jan. 2001	10	12,000	120,000	6,000	60,000	Initiative founding capital	None	Note 1
Sep. 2002	10	20,000	200,000	14,000	140,000	Increment in cash 80,000 thousands	None	Note 2
Jul. 2003	10	35,000	350,000	28,000	280,000	Increment in cash 140,000 thousands	None	Note 3
Apr. 2004	10	35,000	350,000	21,700	217,000	Capital reduction 63,000 thousands	None	Note 4
Apr. 2004	10	35,000	350,000	31,700	317,000	Increment in cash 100,000 thousands	None	Note 4
May 2006	10	50,000	500,000	40,900	409,000	Capital increase by earnings 92,000 thousands	None	Note 5
Sep. 2012	20	50,000	500,000	44,172	441,720	Employee stock option certificate transferred to capital increase 32,720 thousands	None	Note 6
Aug. 2013	10	100,000	1,000,000	56,100	561,000	Capital increase by earnings 81,276 thousands, Capital Surplus to capital increase 38,004 thousands	None	Note 7
Jun. 2014	10	100,000	1,000,000	61,710	617,100	Capital increase by earnings 56,100 thousands	None	Note 8
Sep. 2015	10	100,000	1,000,000	67,881	678,810	Capital increase by earnings 61,710 thousands	None	Note 9
Jan. 2016	88	100,000	1,000,000	77,000	770,000	Increment in cash 91,190 thousands	None	Note 10

Note 1: Approved by the letter Jing-(90)-Zhong-Tzu No. 9031598960 dated January 18, 2001
Note 2: Approved by the letter Jing-Shou-Zhong-Tzu No. 09101374800 dated September 16, 2002
Note 3: Approved by the letter Jing-Shou-Zhong-Tzu No. 09232369190 dated July 16, 2003
Note 4: Approved by the letter Jing-Shou-Zhong-Tzu No. 09331981200 dated April 16, 2004
Note 5: Approved by the letter Jing-Shou-Zhong-Tzu No. 09532256130 dated May 30, 2006
Note 6: Approved by the letter Jing-Shou-Zhong-Tzu No. 10132553220 dated October 2, 2012
Note 7: Approved by the letter Jing-Shou-Shang-Tzu No. 10201160200 dated August 6, 2013
Note 8: Approved by the letter Jing-Shou-Shang-Tzu No. 10301112880 dated June 19, 2014
Note 9: Approved by the letter Jing-Shou-Shang-Tzu No. 10401182630 dated September 4, 2015
Note 10: Approved by the letter Jing-Shou-Shang-Tzu No. 10501022900 dated February 1, 2016

(2) Categories of outstanding shares

May 10, 2019

Categories of shares	Authorized Capital			Remark
	Outstanding shares	Unissued shares	Total	
Common shares	77,000,000	23,000,000	100,000,000	Listed stocks

4.1.2 Structure of Shareholders

May 10, 2019

Type of Shareholder / Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & foreigners	Total
Number of Shareholders	0	0	17	4,251	22	4,290
Shareholding	0	0	30,420,275	20,042,443	26,537,282	77,000,000
Percentage	0.00%	0.00%	39.51%	26.03%	34.46%	100.00%

4.1.3 Shareholding Distribution Status

(1) Common Shares

May 10, 2019; NT$10 per share

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	1,293	46,163	0.06%
1,000 ~ 5,000	2,407	4,317,263	5.61%
5,001 ~ 10,000	286	2,216,317	2.88%
10,001 ~ 15,000	87	1,086,158	1.41%
15,001 ~ 20,000	54	977,615	1.27%
20,001 ~ 30,000	57	1,416,066	1.84%
30,001 ~ 50,000	49	1,963,607	2.55%
50,001 ~ 100,000	29	1,971,791	2.56%
100,001 ~ 200,000	11	1,640,041	2.13%
200,001 ~ 400,000	6	1,917,149	2.49%
400,001 ~ 600,000	5	2,430,788	3.16%
600,001 ~ 800,000	2	1,372,369	1.78%
800,001 ~ 1,000,000	0	0	0.00%
1,000,001 or over	4	55,644,673	72.26%
Total	4,290	77,000,000	100.00%

(2) Preferred Shares: N/A

4.1.4 List of Major Shareholders:

The names, shareholding number and percentages of shareholders holding over 5% or shareholders ranking among the top ten:

May 10, 2019; shares

Shares / Name	Shareholding	Percentage
Min Aik Technology Co., Ltd.	26,982,910	35.04%
Beacon Investment Limited (Malaysia)	25,375,763	32.96%
Taiwan Fu Hsing Industrial Co.,Ltd.	2,112,000	2.74%

Yin, Yu-Min	1,174,000	1.52%
Bao Huang Construction Co.,Ltd	768,369	1.00%
Huang, Chih-Ming	604,000	0.78%
Fang, Kuang-Yi	591,022	0.77%
Pan, Chih-Heng	569,000	0.74%
LGT Bank (Singapore) Ltd.	444,000	0.58%
Chia, Kin-Heng	415,766	0.54%

4.1.5 Market price per share, net value, earnings, dividends and other related information for the most recent 2 years:

Unit: NT$; shares

Items / Year			2017	2018	As of March 31, 2019
Market price per share（Note 1）	Highest		53.7	49.1	28.75
	Lowest		31.5	24.05	23.50
	Average		40.45	33.51	26.08
Net Value per share（Note 2）	Before Distribution		23.72	22.46	22.29
	After Distribution		23.22	Not Yet Distributed	Not Yet Distributed
Earnings per share	Weighted Average Shares		77,000,000	77,000,000	77,000,000
	Earnings per share（Note 3）		0.21	(0.74)	(0.35)
Dividends per share	Cash Dividends		0.15	-	-
	Stock Dividends	From Retained Earnings	-	-	-
		From Capital Surplus	-	-	-
	Accumulated Undistributed Dividends（Note 4）		-	-	-
Return on Investment	Price / Earnings Ratio（Note 5）		192.62	-	-
	Price / Dividend Ratio（Note 6）		269.67	-	-
	Cash Dividend Yield Rate（Note 7）		0.37%	-	-

＊ If use profits or capital reserve for raising capital shares appropriate, then it should announce the information of the number of appropriate shares and retroactively adjust market price and cash dividend.

Note 1：list the hightest and lowest price of the common stocks in that year, and the average market price for that year is calculated based on the transaction values and transaction amounts.

Note 2：Use the number of circulated shares at the end of the year as the base, then the dividend distributed determined in the coming year's stockholders' meeting.

Note 3：If there is any retroactive adjustment from the stock dividend without compensation, then it should list earning per share on before and after adjustment.

Note 4：If the equity investment has constraint that limits the undistributed dividend for that year and it is cumulated until to later profitable year. Then it should disclose the cumulative undistributed dividend up to that year.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8: The net value per share and earnings per share should be filled in with the information checked by the accountant in the most recent quarter of the annual report. The remaining fields should be filled in the year of the year as of the date of publication of the annual report.

4.1.6 Dividend Policy and Implementation

(1) Dividend Policy

The net profit of the Company after yearly closing shall, other than paying the income tax payable by law, first be used to compensate losses from the past years. Then 10% of the balance amount shall be provided as legal reserve (unless the amount of legal reserve has reached the total amount of capital). Special reserve shall also be provided in accordance with the law as required. The rest shall be used to distribute dividend. If there is any profit remaining, it shall be combined with the undistributed profit in the beginning of the period, subject to a dividend distribution proposal to be prepared by the board of directors and submitted to the shareholders meeting for resolution for distribution.

To pursue long-term shareholder interest and achieve the target of stable operating performance, the Company adopts the policy of balanced dividend, provided that cash dividend shall not be less than 10% of total dividend.

Although the dividend policy of the company's articles of association does not specify the proportion of dividend distribution, considering the short-term capital needs and long-term financial planning of the company, as well as the domestic and international competition, and taking into account the interests of shareholders, the company's shareholder dividends should not be low. In the current year, the principle of 50% of the surplus is allocated.

(2) Allocation of dividend for the year having been proposed

The Company’s board of directors already resolved the 2018 Deficit Compensation on March 18, 2019:

Unit: NT$

Item	Amount
Undistributed profit at start of period	1,982,847
Plus: Variation following re-evaluation of confirmed welfare plan	813,818
Minus: After-tax net loss	(56,767,050)
Accumulated losses	(53,970,385)
Plus: Loss compensation by legal reserve	53,970,385
Undistributed profit at end of period (Accumulated losses)	-

(3) If there is a significant change in the expected dividend policy, it should be stated: N/A

4.1.7 The impact of proposed stock dividend on the Company's business performance and earnings per share: N/A

4.1.8 Employees' and Directors' remuneration

(1) Percentage or range of employees'/directors' remuneration stated in the Articles of Incorporation:
If the Company has profit in the year, 3% to 9% shall be provided as employees'compensation and no more than 3% as directors' compensation. However, if the Company has accumulated losses, the amount of compensation shall first be provided.
The employees entitled to shares or cash as remuneration under the previous paragraph shall include employees of the subsidiaries who meet certain conditions.

(2) Basis of calculation for employees'/directors' remuneration and share-based compensation, and accounting treatment for any discrepancies between the amounts estimated and the amounts paid: N/A

(3) Remuneration approved by the board of directors: None

(4) Allocation of remuneration to employees and directors in the preceding year with significant discrepancy of the acknowledgement of bonus to employees and remuneration to directors, the causes and countermeasures:
In terms of remuneration to employees and directors in the Year 2018, the estimate and the actual allocation amounted to NT$ 194,649 and NT$ 0, without any discrepancy.

4.1.9 Share buybacks: None

4.2 Corporate Bonds issued: None

4.3 Preferred stock issued: None

4.4 Global depositary receipts (GDR) issued: None

4.5 Employee Stock Options issued: None

4.6 Acts on new restricted employee shares: None

4.7 Facts of merger/acquisition (M&A) or inward transfer of outstanding new shares from another company: None

4.8 Capital plans and execution: None

V. Operations Overview

5.1 Business Content

5.1.1 Business Scope

1. Main Content of Operating Activities

   Min Aik Precision Industrial Co., Ltd.: (hereinafter referred to as “The company” or Min Aik Precision)
   (1) C805050 Industrial Plastic Products Manufacturing
   (2) C805010 Plastic Sheets, Pipes and Tubes Manufacturing
   (3) C805030 Plastic Made Grocery Manufacturing
   (4) CA02010 Metal Architectural Components Manufacturing
   (5) CA02020 Aluminum and Copper Manufacturing
   (6) CA04010 Metal Surface Treating
   (7) CA01050 Iron and Steel Rolling, Drawing, and Extruding
   (8) CN01010 Furniture and Fixtures Manufacturing
   (9) F401030 Manufacturing Export
   (10) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

   MAP PLASTICS PTE. LTD.: (hereinafter referred to as “MAPP”)
   (1) Design and manufacturing of the medical plastic ejection product.
   (2) Design and manufacturing of the medical plastic ejection product mould.
   (3) Design and manufacturing of the plastic ejection product mould for the electronic product.

   Amould Technology (Suzhou) Co.,Ltd.: (hereinafter referred to as “ Suzhou Amould”)
   (1) Design, R&D, production, manufacturing and marketing of automation equipment and providing related technologies and after-sales services.

2. Ratio of Operating Revenue

Unit: NT$ thousands

Main Content	2018	
	Sales volume	Proportion
Hard Disk Drive stamping components	846,495	41%
Other electronic stamping components	179,862	9%
Plastic injection parts	481,975	23%
Automated machine	431,326	21%
Other	133,874	6%
合　計	2,073,532	100%

3. Current Products (Services) of the Company

   Min Aik Precision
   (1) Stamping assembly of the hard disk drive.
   (2) Consumer electronic assembly.
   (3) Parts of the heat spreader.
   (4) Stamping parts for the automobile

   MAPP
   (1) Plastic parts to be used in the medical or biochemical lab.
   (2) Medical plastic consumables.
   (3) Other plastic products.
   (4) Jig of plastic mould.

   Suzhou Amould

(1) Assembly, testing, installation, laser and assembly line of 3C Product automation equipment.
(2) Inspection and assembly automation equipment of medical products.
(3) Standard automatic equipment of visual inspection.

4. New Products (Services) Planned to be Developed

Min Aik Precision
(1) Keep up with the market trend to develop the related stamping assembly of the hard disk drive for the high-order server.
(2) Development and manufacturing of the electronic assemblies of the cell phone, the tablet personal computer, the notebook computer, the automobile and the display.
(3) Development and manufacturing of the electronic parts of the 5G and communication base station.

MAPP
(1) Automatic equipment for assembling of the medical consumables
(2) Disposable optical products for correction.
(3) Gynecological specimen collecting equipment.

Suzhou Amould
(1) Design and develop automatic process equipment with the launch of 3C new products in the market.
(2) Design and develop automatic equipment to meet the needs of traditional industries.
(3) Design and develop automation equipment to meet the needs of medical products.

5.1.2 Overview of the Industry

1. Current Situation and Development of the Industry

(1) Stamping of precision metal

A. Hard disk drive industry

After years of industrial competition and benign merger and acquisition, the oligopoly market mode in which the hard disk drive industry was dominated by three major hard disk drive manufacturers all over the world was begun in 2012. All procedures of the case in which Seagate merged and acquired the Hard Disk Drive Department of Samsung Electronics Co., Ltd. were ended on December 19, 2011. Western Digital Corporation (WD) also completed all procedures of acquisition of Hitachi Global Storage Technologies (HGST) on March 8, 2012. However, due to requirement of the Mainland Ministry of Commerce at that time, the status was maintained until October, 2017, and the independent operation of WD and HGST brands are maintained before October, 2017. Therefore, WD and HGST were different brands and storage technology companies although they belonged to the same group, and they occupied the market respectively. In 2018, WD Group continuously merged, organized and adjusted its actions, market positioning and target groups. After successive acquisitions of the internal storage device brands, such as HGST, SanDisk, G-Technology, Tegile and Upthere, WD decided to re-adjust its owned brands so that the products of the owned brands can be identified more easily in the market. After adjustment, the name -- Western Digital would be used in a unified manner in allusion to the brands of the enterprise and commercial application products. In the future, HGST and WD brands would not be used any longer to promote the products of the enterprise and the commercial application, respectively. Three major hard disk drive manufacturers including WD, Seagate and Toshiba shall continue to lead the hard disk drive market subsequently.

The whole shipment of the hard disk drive industry issued by the market research organization -- Trendfocus was about 376 million sets in 2018, with an annual decrease of about 6.9%. Along with the rise of mobile devices, such as the smart phone in the PC market, plus prolonging of the update cycle of the PC users, the PC shipment all over the world had consecutively declined for seven years in 2018. However, the whole market tends to be stable gradually. Because the PC is still an important market for the storage operators, the performance of PC market shall also directly influence the shipment of the hard disk drive.

Seen from the market share of the hard disk drive manufacturers in 2018, Seagate ranked the first in 2018 with a market share of 40% in the world compared with that in 2017, and has become the largest hard disk drive manufacturer in the world. Western Digital fell to the second with a market share of 37%, and Toshiba ranked the third with a market share of 23% (the data is from Coughlin Associates).

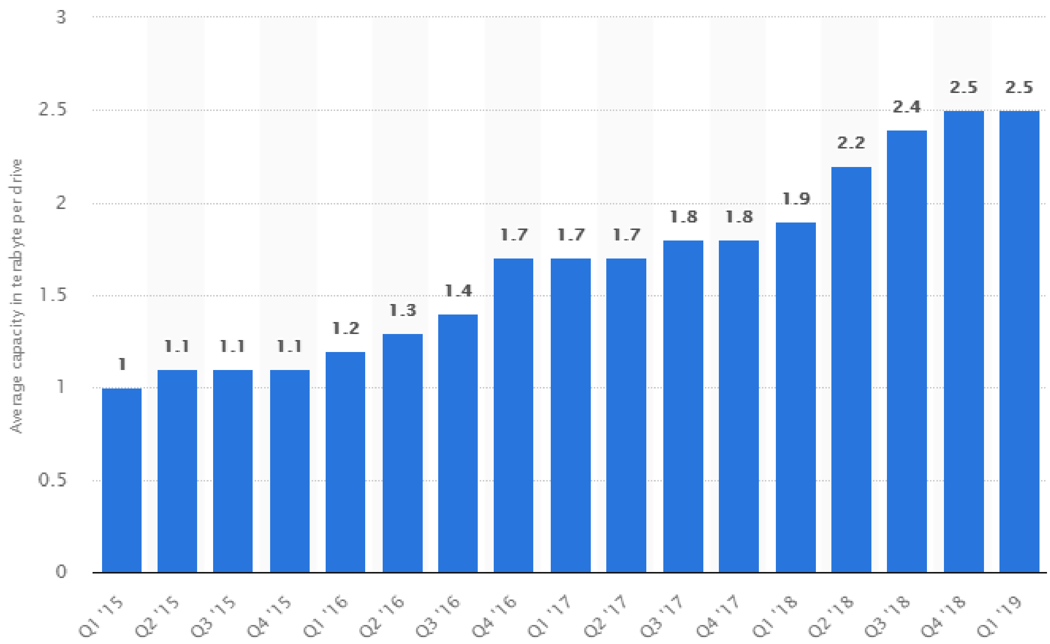
Shipment statistics of various hard disk drives and analysis of market shares of major hard disk manufacturers in 2016-2018

Unit: Million sets

Year	2016		2017		2018	
Manufacturer	Shipment	%	Shipment	%	Shipment	%
Seagate	155.0	37%	148.0	37%	150.0	40%
Western Digital	175.5	41%	163.0	40%	140.0	37%
Toshiba	93.5	22%	93	23%	86	23%
Total	424.0		404.0		376.0	
Growth (%)	(9.5%)		(4.7%)		(6.9%)	

Source: Seagate, WD ANNUAL REPORT and Trendfocus.

Although the shipments of the hard disk drives declined, the demand for various high-capacity applications was promoted due to oncoming of the content digitization and the cloud big data. At present, the related applications of intermediate capacity have been gradually developed to a higher storage capacity from 1TB and 2TB. Moreover, the average capacity of the hard disk drive achieved about 2.5TB during the fourth quarter in 2018.



Source: Statista 2019

B. 3C electronic industry

Seen from the whole year of 2018, the sales volume of the smart phones on the consumer end reached 1.555 billion sets all over the world, with a slight increase of 1.22% compared with 1.536 billion sets in 2017. From the point of view of brand, Samsung still kept the leading position, but the sales volume dropped to 295 million sets from 321 million sets in 2017, and the market share dropped to 19% from 20.9%. The sales volume of the Apple iPhone also dropped to 209 million sets from 215 million sets, and the market share dropped to 13.4% from 14%.

On the contrary, Huawei had made great achievements in the past year, the total sales of the whole year was 203 million sets which was higher than 150 million sets in 2017, and the market share was increased from 9.8% to 13% which greatly shortened the gap with Apple. The sales volume of MIUI which ranked the fourth was increased to 122 million sets from 88.93 million sets, with a market share rising from 5.8% to 7.9%. The sales volume of Oppo was slightly increased from 112 million sets to 119 million sets, with a market share increasing from 7.3% to 7.6%. Anshul Gupta, Research Director of Gartner, pointed out that the demand for entry-level and mid-price smart phones in almost all markets over the past quarter remained very strong, however the demand for the high-level smart phones was declining continuously mainly. This was because the gradual innovation of the high-level smart phone was slowed down, and this kind of cell phone was too expensive. Therefore, the consumers were unwilling to replace the phones. Now, the cell phones of Huawei, OPPO and Vivo have many functions of the previous flagship phones of Samsung and Apple, however they are much cheaper. Each new version of Apple iPhone and Galaxy is upgraded slightly, and is expensive. In this way, the consumers have low acceptance, and turn to the cell phones of the mainland China having similar specifications and low prices.

Besides the assembly of the smart phone, Huawei has gradually extended the products to applications of the automobile electronics, high-precision biomedical products and so on in recent years, which is conducive to diversified development of the precision stamping plant.

(2) Medical consumable industry

Evaluate MedTech consensus forecasts find that the MedTech market will achieve sales of $594.5bn by 2024, growing at a rate of 5.6% per year (CAGR) between 2017 and 2024. The Asia-Pacific surgical and medical device market is expected to register a CAGR growth of 6.5% over the forecast period of 2017-2026. In-vitro diagnostics will continue to be the number one device area in 2024 with annual sales of $79.6bn and a 13.4% share of the medical device industry. Neurology is again forecast to be the fastest-growing device area, with sales expected to rise to $15.8bn in 2024, representing 9.1% market growth per year between 2017 and 2024. The slowest growing segments in the top 15 are diagnostic imaging and orthopaedics, both set to experience growth of just 3.7% CAGR between 2017 and 2024.While the market share of Diabetic care is about 5%, it’s growth rate is forecasted as the fastest segment in the few years. Specifically, the rise in Type 2 Diabetes is reaching epidemic levels. In 2017, Global diabetes was 425 million adults, and it is forecasted to hit 629 million by 2045.

Big pharma and MedTech companies are focussing on diabetes and its related conditions stemming from the disease. Cardiology, IVD, Dental, Ophthalmics are all in part due to the worsening of diabetes.

In the MedTech sphere, companies are focussing on “home care/monitoring” as technology advances hasten the growth. Monitoring systems will move from Daily Systems to 24/7 monitoring devices (invasive and non-invasive), that will monitor the patients' blood glucose level, blood pressure, retinal pressure, bone density and so forth.

(3) Automation industry

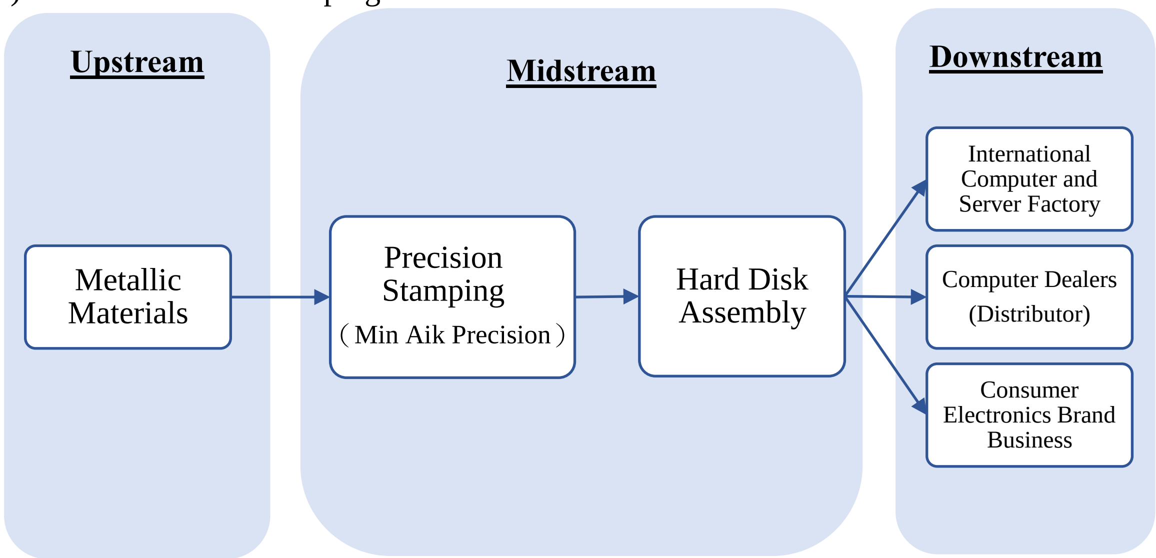
Automation industry is the support industry of automation technology for other industries, belonging to the upstream industry with technology-intensive, service-intensive, non-mass production and many kinds of projects. This characteristic is the same at home and abroad, but the advanced countries abroad started earlier, the industry has developed and formed, and the world market is mostly occupied by it, while the scale of domestic automation industry is still smalldue to its late start. Because of the wide range of automation products and the high quality of technical services, there is still a lot of room for the development of domestic automation industry in the future.

Automation refers to the combination of various types of computers, application software, sensors, control and communication technology, in order to replace or save labor, increase productivity, provide stable quality and increase efficiency. Various industries have different products and processes, and they need different functions of automation machines. Therefore, the demand for automation machines in industry is continuing. It is an important task for manufacturing industry to find manufacturers with the ability to design and manufacture automation equipment in order to manufacture automation machines that meet their needs.

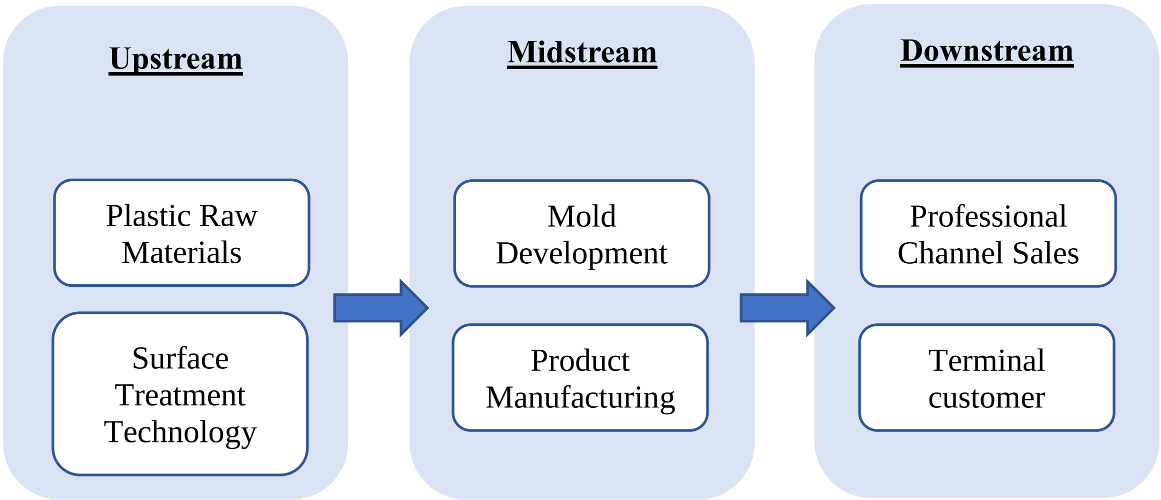
Since 2008, China has applied the Active Contract Law, which expressly stipulates the protection of employment rights, including the provision of social insurance, overtime pay and severance pay. This has greatly increased the employing cost of enterprises, especially in the intensive manufacturing industry. In addition, due to the increase of employment opportunities and wages in China, manufacturers in coastal areas are facing fierce competition. In severe cases, there will be job shortages. However, automation will help to improve production efficiency, reduce employee costs, improve quality, and enhance competitiveness. Especially in the case of high wages and job shortages, it is expected that the demand for automation will increase year by year in the future.◦

2. Relevance to Upstream, Midstream and Downstream Suppliers in the Industry

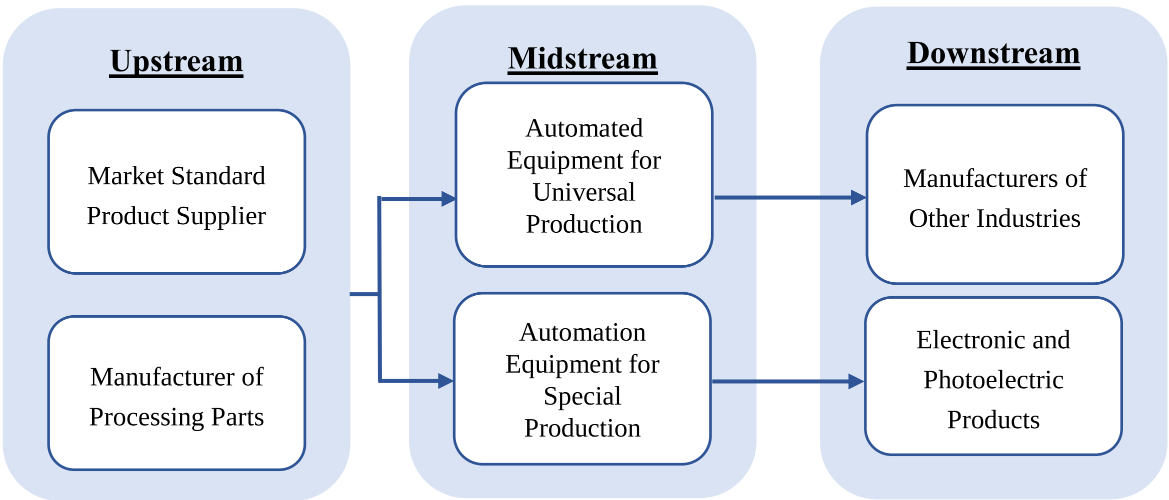
(1) Precision Metal Stamping



(2) 2.Medical Consumables Industry



(3) Automation industry



3. Trends of Product Development and Competition

(1) Hard disk drive industry

A. Development trend of hard disk products

In terms of future development of the hard disk product, the design to be applied to the non-portable product should emphasize the capacity and performance first. While the design of the hard disk product should emphasize breakthroughs on lower power consumption/power saving, lower heat dissipation, lightness and seismic resistance when applied to the portable products.

After observing the design trend of the hard disk product in recent years, the most important technological development includes introduction of the perpendicular recording technology, popularization of the serial interface architecture, encrypted design of the hard disk, the energy-saving design of the hard disk and the launch of the portable hard disk solution.

a. Areal density technology

In the 1980s, the magnetic head technology developed from the Metal In Gap (MIG) magnetic head to the thin film head; and the Magneto Resistive (MR) head and the Giant Magneto Resistive (GMR) magnetic head played a dominant role in the 1990s. During the period of thin film technology, the areal density was increasing at an annual rate of 30%; during the period of MR technology, the areal density was increasing at an annual rate of 60%; and during the period of GMR technology, the areal density was increasing at an annual rate of 100%. Since 2000, the density of the hard disk drive has been increasing at about 31% as shown in accordance with the Longitudinal Magnetic Recording (LMR) used by the hard disk every year. In recent two years, the LMR has been replaced by the perpendicular recording technology (PMR), and the annual composite increasing rate of the areal density of the PMR technology has achieved 40%. In 2013, the Shingle Magnetic Recording (SMR) technology was introduced, which increased the capacity for 25%. Map Plastics PTE. Ltd. (MAPP) also launched the helium filling technology and applied it to the 3.5-inch hard disk. Accordingly, the capacity was increased for 40% compared with the common 3.5-inch hard disk. In addition, the power consumption could reduced for about 23%. Moreover, the technology was mainly to aim at the enterprise-level storage application requirements.

With the rapid amplification of the data, how to store, reuse and re-analyze the data effectively is quite challenging for the enterprises. The white paper -- “Digitalization of the World - From Margin to Core” which was commissioned by Seagate and implemented by IDC explored and researched the trend of global data change and predicted that the global data area would be increased to 175ZB by 2025. It is the main reason why the storage operators strived for promoting the high-capacity storage products. When WD announced to launch the 10TB perpendicular magnetic recording (PMR) hard disk product by the end of 2015, the capacity was increased to 12TB by the end of 2016. The capacity was further increased to 14TB by the end of 2017 with the SMR technology. Moreover, the upper limit of the maximum capacity of the traditional hard disk was increased to 15TB by the end of October, 2018. Toshiba also launched two new high-capacity hard disk products, 12TB and 14TB the first time by the end of 2017. In January, 2019, Toshiba announced the launch of 16TB hard disk MG08 series as a new tool for attracting the big data storage and use of the cloud and the data center.

Seagate also caught up. The new 14TB enterprise-level helium hard disk was developed completely and delivered in the second quarter of 2018. A press release that was issued in the middle of December, 2018 shown that the first 3.5-inch 16TB enterprise-level hard disk had been built and tested.

From 2016 to 2020, Seagate would mainly focus on the hard disk development technology in three major areas including SMR, Two Dimensional Magnetic Recording (TDMR) and Heat Assisted Magnetic Recording (HAMR) technology, in order to improve the capacity continuously and rapidly.

b. Interface

Since 2004, the storage devices have been changed to the serial interface architecture from the parallel interface architecture. The Serial Advanced Technology Attachment (Serial ATA) is expected to gradually replace the PATA (namely IDE) interface used in the desktop storage device due to its low voltage, fast transmission, design of reinforced cable and linker, point-to-point interface, thermal insertion and other advantages. Similarly, on the enterprise-level storage equipment, the SAS (Series SCSI) has become the mainstream gradually instead of the Parallel SCSI.

c. Encryption of the hard disk

Encryption of the hardware is a common research and development direction of many operators. Many suppliers start from the chipsets of the computer and burn the encrypted program in the firmware, thereby avoiding the risk that the software may be cracked by the worm or other malicious software. The method includes the steps: before written into the hard disk, the data is encoded first through the chip built in the hard disk. The meaningful data can be read only on the premise that the decoding capability must be available even if the hard disk is lost or the archive is duplicated by someone.

d. Hybrid hard disk (HHD)

The hybrid hard disk integrating with the Flash memory and Rotating Magnetic Storage may store the commonly used data in the the flash memory, thereby reducing the frequency of the hard disk accessing to the data. Therefore, the power consumed by the hard disk can be saved for 50% averagely, and the 10%-15% of the battery endurance of the system can be prolonged.

e. External hard disk drive solution

Due to portability, confidentiality, plug-and-play and other characteristics, the external hard disk drive may be applied to various storage devices and consumer electronic products of cross fields at any time. In addition, the external hard disk drive may also become the Media Player or the home Media Center in presence of the remote controller, besides its simple storage and fast backup. Therefore, the external hard disk drive has gradually become a trend in the day that the demand for accessing to the digital information is sharply increasing.

f. Energy-saving design

In response to the market trend, all hard disk drive manufacturers have listed the energy-saving design as a focus of research and development . Although the energy-saving hard disk drive has low efficiency compared with the traditional hard disk drive, energy saving will be widely adopted by the enterprise users based on the consideration of the factors, such as cost and environmental protection. In fact, the top five PC brands in the world have also participated in the energy-saving design one after another.

B. Competitive situation of the hard disk product

Min Aik Precision Industrial Co., Ltd. produces a variety of stamping assemblies of the hard disk, therefore the competitive situations of all products are also different from each other according to different types of the products. The market competitive situations of the first two major products of the Group -- Voice Coil Motor Plate (VCM plate) and the stamping assembly of the hard disk drive shall be briefly explained.

The manufacturers from Southeast Asia or Taiwan are the main competitors of the Group. The main competitors of the VCM plate include Cheung Woh, KOBAKIN, Interplex (originally named as Amtek), Heqin and NHK, the main competitors of the stamping assembly of the hard disk drive include IPT and NHK. Because the stamping assembly of the hard disk plant has the high requirements -- high precision and high cleanliness, the the entry threshold is high and the hard disk drive manufacturers rarely introduce and develop the new suppliers. The good and stable product quality is more important than the price competition. Based on slowdown of the hard disk shipment, the assembly suppliers have also begun to further merge, and the supply chain is also expected to be adjusted. Under the changing market environment, the corresponding quantity of orders would be concentrated to the competitive assembly manufacturer.

(2) Medical consumable industry

A. Development trend of Medical consumable industry

The medical equipment sector is divided into six categories: Consumables, Diagnostic Imaging, Dental Products, Orthopedic and Prosthetic, Patient Aids, and Others.

Medical consumables market still have considerable growth and future growth potential. The future development trends and business opportunities for medical consumables are built on:

a. Rapidly increasing geriatric population to fuel large scale adoption of medical devices:

Rapid growth witnessed in geriatric population across the globe is one of the major factor which contributes to the growth of global medical devices market. According to the National institute of health (NIH, United States), about 8.5 % of global population i.e. 617 million people were of age 65 and above (geriatric) in 2015. The geriatric population is expected to reach up to approximately 1.6 billion by the end of 2050. Increasing geriatric population would increase the need and demand for medical devices for diagnosis and treatment of age related diseases such as alzheimers, visual impairment, bone related disorders, etc.

b. Increasing healthcare spending:

Increasing healthcare spending and expenditure is one of the major factors which promotes the growth of global medical devices market. According to the Institute of Health Metrics and Evaluations (United States), health expenditure across the globe is expected to reach to about $18.28 trillion by the end of 2040. Increasing healthcare expenditure is expected to enhance the research and development of medical devices that would contribute to the growth of global medical devices market

c. Acceleration in technology disrupting the entire industry as a whole:

Areas where technology is making impacts in MedTech or medical resource consumptions include;

- Wearables – capable of constant monitoring of chronic diseases' such as asthma, atrial fibrillation or diabetes, and products are now available that give early detection of cancer or degenerative disorders like Parkinson's, linked via wifi to a smartphone and transmitted to physicians

- Exploitation of artificial intelligence in the realm of radiology and imaging. Eg: GE Healthcare Edison Platform
- Remote Patient Monitoring devices. Eg: Abbot’s Confirm Rx (World’s 1st insertable cardiac monitor)
- Further innovations and advancements in Additive Manufacturing

The Group will continue to exploit its core-competencies and to move along with the above-mentioned trends. We will constantly be on a look out for potential opportunities to innovate and develop new products ourselves or with strategic partners to increase our return to shareholders.

B. Competitive situation of Medical consumable industry

M&A remains robust in 2018 with Boston Scientific and Johnson and Johnson making big purchases. This growth strategy remains the most favourable for the market leaders. EY in their “Pulse of the Industry” write up, published in September of 2018, commented that the pace of digitization in the MedTech eco-system as a whole is slow, with a small percentage of innovators and a larger proportion of the industry preferring to glide along on the “old ways”. EY noted that while revenue increased by 4% over 2017, investments in R&D remained flat.

The changing medical consumer needs, coupled with the digital age, MedTech companies will need to understand that it is the data and analytics that is propelling consumption rather than the device in itself.

(3) Automation Industry

A. Development Trend of Automation Industry

As a world-class factory, China mainland provides processing and manufacturing services for many world-class customers. Automation industry started late in the mainland, and the existing industry is still small. There is still a lot of room for development in the future industry. In addition, China's labor costs are increasing year by year, and the demand for automation equipment is increasing gradually. The trend of industrial development in recent years,, the most important technology is the integrated use of robots and the application of precision mounting and measuring equipment.

a. Integrated Utilization of Robots

In recent years, the installed capacity of industrial robots in the world has been increasing at a rate of about 10%. Due to the increasing labor costs and the increasing requirements of assembly quality, more and more jobs have been replaced by robots to reduce the pressure of labor costs and work intensity. Robot technology will change factories in the next five years.

b. Application of Precision Mounting and Measurement Equipment

On the basis of improving the performance of the current consumer electronic equipment, the pursuit of thinning the product itself, accuracy requirements have been raised to the micron level for internal parts assembly, relying on manual work has been unable to meet the accuracy requirements, it is necessary to rely on automatic equipment to complete high-precision assembly and testing.

B. Competitive situation of Automation Products

The automation equipment produced by our company involves the integration and use of automation in various fields, from robots to assembly lines, from precision adjustment platform to complete process development. The R&D team is actively integrating existing mechanical, control, optical and software modules to construct more precise and high-speed manufacturing and processing equipment to meet the development needs of future equipment.

5.1.3 Technology and R&D

1. R&D expenses in the latest year and as of the publication date of the annual report:

Unit: NT$ thousands

Year / Item	2018	As of March 31, 2019
A.R&D expense	102,233	21,818
B.Operating income	2,073,532	383,706
A／B	4.9%	5.7%

2. Technologies or products developed successfully in the latest year and as of the publication date of the annual report

(1) Min Aik Precision

Year	R&D achievements
2018	1. Various asymmetric drawing technologies 2. Washing procedure of the fine particles 3. Flatness improvement technology of the shearing plane
2019	1. 3D vibration electroplating technology 2. Shielded electroplating for screen printing of small parts 3. Application of the new side stamping technology

(2) MAPP

Year	R&D achievements
2018	1. Automated optical inspection and filter assembly of Blood Chamber 2. DNA diagnostic testing kit 3. Development of multi-cavity mold for soft PVC product
2019	1. IV Cap 2. 2-piece filter for blood chamber

(3) Suzhou Amould

Year	R&D achievements
2018	1. High-precision camera lens defect detection 2. Development of high-speed assembly technology
2019	1. Development of high-speed visual inspection technology (in patent application) 2. Remote monitoring system of equipment (in patent application)

5.1.4 Long-term and Short-term Business Development Plans

1. Short-term plans

(1) Min Aik Precision

In order to serve the existing customers and develop the potential customers, the company shall continuously implement the pace of globalization in accordance with the requirements of the market and the customers while establishing the overseas production and service bases duly and continuously introducing the automation technology, to improve the capacity, the productivity and the product quality, achieve the goal of reducing cost, expanding market share of the products and accordingly improve the profitability. In addition, the company shall strengthen the strategic alliance with the service agent partners while expanding other niche markets, developing the products and increasing the existing market share. In allusion to the existing customers, the company shall also enhance the high involvement in the development stage of the new product, to improve the customer's trust and dependence on the company and acquire the first opportunity in mass production and the high market share.

(2) MAPP

The Asia Medical Technology market is expected to grow at a CAGR of 8% and is projected to overtake the EU as the second largest market globally by 2020. Singapore is strategically placed to enable MedTech companies to tap into these regional opportunities. Today, Singapore is home to more than 60 multinational MedTech companies undertaking a range of activities from regional headquarters and manufacturing, to research and development.

MAPP will align resources and strategies to capitalize on this regional growth, both from MedTech companies in Singapore and those within Asia by leveraging on current network and new markets.

MAPP will also continue to create value with existing customers, by tapping on any available funding support from the Singapore Government and the Group’s core competence in automation design and manufacturing, to support their product development and become their indispensable supply chain partners.

(3) Suzhou Amould

Utilize the ability of automation equipment to solve the problem of lack of manpower, reduce costs and improve production capacity to meet the needs of the market. Machine modular design integrates the production technology of machinery and equipment, quickly supplies the machinery and equipment needed by downstream industries. Modularizes similar equipment institutions in various industries. Only special or different parts need to be designed and developed when receiving new demands. In addition to speeding up the lead time, it can also reduce the cost of research and development. Coordination of excellent management and sales personnel within the group and injects new blood into the company to meet the needs of professionals at all stages of the company's growth.

2. Long-term plans

(1) Min Aik Precision

A. In terms of production: Min Aik Precision shall actively cooperate with the strategic partners and establish a mode of division during production, to facilitate the control of the overseas inventory and make the timely adjustment and supply in real time in accordance with the changes of overseas customers’ requirements. In this way, the transportation and process expenses may be effectively reduced, and the undertaking rate of the orders may be improved.

B. In terms of R&D: Min Aik Precision shall maintain the technological improvement of the hard disk and the storage device, while continuously expanding the design, production and assembling technologies of other electronic assemblies and the assemblies for automobile and improving application of the production automation to mass production, inspection and packaging of the product.

C. In terms of marketing:

a. Min Aik Precision shall consolidate and strengthen the existing business contacts with the customers having good relationships while creating the integrated advantages of *Development and Manufacturing of Metal Assembly of Precision Hard Disk Drive* in the field of storage, improving the customer satisfaction, expanding the proportion of the existing customers' orders and actively developing the potential customers and products.

b. Creation of other niche markets: Min Aik Precision plans to gradually adjust the proportion of the hard disk customers in the future and increase the proportions of other 3C electronic products and the heat spreader, so as to gradually disperse the risk of the market.

c. Min Aik Precision shall promote the field of professional Original Equipment Manufacturer (OEM) of the electronic parts and constitutive products to integrate the products and advantages of the subsidiaries of the Group and provide the customers with the more comprehensive product line, added values, bases and services.

d. Min Aik Precision shall continuously focus on the metal stamping assembly market related to the automobile in response to the electronic trend of the automobile.

D. In terms of quality assurance and environmental protection:

Min Aik Precision shall implement these policies related to quality assurance, environmental protection, labor and safety, such as ISO 9001, ISO 14001, ISO 22301, OHSAS 18001 and RBA (EICC), while creating the high-quality products on the premise of meeting the specification of RoHS, fulfilling the social responsibilities, and enhancing the enterprise image and the international competitiveness. In March, 2018, Min Aik Precision passed the certification of IATF16949 automobile industry quality management system, thereby building a more perfect system for expanding the automobile industry.

E. Operating scale:

a. Min Aik Precision shall coordinate the industry boom and market development and adjust the diversified capacity, to increase the operating scale.

b. Except continuous research of the main products and diversification of product development, Min Aik Precision shall adhere to the concept of "Sustainable operation", and develop towards the direction of enterprise cluster, in order to implement the management of various business systems.

(2) MAPP

A. In terms of production: Progress towards a Smarter factory through continuous efforts to automated our production process (minimize reliance on human and for better quality and productivity). Develop and introduce the use of Cobots (Collaborative Robots).

To vertically integrate with customer needs, MAPP target to expand its offering from production to complete packaging and sterilization for MedTech devices.

B. In terms of R&D:

a. On line screening machine: To replace human browsing for better quality output to customer and better factory productivity.

b. Sale of automation machine and provision of automated assembly services to existing customer.

c. Development of new products jointly with customer.

d. Development of product application testing for customer.

C. In terms of marketing:

a. Expand footprint into high potential developing countries within Asia/ASEAN

b. Continue exploration of new manufacturing technologies such as 3D-Printing and Micro Moulding

c. Seek opportunities for collaborative innovation

d. Work with MedTech companies to jointly develop MedTech products.

D. In terms of quality assurance and environmental protection:

The company is ISO 9001 (Quality Management System) and ISO 14001 (Environmental Management System) certified. We are also ISO 13485 (Medical Device) certified to be able to manufacture medical components. Target to get FDA certification for the plant to manufacture medical device. As our operations does not creation pollution, we are not bound by any government regulation on pollution control.

E. Operating scale:

Continue to search for new businesses and strategic alliances to increase our customer base. As and when there is additional demand from customer, we will expand our production capacity and increase our scale of operation. We are also constantly on a look out for potential business acquisitions that are aligned with our core competencies.

(3) Suzhou Amould

A. In terms of production: Promote modular process program control system, strengthen process management and shorten production time to stabilize product quality.

B. In terms of R&D: On the basis of existing technology, develop more mature technology, integrate machine and equipment production technology with modular design. When receiving new customer needs, only design for special or different parts can accelerate the delivery speed and reduce R&D costs.

C. In terms of marketing:

a. Consolidate and strengthen business contacts with existing good relationship customers. Improve customer satisfaction and expand the proportion of orders of existing customers and develop potential customers and products actively.

b. Understand the company's competitive advantages, find market entry points, seek quantitative product production plans in stable cooperative relationships, and share benefits with customers.

c. Predict customer demand, prepare beforehand and take the initiative to attack.

d. Understanding the needs of traditional manufacturing and medical industries, providing complete solutions to potential customers and expanding new businesses.

D. In terms of quality assurance and environmental protection:

Implementing ISO 9000 and conforming to RoHS standards to enhance corporate image and international competitiveness.

E. Operating scale:

a. In line with the development of the industrial boom, we should choose the right time to expand production capacity to increase the scale of operation..

b. In addition to the continuous research of major products, and the development of multi-directional integration and utilization of automated products.

5.2 Market, Production, and Sales Review

5.2.1 Market Analysis

1. Sales of main products (services)

Unit: NT$ thousands

Area \ Amount		2017 Sales volume	2017 Proportion	2018 Sales volume	2018 Proportion
Sales in domestic market		347,347	14%	249,185	12%
Export sales	Asia	1,845,419	75%	1,647,073	79%
	America	274,819	11%	166,057	8%
	Europe	1,799	0%	11,217	1%
	Subtotal	2,122,037	86%	1,824,347	88%
Total		2,469,384	100%	2,073,532	100%

2. Market Share

(1) Min Aik Precision

The company insists on creating the integrated advantages for development and manufacturing of the stamping assembly of the all-round hard disk drive in the storage field, and expects to make the operation of the Group more diversified through the efforts in product diversification. At present, among the only three major manufacturers of the hard disk drive in the world, the company's products have been used by the first two major American hard drive manufacturers, and more successfully adopted by the third largest Japanese hard drive manufacturer. The company has laid a solid foundation in the supply chain of the stamping assembly of the hard disk drive, extended the product line to other electronic assemblies and successfully become the supplier partner trusted by the large international factories.

Seen from the revenue in 2018, the stamping assembly of the hard disk drive, which was 82% of the total annual revenue of the Group, was the main product of the company, and was also widely supplied to five hard disk assembly customers (WD, Seagate, Min Aik, MMI, ShinEtsu) in the world. According to the statistics made by the international market research organization -- Trendfocus in February, 2019, the global market share of the company's main product -- VCM plate, achieved about 21%.

Global market share of the company's main product in 2017 and 2018

VCM plate

Unit: Million sets

Year	2017	2018
Shipment of the company (SET)	92.5	79
Shipment of the hard disk drive all over the world	404	376
Market share of Min Aik	22.9%	21%

Source: Trendfocus and shipment statistics of the company.

The stamping assemblies of other electronic products of the company include 3C electronic assembly and the assemblies of the flexible board stiffener and the heat spreader for automobile. Herein, the flexible board stiffener of the smart phone is the largest. The data of the research organization -- Gartner shown that the global shipment of the smart phones achieved 1.555 billion sets in 2018, and the total shipment of the company’s flexible board stiffeners of the smart phones was about 12 million pieces in 2018, and accordingly it was estimated that the global market share of the company was about 0.8%.

Global market share of the company's main product in 2017 and 2018

Flexible board stiffener for the smart phone

Unit: million PCS; million sets

Year	2017	2018
Shipment of the company (PCS)	36	12
Shipment of the smart phones all over the world (unit)	1,536	1,555
Market share	2.34%	0.8%

Source: Gartner and shipment statistics of the company.

(2) MAPP

Medical consumables produced by MAPP are eventually shipped to Europe, America, Japan, etc. Due to the wide variety and vast geographical distribution of medical consumable products, there is no industry statistics available to calculate the market share of a single product.

(3) Suzhou Amould

Suzhou Amould is a professional manufacturer of customized automation equipment. The manufacturing process of the industry is extremely complex and the equipment needs to fully meet the specific needs of customers to design and plan. Therefore, there is no certain product specifications, and there are many types of automation equipment. Each manufacturer of automation equipment has its own areas of specialization and development, and there is no perfect competitor, Thus, there is no complete and objective market share statistics available.

3. Future Supply, Demand and Growth in the Market

(1) Hard disk drive industry

A. Supply and demand situations of the market

Although the sales volume and sales amount of the traditional hard disk continues to decline, the total memory capacity of the shipments continues to rise, and the price of unit capacity drops at an annual rate of about 20%. Although the decline of the sales volume of the personal computers has stabilized, the whole shipment of the hard disks is expected to further decline to 320 million sets in 2019 due to the short supply of the Intel chips, the rise of add-on rate of the solid-state hard disk and the overall economy affected by the uncertain factors, such as the trade war. While among all kinds of hard disk products, the shipments of the enterprise-level hard disks, the 3.5-inch hard disks for personal computers and the 2.5-inch hard disks for the notebook computers are estimated to decline continuously. However, the sales volume of the large-capacity nearline storage hard disks may have an opportunity to remain flat and rise, which reflects the growth of NAS market for personal and household use and the small NAS market for the small and medium-sized enterprises. Moreover, there would be the sustained and stable demand for security monitoring, cloud storage and storage application of the hard disks, such as the data center. Although the annual demands for the PC industry show the negative growth, three major hard disk drive manufacturers including Western Digital, Seagate and Toshiba using the largest amount of hard disks correspondingly also continue to adjust the pace of operation and improve operations and profits of the enterprise by downsizing and strengthening the human resources structure and the product structure, adjusting the product line and reducing the ineffective capacity, reducing the production and other methods. The relative control of the inventory and the production capacity also makes the price of the whole market stabilized.

In response to the continuously expanding demand of the enterprises and cloud and the rise of big data application, there is an increasing trend that the large enterprises set up the new data centers, and the storage operators constantly develop the high-capacity hard disks, including 10TB, 12TB, 14TB and so on, and even have launched 16TB which is designed for the dedicated enterprise-level high-capacity hard disk market with the ultra-large scale and under the cloud environment.

B. Growth and development trends of the industry in the future

Nowadays, the demand for storage of the market has broken away from the demand of the pure PC, the consumer electronics and the enterprise users. The hard disk develops toward the diversified application, and the Unmanned Aerial Vehicle (UAV), Virtual Reality (VR), Augmented Reality (AR), cloud, Big Data analysis, embedded system and Internet of Things (IoT), security monitoring and other markets have become the main impetus of driving the growth of the storage demand. On the other hand, the demand for the 4K/8K high-resolution digital images makes the data storage requirement constantly increased. Besides the enterprise-level hard disk market, the nearline storage hard disk market of the individual or the small and medium-sized enterprise is nonnegligible as well. The capacity requirement of the storage and recording device will also be greatly increased with the subsequent development of 5G, Artificial Intelligence (AI) and automatic driving. With the popularization of the digital information and the development of the high-speed cloud technology, the hard disk drive shall show a good cost performance.

Shipment of hard disk drives from 2016 to 2020

Unit: Million sets

	2016(A)	2017(A)	2018(A)	2019(E)	2020(E)
Total	424	404	376	320	306

Source: assessment of Trendfocus.

a. Application to the field related to PC

The global shipment of the PC still remain stagnant. Although it is supported by the commercial sales, the consumers turn to the smart phone and the tablet PC, thereby making the sales of the high-end notebook computer affected. Plus prolonging of the update cycle of the PC user, the market growth slows down. According to the investigation of the research organization -- Gartner, the total shipment of the PC was 259.40 million sets in 2018, with an annual decrease of 1.3% compared with 262 million sets in 2017. Moreover, the total shipment of the PC had declined consecutively for seven years.

Preliminary Worldwide PC Vendor Unit Shipment Estimates for 2018 (Thousands of Units)

Company	2018 Shipments	2018 Market Share (%)	2017 Shipments	2017 Market Share (%)	2018-2017 Growth (%)
Lenovo	58,467	22.5	54,669	20.8	6.9
HP Inc.	56,332	21.7	55,179	21.0	2.1
Dell	41,911	16.2	39,793	15.1	5.3
Apple	18,016	6.9	18,963	7.2	-5.0
Acer Group	15,729	6.1	17,087	6.5	-7.9
ASUS	15,537	6.0	17,952	6.8	-13.5
Others	53,393	20.6	59,034	22.5	-9.6
Total	**259,385**	**100.0**	**262,676**	**100.0**	**-1.3**

Source: Gartner January, 2019

IDC said that, during 2018, the PC shipment all over the world in the fourth quarter of 2018 was reduced for 3.7% year-on-year due to the factors, such as the Sino-US trade war and shortage of the Intel CPU. According to the IDC quarterly report, the total shipment of the traditional PCs including desktop computers, laptops and workstations was greater than 68.1 million sets in the fourth quarter, with a decrease of 3.7% year-on-year. The Sino-US trade war which was started in September, 2018 had an impact on the semiconductor part and the PC component, including the mainboard, graphics card, storage device (SSD/HDD), mice, keyboard, power supply, CPU radiator, radiator, LED fan, chassis and wireless router. The cost of the assembly affecting the production was reflected by the price of the terminal product, and the consumers needed to pay more money to buy the product. In addition, the weak demand of China, which was taken as the main reason, was also one of the reasons affecting the shipment.

Unit: 100 million sets

	2015(A)	2016(A)	2017(A)	2018(A)
PC shipment all over the world	2.76	2.60	2.62	2.59

Source: IDC, DIGITIMES & Gartner

b. Related field of the consumer electronic (CE) products

To comply with the progress of times and the diversified demand of the modern people, such as surfing on the Internet, leisure and entertainment, audio, video, household appliances, automobile electronics and industrial security, the hard disk drive has been listed as the important standard equipment of most of the emerging digital household appliances and the consumer electronic products occurring in response to the progress of times. Nowadays, the development of Internet of Things, VR, game industry and so on becomes more mature. Except the condition that the number of the storage devices owned by each person is required to be increased to 5, the demand for the large-capacity digital information storage also makes each hard disk manufacturer further move towards the 16-20TB storage capacity.

(2) 3C electronic products

A. Supply and demand situation of the market

According to the Gartner's report, during the fourth quarter of 2018, the total global shipment of the smart phones was 408.4 million sets, with a slight year-on-year increase of 0.1%. Herein, the sales volume of the Apple iPhone achieved 64.5 million sets. Although it was very big, it was the largest percentage decline of Apple in single quarter since 2016. The sales volume was decreased for 11.8% year-on-year. Among the five major smart phone manufacturers all over the world, the double-digit decline of Apple had become the biggest quarterly decline ever. The sales volume of Apple in North America and the mature Asia-Pacific were relatively stable, however the demand for iPhone was declining in other regions, especially in China. The sales volume dropped to 8.8% in the fourth quarter of 2018 from 14.6% in the same period of 2017.

At present, the competition of the smart phones is very mature. In the absence of major technological innovation, replacement of the cell phone shall be prolonged continuously, and the global sales volume of the smart phones are expected to decline slightly in 2019. Looking ahead to 2019, the main impetus of the smart phone market is still weak.

B. Growth and development trends of the industry in the future

Many people in the industry believe that, the smart phone market all over the world will recover in the next few years in response to the emergence of a new wave of cell phone replacement with the deployment of the 5G network and commercial operation.

However, the existing application and development of the 5G network focus on how to bring more competitive advantages to the business world, as well as application to the Internet of Vehicles, or smart city and so on. There is not much emphasis on providing the common consumers with the application advantages. Therefore, there might still be many uncertainties about whether the implementation of 5G can really bring the wave of replacement to the smart phone market.

Instead of waiting for the development opportunities of 5G cell phone in the future which is full of the uncertainties, the smart phone operators have chosen to improve the function of the cell phone products as far as possible in allusion to the possible needs of the consumers, or introduce various fancy functions to attract the consumers and make their products stand out in the market competition.

The smart phone market is shrinking so far, and the 5G cell phone is full of uncertainties in the short run. All operators must still try to seek for breakthroughs in the multi-lens cell phone and the foldable screen cell phone.

Unit: Million sets

	2015(A)	2016(A)	2017(A)	2018(A)
Shipment of the smart phones	1,424	1,495	1,536	1,555

(3) Medical consumable industry

A. Supply and Demand of Market

The demand for medical services continues to growth with the advent of aging population amongst the developed nations within Asia, the rapid rise in long term chronic diseases such as diabetes, coronary artery diseases and so forth.

This will spur the growth rapidly as demand for both in-hospital care related products and services and out-patient/remote products and services increase.

B. Future Growth and Development Trend of the Industry

Artificial intelligence (AI) and Internet of Things (IoT) will shape the future of the medical segment in the coming years. The rise of technology has put people at the forefront and in control of their health with wearable devices, miniaturization of implantable monitoring devices, bio-printable prosthetics made from patient’s own DNA, etc. As healthcare delivery becomes progressively more decentralized and democratized, healthcare will meet patients where they live and work, resulting in enhanced remote monitoring and telemedicine solutions. These advancement and ground-breaking technologies will steer the medical industry into new frontiers.

(4) Automation Industry

In recent years, due to the upgrade trend of 3C products, automobile industry, medical industry and traditional industry, the demand for automation equipment has increased, and the industry upgrade is an inevitable trend in the future. In addition, the labor costs in major manufacturing areas have increased year by year, so the demand for special automation machinery and equipment will also increase in the future.

A. Supply and Demand of Market

The demand for OEM products and quantities in the downstream of automation is relatively stable and persistent. The demand for 3C products such as mobile phones and computers has stabilized.

B. Future Growth and Development Trend of the Industry

a. Camera Module

The applications of camera are more and more widely in mobile phone, vehicle, security and medical field. Dual-camera has become the mainstream configuration in mobile phone field. More and more automobile factories have begun to intervene in automobile assisted driving technology. The application of embedded medical means has also begun to be widely used. The demand for cameras is expected to explode.

b. 3C electronic products related fields

According to data from market surveyors, the global growth trend of smart phones has slowed down, and demand for other personal devices is no longer strong, but products for virtual reality experience are on the rise.

c. Traditional industries

According to media reports, in recent years, countries around the world have encouraged their domestic industries to introduce automation in order to improve per capita output value. Some countries have proposed preferential measures or tax deductions to accelerate the introduction of automation.

d. Medical Industry

Medical industry is one of its pillar industries in Singapore. The local government has given more support to the medical industry. It also gives incentives and preferences to the automation industry related to medical products.

4. Competitive Niche

(1) Min Aik Precision

A. Cost and capacity advantages

The company implements consistent operation and lays a strong design, development and production competitiveness by combining with production, manufacturing, R&D, marketing, management and other competitive advantages, including the mould design capability, simulated design of Computer Aided Engineering (CAE), process development capability, automation machine design, dust-free room production, good management technology and supply chain management in operation and management. The company focuses on the efficiency, technology and shortening of the process with the way of perpendicular integration and production, and further reduces the manufacturing and R&D costs to accordingly improve the market competition. In presence of introduction of the ERP material requirement system, the cost can be controlled more effectively. Therefore, the company is more competitive than any other competitors.

B. Complete quality assurance system and strict quality control

The company is committed to wholly improving the quality. Besides passing the certification of ISO 9000, ISO 14001, ISO 22301 and OHSAS 18001 quality and environmental system and full implementation, the company adheres to the principle of “Innovation-centered, management-based and quality first” to achieve a high-quality level while producing the products with high added value and low pollution to maintain stable and sustainable operation. In this way, the company is well received by the customers, thereby consolidating the long-term partnership. In March, 2018, the company passed the certification IATF16949 automobile quality management system, thereby building the more perfect system for expansion of the automobile industry.

C. R&D capability of new product

The company adheres to the consistent integration to provide the most complete and rapid R&D services and the most real-time professional technology through the team technology; in this way, the requirement of new development is handled preferentially and properly. The company assists the customers to shorten the R&D time of the new products, thereby facilitating the launch of the new products to the market within the shortest time and making the customers enjoy the higher profits by.

D. Flexibility

The company masters the market trend and the customer needs at any time while actively and continuously analyzing and adjusting all details from design, production and even shipment and logistics of the product in order to grasp the market opportunity and make a response to the increasingly competitive market.

E. Diversified development

The products of the company are more diversified than any other competitors. Besides the VCM plate developed for the hard disk drive, the company also develops the stamping assembly of other hard disk drives, such as Disk Clamp, Balance Weight, Insert Plate, Bobbin, Stiffener, Pin and Protector in accordance with the customers' requirements, and actively expands the capacity and the overseas bases, in order to fight for making the other electronic assemblies, such as the heat spreader, the consumer electronic parts and the electronic parts for automobile become the focus of the company's development at this stage and achieve the remarkable growth.

F. Maintain the good and mutually beneficial partnership with the customers

Because the service life of the hard disk drive product is prolonged and the technical and professional requirements are improved, it is not easy for other manufacturers to enter except the existing leading manufacturers. The company has many years of professional experiences in manufacturing, and has established the stable and mutually beneficial partnership with the the customers. Moreover, the company plays an indispensable role in the customer supply chain.

(2) MAPP

A. Superior Automated Production Capabilities

Automated production capabilities is one of the core competitive advantage of Min Aik Precision Group. Apart from its main business of assisting customers to improve their production efficiency through automation, it is also used to increase the production efficiency of the Group's various business units. Due to the rapid increase in labour cost in Singapore, the Group invests in automated inspection equipment for MAPP to reduce its production cost, improve output quality and efficiency. The Singapore Government also encourages local companies to improve productivity by offering various incentive schemes. MAPP has therefore used some of the grants available to improve its internal process, productivity and quality and thereby giving it an added advantage against overseas competitors.

B. Geographical proximity to international companies

With the aging population, increasing affluence and rise in chronic diseases, the Singapore Government has identified the healthcare sector as one of the key growth cluster. Based on statistics, healthcare expenditure in the Asia-Pacific region is expected to hit US$2.2 trillion by 2018 and grow at 10.5% per annum. Singapore can therefore expect to see more commitment from the government in investing resources to help flourish this sector. Greater commercialization of products by locals and MNCs of health solutions will indirectly provide more business opportunities to MAPP.

As majority of European and American medical equipment manufacturers set up their Asia-Pacific headquarters in Singapore, MAPP will have better opportunity to have face-to-face discussions and visit these international medical companies to demonstrate MAPP's production and technical capabilities and sell its products to Europe and USA. Furthermore, MAPP may have the opportunity to work together with these key market players to expand into the developing countries.

C. Excellent mold making capabilities and abundant clean room capacity

Medical products are generally low-mix high-volume in nature and must be produced in a highly clean condition. MAPP has the largest cleanroom capacity in Singapore. The Group's long-established knowhow in mold-making allows it to support diverse requirements from medical customers.

(3) Suzhou Amould

A. Complete Quality Assurance System and Strict Quality Control

Suzhou Amould is committed to improving its overall quality. Besides being certified by ISO 9001/TS16949/ISO 13485/UL and fully implemented, the company also has strict control over the improvement of production efficiency and design and R&D skills, so it has won the favor of large manufacturers and affirmed and consolidated the long-term partnership.

B. R & D capability

Suzhou Amould can provide customers with instant technical services, help customers shorten the time of new product development, so as to facilitate the launch of new products in the shortest time, and enjoy higher profits. Participate in customer R&D and design, grasp change trend of design and schedule, and improve design productivity.

C. Flexibility

In addition to keeping abreast of market trends and customer needs, Suzhou Amould has taken the initiative to analyze and adjust all the details of product design, production, shipment and even all the details in order to grasp market opportunities and cope with the increasingly competitive market. At the same time, it can adapt to the needs of customers, upgrade the previous generation of equipment to produce new products, and help customers reduce capital investment, thus attracting more customers.

5. Favorable and Disadvantage Factors for Development Prospects and Corresponding Strategies

(1) Min Aik Precision

<u>Favorable Factors</u>

A. Expectable industrial and market growths

With the rapid development of the information, the consumer electronic products, and the cloud digital demand, the company is committed to improving the technology, quality, cost and market of the assembly of the hard disk drive, and also gets involved in application of the mainstream consumer electronic assembly and the field of the high-stability electronic assembly for automobile, to maintain the continuous growth of the customers and the market.

B. High entry barrier for the new competitor

Because the hard disk drive industry is featured with intensive technology, prolonged service life of the product, high innovation pressure and other characteristics, the hard disk market is more closed than other industries and has the high technology barrier. In order to ensure maximization of the speed and the efficiency, and accordingly gain the technological and market opportunities, the relationship between the upstream and downstream manufacturers of the hard disk drive industry is very close. Therefore, it is not easy for the competitors outside the industry to enter into the market.

C. Unique niche in management, production and quality

The company has the complete management system and excellent technical personnel which are conducive to the long-term operation and development of the technology, and has rich experiences in plant management and perpendicular integration advantages. Therefore, the company can accurately master from the upstream mould design, precision stamping, vibration grinding in the post process and electroplating to the operating environment and technology of the dust-free room.

In addition, in order to fulfill the commitment to the quality and the environment, the company has passed the certification of ISO 9001, ISO 14001, ISO 22301 and OHSAS 18001, and actually implemented all quality control requirements in the actual operation. Therefore, the product quality of the company is fairly stable and well received by the major customers every year. The company successfully passed the certification of TS16949 in March, 2018, which is more conducive to vigorous development of the business of the assembly for automobile.

D. Master the market demand and marketing channel

In order to expand the overseas market and provide the customers with the real-time services, the company has set up the overseas storage locations in mainland China, Malaysia and Thailand, so as to master the market trend and the industrial information while timely scheduling and offering the services. In the era that the channel means the business opportunities, the good channel is the important niche for the company's development in the future.

E. Maintain long-term and good cooperation with the world-class plants

Most of the main customers of the company are world-class plants, with fairly strong finances and operations. Due to years of development in the hard disk drive market, the company has established the good and tacit cooperation with the customers in R&D and production of the products and has been well received by the customers in terms of quality and service. Therefore, the company can keep up with the market trend at any time in mastering the key technologies and improving the production efficiency.

F. Solid R&D and design capability

In order to implement the in-depth development of the R&D technology, the company adheres to the concept of training the professional talents to promote the high-tech and sophisticated technology and accordingly meet the industry requirements and challenges. The company recruits the elites of the industry and has been continuously ensuring the continuous improvement of the R&D technology through a series of R&D training plans, such as the internal technology inheritance of the company, internal/external education and training, and technical exchanges with the academic societies.

<u>Disadvantage Factors</u>

A. Lack of the professional talents of the hard disk product and inadequate domestic labor supply

Because Taiwan is lacking in the professional talents of the hard disk industry, the company should train the relevant talents every year and work on making the human resource planning, in order to handle the changes of the industry.

Corresponding Strategies

a. Since its establishment, the company has been committed to improving the automatic production and process to improve the unit output of the grass-roots human resources while further improving the degree of automation of the plant, and reducing the dependence on manpower by increasing the automatic machine and equipment.

b. The company strengthens the pre-service and on-the-job training of the employees to improve the personnel quality and productivity, and is committed to planning the human resources and strengthening the welfare of the employees, to effectively reduce the turnover rate of of the employees.

B. The company has high degree of industrial concentration which accordingly increases the operating risk.

The operating income of the products related to the hard disk drive of the company was 40.8% of the operating income of the whole Group in 2018. If the industrial supply and demand change greatly or the imbalance occurs between the supply and the demand, the company may be trapped in operating pressure.

Corresponding Strategies

The company actively develops other non-hard disk electronic assemblies, such as the heat spreader, the consumer electronic parts and the electronic parts for automobile. In order to make the products of the company more diversified, multiple key technologies and products are being actively developed, including the heat spreader for the advanced IC packaging, the heat spreader of the base module, the cell phones, the portable devices, the steel sheet, the aluminum sheet, the radiator for automobile and so on. Moreover, the company also makes the customers and products of the Group more diversified through implementing the strategic merger and acquisitions at home and abroad and setting up the overseas bases.

(2) MAPP

Favorable factors

A. The Singapore Government has actively developed the country to become Asia Pacific's biomedical hub.

B. Major customers are actively targeting on developing countries with promising growth potential, such as India and Indonesia.

C. Customers in developed countries such as Europe, America and Japan are investing resources to build a national medical and health protection system.

D. High investment cost with long validation and qualification processes have become barrier for any potential entrants.

Unfavorable factors

A. Insufficient supply of labor has always been a hindrance factor for Singapore's economic development. Foreign labour accounts for approximately 38.5% of total employment. The increase in basic wages and shortage in labour supply has result in the rising manufacturing costs.

Corresponding Strategies

Dedicated human resources planning, employee benefits, on-the-job training to improve employee quality and productivity are some of the staff retention measures. Automation of factory processes and increase in use of automation equipment also help to reduce the dependence on human labour.

B. Should MAPP enter the low cost emerging markets in future, it will be vulnerable to the risk of having the products that it produces being manufactured locally.

Corresponding Strategies

Strengthen product development capabilities and invest in R&D resources to increase the uniqueness of high-end products. In addition, we will continue to provide comprehensive pre-sales and after-sales services to enhance our customer's confidence in buying from us.

(3) Suzhou Amould

Favorable factors

A. Prosperity of Industry and Market Growth

With the rapid development of demand for consumer electronics products, automation replaces manual labor with automation machines to achieve the same cost reduction and improve product quality stability. There are various products and processes in various industries, and the functions of automation machines are different. It is expected that with the increasing competitiveness of automation technology, quality and cost, automation will be applied more widely and demand will continue to grow.

The increase of labor cost in mainland China by about 10% every year will inevitably lead to the rapid introduction of automation process to reduce the cost of human resources.

B. Unique niche in management, production and quality

In addition to the complete management system and excellent technical personnel, which is beneficial to the company's long-term operation and deep cultivation of technology, the other advantage is our company also has rich experience in factory management and vertical integration. Our company could grasp the process development, software integration, mechanical and fixture design accurately.

C. Solid R&D and design capability

In order to further develop R&D technology, the company not only collects the elites of the industry, but also continuously ensures the continuous improvement of R&D technology through a series of R&D training programs, such as internal technology inheritance, internal/external education and training, and technical exchanges with academic groups.

Unfavorable Factors

A. Lack of professional design and R&D talents in automation industry and insufficient supply of domestic talents.

Due to the shortage of relevant professionals, our company devotes itself to human resource planning in order to cope with the fluctuations of the industry while training relevant talents every year.

Coping strategies

Strengthen the pre-service and on-the-job training of colleagues, improve the quality and productivity of personnel, and devote to human resources planning and strengthen the welfare of colleagues, so as to reduce the turnover rate of personnel effectively.

B. The homogeneity of the target market of domestic equipment manufacturers is too high. At the same time, we are facing the catch-up of the mainland manufacturers and the pressure of competition is too high.

Coping strategies

Enhance the overall competitiveness, speed up the delivery speed, rectify design ingenuity, enhance customization capabilities. And expand new customers through the understanding about other markets.

5.2.2 Important Use and Manufacturing Processes of Main Products

1. Important Purposes of Main Products

(1) Min Aik Precision

A. VCM plate: the VCM plate is mainly taken as the drive motor of the magnetic head when assembled with the VCM with the permanent magnet and responsible for driving the radial movement of the magnetic head, in order to make the magnetic head change the track arbitrarily on the disk and accordingly read and write the data.

B. Disk clamp: the disk clamp is mainly used to fix the hard disk and the spindle motor so that the disk can be driven to rotate by the spindle motor.

C. Stiffener: the stiffener is the metallic material which is attached to a local area on the flexible circuit board mainly for welding the parts or enhancing reinforcement, to facilitate assembling.

(2) MAPP

A. Plastic medical components: Mainly non-invasive medical plastic components, such as needle tubes, infusion tubes, etc.

B. Plastic components for DNA diagnostic testing kits: Mainly used by hospital medical laboratories, biochemical laboratories, etc., to carry out medical testing for data analysis or various physiological reactions and pathological analysis.

C. Mold fixture: Used for production of plastic injection products.

(3) Suzhou Amould

A. SMT RF Test integration equipment： The main function is to fully automate SMT RF test section, including integration: test equipment, transmission pipeline, communication system, Robot.

B. Magnetic flux measuring machine：The main function is to measure whether the magnetic flux of the magnet assembled on the housing is within the range.

C. Multiple Types of Mylar Mounter：The main function is to identify Mylar of different sizes and mount it accurately on the specified parts.

D. Lens defect detection equipment: The main function is to detect lens surface scratches, white spots, glue spills, bubbles and other defects.

2. Manufacturing Processes of Main Products

(1) Min Aik Precision

■ Manufacturing process of the VCM plate

Precision stamping → Vibration grinding → Electroplating → Dimensional measurement → Appearance → Packing

■ Manufacturing process of the disk clamp

Precision stamping → Double-sided grinding → Vibration grinding → Electroplating → Dimensional measurement → Appearance → Packing

■ Manufacturing process of the stiffener

Precision stamping → Surface treatment → Dimensional measurement → Attachment → Dimensional measurement → Appearance → Packing

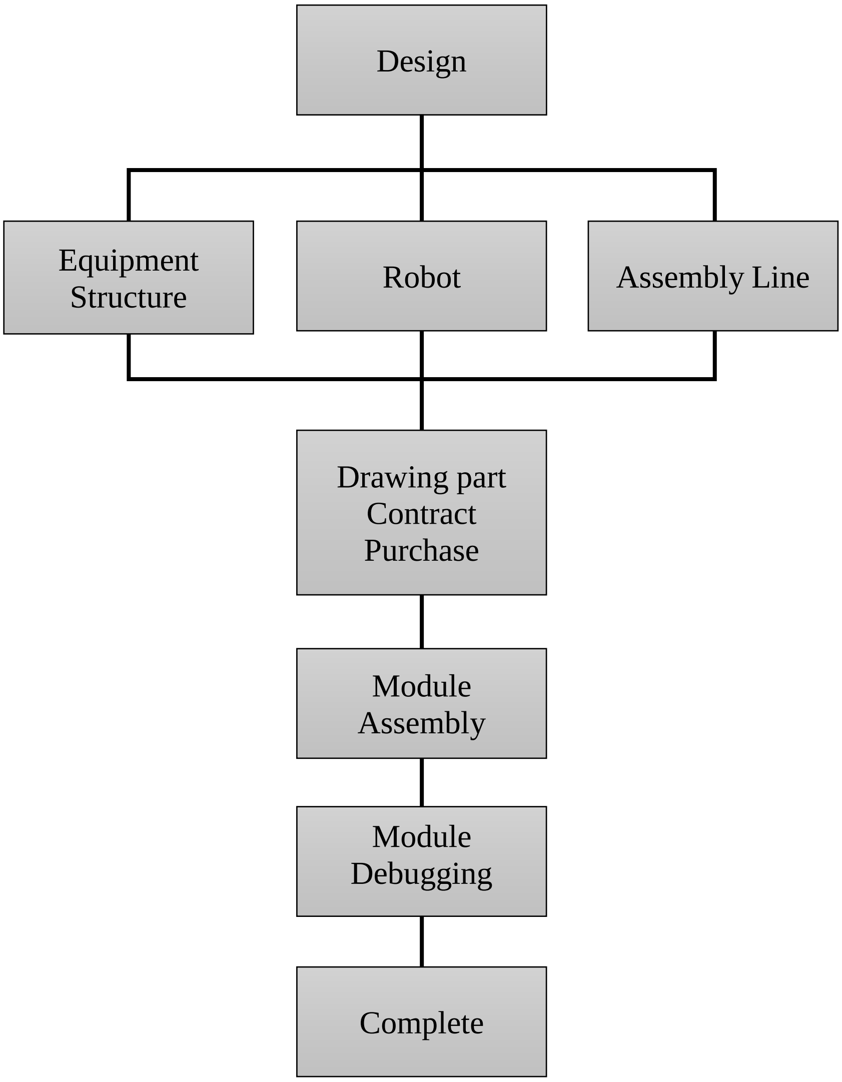
(2) MAPP

■ Manufacturing process of the medical plastic product

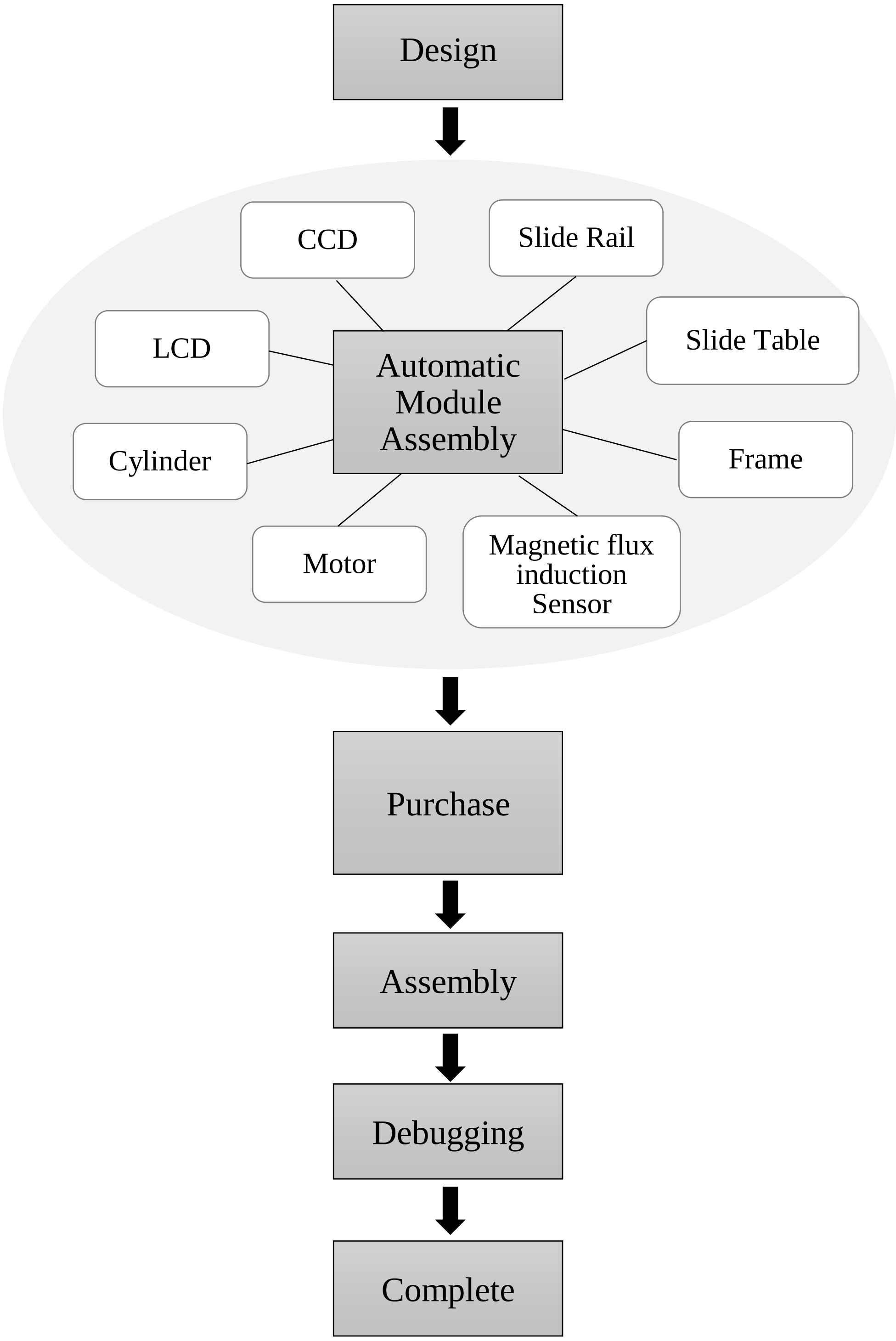
Confirmation of raw material specification → Mold fabrication → Functionality test and specification check → Appearance and other detections → Packaging for delivery

(3) Suzhou Amould

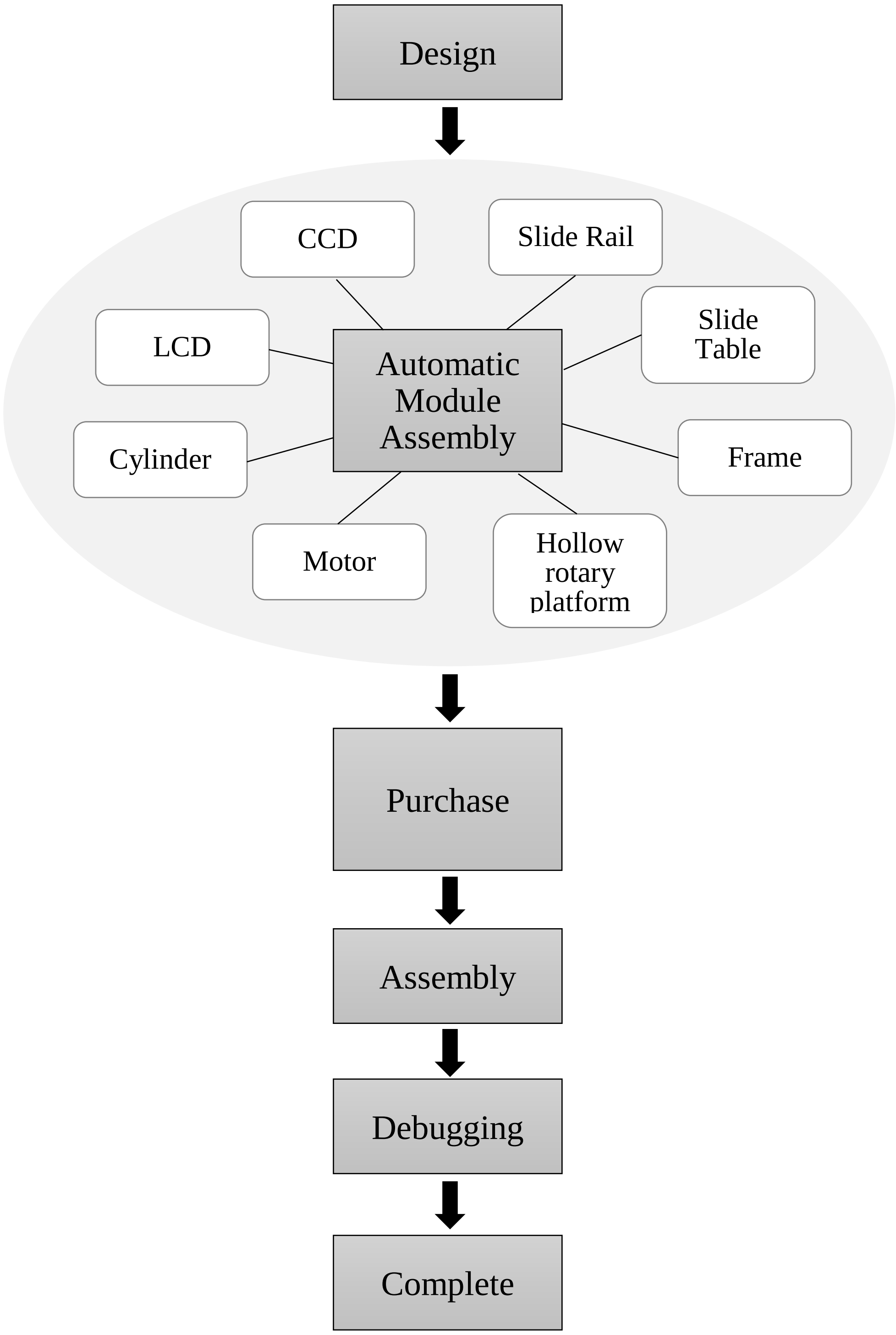
■ Manufacturing process of SMT RF Test integration equipment



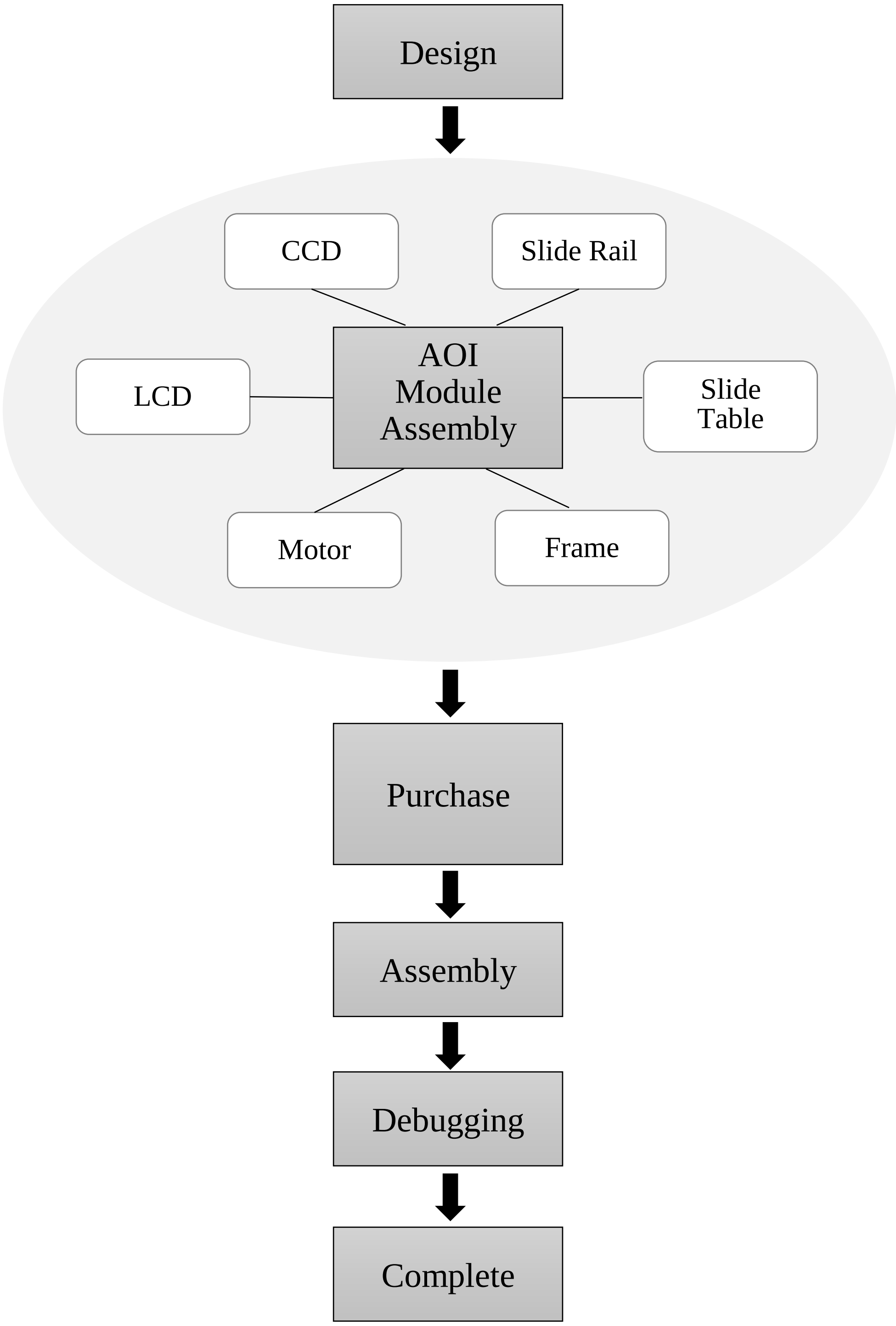
■ Manufacturing process of Magnetic flux measuring machine



■ Manufacturing process of Multiple Types of Mylar Mounter



■ Manufacturing process of Lens defect detection equipment



5.2.3 Quality of Supplied Main Raw Materials

(1) Min Aik Precision

Name of Main Raw Materials	Main source	Quality of Supply
Iron	Taiwan	Good
Electroplating solution	Taiwan	Good

(2) MAPP

Name of Main Raw Materials	Main source	Quality of Supply
Plastic particle	Singapore	Good

(3) Suzhou Amould

Name of Main Raw Materials	Main source	Quality of Supply
Machined part of the rack	China	Good
Electromechanical parts	China	Good

5.2.4 The name of the suppliers (clients) and the amount and proportion of the goods in which the 10% total amount of goods has been accounted for in either of the two most recent years, and the reasons for the increase or decrease.

1. Suppliers accounted for at least 10% of annual consolidated net procurement in recent two years

Unit: NT$ thousands

	2017				2018				As of the previous quarter 2019			
Item	Name	Amount	As % of total net procurement	Relation to the Company	Name	Amount	As % of total net procurement	Relation to the Company	Name	Amount	As % of the 1Q 2019 total net procurement	Relation to the Company
1	AB Company	144,245	13.42	None	Company AB	116,110	13.33	None	Company AB	17,236	10.81	None
2									Company CD	16,184	10.15	
	Others	930,505	86.58	—	Others	754,818	86.67	—	Others	126,028	79.04	—
	Total net procurement	1,074,750	100.00	—	Total net procurement	870,928	100.00	—	Total net procurement	159,448	100.00	—

Reasons for increase or decrease:

(1) AB Company is one of the company's major suppliers of iron materials. In 2018, the proportion of incoming goods decreased, because it was affected by the product sales mix, so the amount of purchase of AB Company was reduced.

2. Customers that accounted for at least 10% of annual consolidated net revenue in recent two years

Unit: NT$ thousands

	2017				2018				As of the previous quarter 2019			
Item	Name	Amount	As % of total net Revenue	Relation to the Company	Name	Amount	As % of total net Revenue	Relation to the Company	Name	Amount	As % of the 1Q 2019 total net Revenue	Relation to the Company
1	Min Aik Group	646,058	26.16	related party	Min Aik Group	552,882	26.66%	related party	Min Aik Group	103,704	27.03%	related party
2	J Company	254,703	10.31	None	J Company	287,208	13.85%	None	J Company	83,763	21.83%	None
3	—	—	—	—	S Company	222,968	10.75%	—	S Company	49,968	13.02%	None
	Others	1,568,623	63.53	—	Others	1,010,474	48.74%	—	Others	146,271	38.12%	—
	Total net Revenue	2,469,384	100.00	—	Total net Revenue	2,073,532	100.00%	—	Total net Revenue	383,706	100.00%	—

Reasons for increase or decrease:

(1) Min Aik Group: The small increase in sales in 2018 was due to the adjustment of suppliers and product mix requirements by its end customers. The increase in the proportion was mainly due to the decrease in the proportion of existing leading customers due to the decline in sales of other customers and products. ◦

(2) J Company: Due to the impact of the 2018 production and sales mix and the increase in customer orders, the sales amount and proportion in 2018 have increased. ◦

(3) S Company: In 2018, as the end customer adjusted the supplier strategy and product mix, the sales amount increased and the proportion increased.

5.2.5 Table of the production volume in recent two years

Unit: Thousands of PCS, NT$ thousands

Year / Production volume / Major products (or Department)	2017			2018		
	Capacity	Production	Value	Capacity	Production	Value
Hard Disk Drive stamping components (Note)	363,936	231,474	825,844	352,256	188,037	719,619
Other electronic stamping components (Note)		37,783	197,237		66,663	196,297
Plastic injection parts	1,335,436	1,068,349	296,046	1,678,203	1,342,563	368,167
Automated machine	1.050	0.857	461,817	1.000	0.768	265,606
Total	1,699,373	1,337,607	1,780,944	2,030,460	1,597,264	1,549,689

Note: Due to the alternative production of Hard Disk Drive stamping components and Other electronic stamping components, combined capacity.

5.2.6 Table of the volume of units sold in recent two years

Unit: Thousands of PCS, NT$ thousands

Year / Sold volume / Major products (or Department)	2017				2018			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Hard Disk Drive stamping components	50,626	213,970	172,119	782,015	37,603	154,916	147,428	691,580
Other electronic stamping components	18,579	82,800	19,520	108,006	19,353	89,506	35,656	90,356
Plastic injection parts	—	—	1,098,162	402,692	150	861	1,296,652	481,114
Automated machine	0.013	13,459	12.198	719,709	0.011	139	6	431,186
Other (Note)	—	37,118	—	109,615	—	3,764	—	130,110
Total	69,205	347,347	1,289,813	2,122,037	57,106	249,186	1,479,742	1,824,346

Note: Raw materials and consumables and moulds are not calculated due to different calculation units.

5.3 Employees: the number of the employees, average length of service, average age and educational background distribution ratio in the last two years and as of the date of publication of the annual report

Year		2017	2018	As of March 31, 2019
Number of employees		1,273	1,120	1,006
Average age		33	35	34
Average years of service (year)		4	5	5
Distribution of Educational Background	Ph.D.	0%	0%	0%
	Master	2%	3%	2%
	College	54%	42%	42%
	High school and below	44%	55%	56%

5.4 Information of Expenditure for Environmental Protection

Indicate the amount of the loss (including compensation) and penalty resulting from environmental pollution in the latest year and as of the publication date of the annual report, and explain the countermeasures (including improvement measures) to be taken in the future and possible expenditures (including the estimated amount of possible loss, penalty and compensation if improvement measures are not taken. If it cannot be evaluated reasonably, please explain why it cannot be reasonably estimated.): the company has not yet been suffered from the loss (including compensation) or punishment due to environmental pollution so far.

5.5 Labor-Employer Relation

5.5.1 State employee welfare measures, advanced study, training, retirement system, implementation of retirement system, agreements between the employer and the employees, and measures for protection of employees' rights and interests.

1. Welfare measures of the employees: the welfare measures of the company are standardized in accordance with the laws and regulations, and some of the welfare measures are better than the laws and regulations; we actively create a more friendly environment, in order to make all employees work in a better environment.

   (1) Insurance: besides the statutory labor and health insurance, the company buys all employees the accident insurance and hospitalization medical insurance.

   (2) Physical and mental health and safety assurance of the employees:

      A. In order to maintain the health of the employees, the employees can receive additional health check-up allowance after working two years, once every two years and each for NT$10,000 besides the health check-up stipulated by the law.
      B. The company cordially invites the external professional lecturers to give the health promotion lectures every season - to exchange and teach in allusion to the issues, such as the career, personal and family, chronic diseases, stress management and so on, in order to maintain the physical and mental health of

the employees.

C. The Automatic External Defibrillator (AED) is arranged to protect the safety of the employees and accordingly promote the company as a safe enterprise.

(3) Rest, growth and learning:

A. In order to promote the communication between the employees and the children, the company holds the family day every year. In this way, the feeling between the employees and the family members and the centripetal force of the company are increased, and accordingly the goal of balancing the job and the life is achieved.

B. The company handles the tourism activities at home and abroad for the employees, and offers the subsidy of NT$8000 to each employee every year.

C. The Welfare Committee aperiodically invites the external professional teachers to come to the plant to offer the courses related to language learning, to enhance their language skills of the employees and accordingly keep up with the international development.

D. Besides the professional learning courses, the Welfare Committee also prepares the soft courses, such as the coffee culture and kneading, to improve the humanistic quality of the employees.

(4) Facilities: the dormitory, the rest area, the dining room, the nursing rooms and so on

(5) Other welfares: cash gift for birthday, hospitalization leave, wedding and funeral leave, birth allowance, cash gift of three important festivals, dinner party, company's uniforms, etc.

2. Advanced studies of the employees: the company provides the employees with the in-service advanced study channel which includes teaching centers in various professional fields, extension education and so on.

3. Training of the employees: the company also offers the training courses, such as the industrial trend information and spiritual growth so far besides the core, professional and management function training.

4. Retirement system and its implementation situation: the company stipulates the retirement measures in accordance with the relevant provisions of the Labor Standards Act and Labor Pension Act, and allocates the reserve for employee retirement:

(1) Besides the reserve for employee retirement to be allocated each month in accordance with the proportion 2.29% of the gross salary, the employee to whom the Labor Standards Act is applicable to allocate the pension can regularly review the allocation rate every year. The Labor Retirement Reserve Oversight Committee is established to regularly monitor the allocation of retirement reserve and is responsible for reviewing the retirement applications.

(2) The employees to whom the Labor Pension Act is applicable to allocate the pension can allocate 6% to their personal retirement accounts in accordance with the allocated salary scale every month, or allocate the pensions with a proportion of less than 6% to the their personal retirement accounts every month according to the allocated salary scale based on their own wishes. The remaining subsidiaries shall handle in accordance with the relevant local laws.

(3) The Defined Contribution Plan (DC plan) shall be implemented in the overseas subsidiaries in allusion to the pensions, and the provident fund, the pension, the medical and other social security benefits are paid monthly in accordance with the provisions of the local government.

5. Agreements between the employer and the employees and various measures to protect the rights and interests of employees:

   (1) The company formulates the ‘Measures for the Implementation of Labor-management Conference, ‘while holding the labor-management conference to discuss and consult various relevant issues of the employees. The relevant units are also be obligated to handle and complete the matters decided during the conference within a certain period of time.

   (2) The company formulates ‘Internal Appeal Measures ‘to protect the legal rights and interests of the employees and assists to solve the unreasonable treatment received by the employees, in order to maintain a legal, reasonable and fair work environment.

   (3) In order to provide the more diversified channels of communication, the company provides the options of communicating the opinions in the Employee Handbook and sets up the staff suggestion box. The company also sets up the contact mailbox on the entrance website while publicizing the communication channels during the assembly of all employees, so as to give full play to the labor-management coordination mechanism.

   (4) The company also complies with the provisions on Gender Equality in Employment Act and formulates the measures to prevent and control the sexual harassment, appealing and disciplinary measures, to protect the rights and interests of the employees.

6. In order to strengthen and improve the occupational safety and health facilities and work environment while effectively reducing the occurrence rate of the occupational disasters and ensuring the occupational safety and health, the company formulated and implemented various management and implementation measures, and passed the certification of OHSAS 18001 in May, 2009 and certification of CNS15506 in September, 2012.

5.5.2 The losses as a result of labor disputes in recent years and as of the date of publication of the annual report were listed, and the estimated amount and countermeasures that occur at present and might occur in the future were disclosed. If they cannot be estimated, the fact that they cannot be estimated should be clarified.

The company and its subsidiaries always regard the employees as the most important asset of the company, equally pay attention to the working conditions and the welfare of the employees and are committed to creating a good work environment and providing an unblocked communication channel between the employer and the employees. Therefore, the company has not yet been suffered from the loss due to the labor disputes in recent years and as of the date of publication of the annual report. The company will continue to make efforts in this direction to maintain the harmonious relationship between the employer and the employees and accordingly protect the company from the loss due to the labor disputes which occur in the future.

5.6 Important contracts

(1) Min Aik Precision

Contractual nature	Concerned Party	Contract Date	Main contents	Restrictive clause
Loan contract	Cathay United Bank	2018.04.16~ 2027.04.16	Land and building guarantee loans	None

(2) MAPP

Contractual nature	Concerned Party	Contract Date	Main contents	Restrictive clause
Lease agreement	JTC	1996.11.01~ 2052.10.31	Plant leasing	None
Lease agreement	JTC	1995.12.16~ 2052.12.15	Plant leasing	None

(3) Suzhou Amould

Contractual nature	Concerned Party	Contract Date	Main contents	Restrictive clause
Lease agreement	Suzhou Yifeng Automation Equipment Co., Ltd.	2017.7.15~ 2022.7.14	Plant leasing	None

VI. Financial Information

6.1 The condensed Statement of Financial Position and Statement of Comprehensive Income for the past five years

(1) The condensed Statement of Financial Position and Statement of Comprehensive Income

The Consolidated Condensed Statement of Financial Position (IFRS)

Unit: NT$ thousands

Item \ Year		Financial information for the past five years (Note 1)					
		2014	2015	2016	2017	2018	As of March 31, 2019
Current Assets		1,898,074	1,979,841	2,331,564	2,176,754	1,900,436	1,793,973
Investments Accounted for Using Equity Method		149,312	134,359	125,625	117,300	107,991	103,491
Property, Plant and Equipment (Note 2)		475,800	591,271	472,021	457,365	1,098,142	1,100,000
Right-of-Use Assets		0	0	0	0	0	94,455
Intangible assets		0	0	0	0	0	0
Other assets (Note 2)		26,362	52,175	32,680	51,503	51,152	49,747
Total assets		2,549,548	2,757,646	2,961,890	2,802,922	3,157,721	3,141,666
Current liabilities	Before distribution	1,178,999	1,076,768	905,500	858,582	897,168	785,261
	After distribution	1,561,601	1,500,268	1,078,750	897,082	Not Yet Distributed	Not Yet Distributed
Non-current liabilities		43,855	124,297	67,263	117,648	531,393	640,080
Total liabilities	Before distribution	1,222,854	1,201,065	972,763	976,230	1,428,561	1,425,341
	After distribution	1,605,456	1,624,565	1,146,013	1,014,730	Not Yet Distributed	Not Yet Distributed
Equity attributed to shareholders of the parent		1,326,694	1,556,581	1,989,127	1,826,692	1,729,160	1,716,325
Capital stock (Note 3)		617,100	797,874	770,000	770,000	770,000	770,000
Capital surplus	Before distribution	43,155	51,084	758,285	758,285	731,335	731,335
	After distribution	43,155	51,084	758,285	731,335	Not Yet Distributed	Not Yet Distributed
Retained earnings	Before distribution	647,207	713,984	517,222	360,275	292,772	266,193
	After distribution	264,605	290,484	343,972	348,725	Not Yet Distributed	Not Yet Distributed
Other equity interest		19,232	(6,361)	(56,380)	(61,868)	(64,947)	(51,203)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	1,326,694	1,556,581	1,989,127	1,826,692	1,729,160	1,716,325
	After distribution	944,092	1,133,081	1,815,877	1,788,192	Not Yet Distributed	Not Yet Distributed

Note 1: The financial statements from 2014 to 2018 had been duly certified by CPAs. The financial statements as of March 31, 2019 based on IFRS which is approved, issued and go into effect by Financial Supervisory Commission R.O.C (Taiwan).

Note 2: Company has not revaluation of assets as of March 31, 2019.

Note 3: Capital stock including Capital collected in advance NT$ 119,064 thousand dollars in 2015.

The Consolidated Condensed Statement of Comprehensive Income (IFRS)

Unit: NT$ thousands

Item \ Year	Financial information for the past five years (Note 1)					
	2014	2015	2016	2017	2018	As of March 31, 2019
Operating revenue	3,119,183	3,322,622	2,632,106	2,469,384	2,073,532	383,706
Gross profit	1,151,726	1,118,605	697,976	500,760	360,103	62,465
Operating Income	549,027	565,512	273,402	110,993	(53,333)	(23,653)
Non-operating revenue and expenses	73,736	87,103	43,395	(92,026)	19,124	(3,490)
Income before tax	622,763	652,615	316,797	18,967	(34,209)	(27,143)
Income from Continuing Operation	494,572	511,381	227,629	16,513	(56,767)	(26,579)
Loss from Discontinued Department	0	0	0	0	0	0
Net income (Loss)	494,572	511,381	227,629	16,513	(56,767)	(26,579)
Other comprehensive income (income after tax)	11,176	(25,885)	(50,910)	(5,698)	(2,265)	13,744
Total comprehensive income	505,748	485,496	176,719	10,815	(59,032)	(12,835)
Net income attributed to shareholders of the parent	494,572	511,381	227,629	16,513	(56,767)	(26,579)
Net profit attributed to the non-controlled equity	0	0	0		0	0
Comprehensive income attributed to Shareholders of the parent	505,748	485,496	176,719	10,815	(59,032)	(12,835)
Comprehensive income attributed to non-controlling interest	0	0	0	0	0	0
Earnings per share	7.29	7.53	2.96	0.21	(0.74)	(0.35)

Note 1: The financial statements from 2014 to 2018 had been duly certified by CPAs. The financial statements as of of March 31, 2019 based on IFRS which is approved, issued and go into effect by Financial Supervisory Commission R.O.C (Taiwan).

The Condensed Statement of Financial Position (IFRS)

Unit: NT$ thousands

Item \ Year		Financial information for the past five years (Note 1)				
		2014	2015	2016	2017	2018
Current Assets		1,208,882	1,113,796	1,439,506	1,249,258	854,232
Investments Accounted for Using Equity Method		659,282	896,992	839,744	934,148	955,135
Property, Plant and Equipment (Note 2)		272,569	305,329	266,267	258,313	914,946
Intangible assets		0	0	0	0	0
Other assets (Note 2)		19,211	27,382	25,257	38,212	39,073
Total assets		2,159,944	2,343,499	2,570,774	2,479,931	2,763,386
Current liabilities	Before distribution	809,103	683,795	513,403	502,144	521,404
	After distribution	1,191,705	1,107,295	686,653	540,644	Not Yet Distributed
Non-current liabilities		24,147	103,123	68,244	151,095	512,822
Total liabilities	Before distribution	833,250	786,918	581,647	653,239	1,034,226
	After distribution	1,215,852	1,210,418	754,897	691,739	Not Yet Distributed
Equity attributed to shareholders of the parent		1,326,694	1,556,581	1,989,127	1,826,692	1,729,160
Capital stock (Note 3)		617,100	797,874	770,000	770,000	770,000
Capital surplus	Before distribution	43,155	51,084	758,285	758,285	731,335
	After distribution	43,155	51,084	758,285	731,335	Not Yet Distributed
Retained earnings	Before distribution	647,207	713,984	517,222	360,275	292,772
	After distribution	264,605	290,484	343,972	348,725	Not Yet Distributed
Other equity interest		19,232	(6,361)	(56,380)	(61,868)	(64,947)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	1,326,694	1,556,581	1,989,127	1,826,692	1,729,160
	After distribution	944,092	1,133,081	1,815,877	1,788,192	Not Yet Distributed

Note 1: The financial statements from 2014 to 2018 had been duly certified by CPAs.

Note 2: Company has not revaluation of assets as of March 31, 2019.

Note 3: Capital stock including Capital collected in advance NT$ 119,064 thousand dollars in 2015.

The Condensed Statement of Comprehensive Income (IFRS)

Unit: NT$ thousands

Item \ Year	Financial information for the past five years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenue	2,499,681	2,302,045	1,283,207	1,209,983	1,032,296
Gross profit	789,834	672,421	340,008	186,113	108,960
Operating Income	463,666	388,107	144,514	8,302	(68,498)
Non-operating revenue and expenses	153,835	229,241	130,151	(2,009)	23,764
Income before tax	617,501	617,348	274,665	6,293	(44,734)
Income from Continuing Operation	494,572	511,381	227,629	16,513	(56,767)
Loss from Discontinued Department	0	0	0	0	0
Net income (Loss)	494,572	511,381	227,629	16,513	(56,767)
Other comprehensive income (income after tax)	11,176	(25,885)	(50,910)	(5,698)	(2,265)
Total comprehensive income	505,748	485,496	176,719	10,815	(59,032)
Earnings per share	7.29	7.53	2.96	0.21	(0.74)

Note 1: The financial statements from 2014 to 2018 had been duly certified by CPAs.

(2) Names of the CPAs and the audit opinion for the past five years

Year	Accounting Firm and name of the CPAs	Audit Opinion
2014	KPMG / Chen, Cheng-Chien & Wu, Mei-Ping	Unqualified Opinion
2015	KPMG / Chen, Cheng-Chien & Wu, Mei-Ping	Unqualified Opinion
2016	KPMG / Wu, Mei-Ping & Huang, Yung-Hua	Unqualified Opinion
2017	KPMG / Wu, Mei-Ping & Huang, Yung-Hua	Unqualified Opinion
2018	KPMG / Chen, Cheng-Chien & Huang, Yung-Hua	Unqualified Opinion

6.2 Financial analysis for the past five years

(1) Financial analysis - Consolidated Financial Statements (IFRS)

Item	Year	Financial analysis for the past five years (Note 1)					
		2014	2015	2016	2017	2018	As of March 31, 2019
Financial structure	Debt Ratio (%)	47.96	43.55	32.84	34.83	45.24	45.37
	Ratio of long-term capital to property, plant and equipment (%)	288.05	284.28	435.66	425.12	205.85	214.22
Solvency	Current ratio (%)	160.99	183.87	257.49	253.53	211.83	228.46
	Quick ratio (%)	122.58	148.59	229.67	216.98	175.14	186.54
	Interest Coverage Ratio	90.90	164.85	116.87	5.44	(2.89)	(5.69)
Operating ability	Accounts receivable turnover (times)	4.40	4.75	3.70	3.18	3.13	3.47
	Average collection days	82.95	76.84	98.64	114.77	116.61	105.18
	Inventory turnover (times)	6.22	5.76	6.72	8.01	6.39	4.65
	Accounts payable turnover (times)	5.76	6.73	7.20	7.45	7.06	6.12
	Average days in sales	58.68	63.36	54.31	45.56	57.12	78.49
	Property, plant and equipment turnover (times)	6.98	6.23	4.95	5.31	2.67	1.40
	Total assets turnover (times)	1.32	1.25	0.92	0.86	0.70	0.49
Profitability	Return on total assets (%)	21.22	19.39	8.03	0.70	(1.61)	(3.03)
	Return on stockholders' equity (%)	42.75	35.47	12.84	0.87	(3.19)	(6.00)
	Pre-tax income to paid-in capital (%)	100.92	96.14	41.14	2.46	(4.44)	(14.10)
	Profit ratio (%)	15.86	15.39	8.65	0.67	(2.74)	(6.93)
	Earnings per share (NT$)	7.29	7.53	2.96	0.21	(0.74)	(0.35)
Cash flow	Cash flow ratio (%)	51.04	70.84	12.86	5.06	27.37	(Note 3)
	Cash flow adequacy ratio (%)	85.93	87.89	85.14	101.01	68.67	(Note 3)
	Cash reinvestment ratio (%)	20.29	14.80	(Note 2)	(Note 2)	6.16	17.19
Leverage	Operating leverage	1.84	1.75	2.51	4.35	(6.22)	(2.78)
	Financial leverage	1.01	1.01	1.01	1.04	0.86	0.85

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

1. In the current period, the acquisition of land and plant by bank long-term borrowing resulted in an increase in debt ratio and a decrease in the ratio of long-term capital to property, plant and equipment.
2. In the current period, the operating revenue decreased compared with the previous period, the accounts receivable decreased, resulted in a decrease in the current ratio and the quick ratio.
3. The decrease in the interest coverage ratio was due to the loss in the current period.

4. In the current period, due to the decrease in operating revenue compared with the previous period, resulted in a decrease in the property, plant and equipment turnover rate.
5. In the current period, due to the decrease in operating revenue compared with the previous period, resulted the inventory turnover rate decreased and the average days in sales days increased.
6. The decrease in profitability ratio is due to losses in the current business and after-tax profit and loss, and the loss is higher than the previous period, resulted in the rate of return on total assets, the rate of return on shareholders ' equity, the ratio of Pre-tax income to paid-in Capital, the rate of profit ratio and the EPS are lower than the previous period.
7. The increase in cash flow ratio was due to the decrease in accounts receivable during the current period, resulted in an increase in net cash inflows to operating activities.
8. The decrease in the cash reinvestment ratio was due to the increase in capital expenditure as a result of the acquisition of land and plant in the current period.
9. The decrease in operating leverage was due to the decrease in operating revenue and operating profit during the current period.

(2) Financial analysis - Financial Statements (IFRS)

Item	Year	Financial analysis for the past five years (Note 1)				
		2014	2015	2016	2017	2018
Financial structure	Debt Ratio (%)	38.58	33.58	22.63	26.34	37.43
	Ratio of long-term capital to property, plant and equipment (%)	495.60	543.58	772.67	765.66	245.04
Solvency	Current ratio (%)	149.41	162.88	280.39	248.78	163.83
	Quick ratio (%)	126.46	141.70	259.72	218.49	131.83
	Interest Coverage Ratio	147.95	241.96	158.76	3.82	(4.68)
Operating ability	Accounts receivable turnover (times)	4.50	4.04	2.98	3.51	3.39
	Average collection days	81.11	90.34	122.48	103.98	107.66
	Inventory turnover (times)	11.17	10.83	8.19	9.36	7.28
	Accounts payable turnover (times)	6.92	6.29	4.69	6.82	6.41
	Average days in sales	32.67	33.70	44.56	38.99	50.13
	Property, plant and equipment turnover (times)	11.06	7.97	4.49	4.61	1.76
	Total assets turnover (times)	1.23	1.02	0.52	0.48	0.39
Profitability	Return on total assets (%)	24.58	22.81	9.32	0.89	(1.78)
	Return on stockholders' equity (%)	42.75	35.47	12.84	0.87	(3.19)

	Pre-tax income to paid-in capital (%)	100.06	90.95	35.67	0.82	(5.81)
	Profit ratio (%)	19.79	22.21	17.74	1.36	(5.50)
	Earnings per share (NT$)	7.29	7.53	2.96	0.21	(0.74)
Cash flow	Cash flow ratio (%)	58.92	66.70	63.27	(14.53)	5.54
	Cash flow adequacy ratio (%)	82.92	74.50	78.09	94.35	52.39
	Cash reinvestment ratio (%)	17.60	3.38	(Note 2)	(Note 2)	(Note 2)
Leverage	Operating leverage	1.49	1.53	2.41	22.36	(1.53)
	Financial leverage	1.01	1.01	1.01	1.37	0.90

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

1. In the current period, the acquisition of land and plant by bank long-term borrowing resulted in an increase in debt ratio and a decrease in the ratio of long-term capital to property, plant and equipment.
2. In the current period, the operating revenue decreased compared with the previous period, the accounts receivable decreased, resulted in a decrease in the current ratio and the quick ratio.
3. The decrease in the interest coverage ratio was due to the loss in the current period.
4. In the current period, due to the decrease in operating revenue compared with the previous period, resulted in a decrease in the property, plant and equipment turnover rate.
5. The decrease in profitability ratio is due to losses in the current business and after-tax profit and loss, and the loss is higher than the previous period, resulted in the rate of return on total assets, the rate of return on shareholders ' equity, the ratio of Pre-tax income to paid-in Capital, the rate of profit ratio and the EPS are lower than the previous period.
6. The increase in cash flow ratio was due to the decrease in accounts receivable during the current period, resulted in an increase in net cash inflows to operating activities.
7. The decrease in the cash reinvestment ratio was due to the increase in capital expenditure as a result of the acquisition of land and plant in the current period.
8. The decrease in operating leverage and financial leverage was due to the decrease in operating revenue and operating profit during the current period and the increase in interest expenses due to long-term borrowings.

Note 1: The financial statements from 2014 to 2018 had been duly certified by CPAs. The financial statements as of of March 31, 2019 based on IFRS which is approved, issued and go into effect by Financial Supervisory Commission R.O.C (Taiwan).

Note 2: Net cash flow from operating activities is negative after deducting cash dividends, so it is not calculated.

Note 3: Cash flow rate and cash reinvestment ratio are not analytical because of incomplete data.

Note 4: Formulas for financial analysis ratio as the followings:

1. Financial structure
   (1) Debt Ratio = Total liabilities / Total assets.

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Net Property, Plant and Equipment.

2. Solvency
   (1) Current ratio = Current Assets / Current liabilities.
   (2) Quick ratio = (Current Assets - Inventory – Prepaid Expenses) / Current liabilities.
   (3) Interest Coverage Ratio = Net gains before income tax and interest expenses / Current interest expense.
3. Operating ability
   (1) Account receivables (including notes receivables from operating activities and accounts receivable) turnover = net sales / average receivables of each term (including notes receivables from operating activities and accounts receivable) balance.
   (2) Average collection days = 365 / Account receivables turnover.
   (3) Inventory turnover = COGS / average inventory amount.
   (4) Account payables (including notes payable from operating activities and accounts payable) turnover = COGS / average payables of each term (including Notes payable from operating activities and accounts payable) balance.
   (5) Average days in sales = 365 / Inventory turnover.
   (6) Property, Plant and Equipment turnover = Net sales / Net average Property, Plant and Equipment.
   (7) Total assets turnover = Net sales / Average total assets.
4. Profitability
   (1) Return on assets = [gain/loss after tax + interest expense x (1 - tax rate)] / average total asset.
   (2) Return on equity = gain/loss after tax / average total equity.
   (3) Net gains ratio = gain/loss after tax / net sales.
   (4) Earnings per share = (the gain/loss contributed to the parent company – preferred stock dividend) / weighted average shares outstanding.
5. Cash flow
   (1) Cash flow ratio = net cash flow of operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow of operating activities in the past five years / five years sum of (capital expenditures + inventory addition + cash dividends).
   (3) Cash reinvestment ratio = (net cash flow of operating activities - cash dividends) / (Property, plant and equipment gross + long term investment + other non-current assets + working capital).
6. Leverage
   (1) Operating leverage = (net operating revenue - variable operating cost and expenses) / operating gains.
   (2) Financial leverage = operating gains / (operating gains - interest expense).

6.3 Audit Committee’s audit report on the financial report of the most recent year

Min Aik Precision Industrial Co., Ltd.

Audit report issued by Audit Committee for 2018

The individual financial report and consolidated financial report of 2018 of the company, which were prepared by its Board of Directors, have been certified by Chen, Cheng-Chien and Huang, Yung-Hua, CPAs of KPMG. The aforementioned reports, the business report and the proposal of deficit compensation are reviewed by the Committee and found true and correct. The Committee hereby submits the aforementioned reports and proposal for approval in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted to:
2019 Annual General Meeting of Min Aik Precision Industrial Co., Ltd.

Convener of Audit Committee: Liu, Chin-Tang

March 18, 2019

6.4 Financial statement for the most recent fiscal year, including an auditor's report prepared by a certified public accountant, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart, and any related footnotes or attached appendices: Please refer to Appendix 1

6.5 A parent company only financial statement for the most recent fiscal year, certified by a CPA, but not including the statements of major accounting items: Please refer to Appendix 2

6.6 The financial problems of the Company and its Affiliated Enterprise found as of the Annual Report issuance date and the impact of such problems upon the Company’s financial standing: None

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit: NT$ thousands

Item \ Year	2017		2018		Difference	
	Amount	%	Amount	%	Amount	%
Current Assets	2,176,754	78%	1,900,436	60%	(276,318)	(13%)
Investments Accounted for Using Equity Method	117,300	4%	107,991	3%	(9,309)	(8%)
Property, Plant and Equipment	457,365	16%	1,098,142	35%	640,777	140%
Other assets	51,503	2%	51,152	2%	(351)	(1%)
Total assets	2,802,922	100%	3,157,721	100%	354,799	13%
Current liabilities	858,582	30%	897,168	28%	38,586	4%
Non-current liabilities	117,648	5%	531,393	17%	413,745	352%
Total liabilities	976,230	35%	1,428,561	45%	452,331	46%
Capital stock	770,000	27%	770,000	25%	0	0%
Capital surplus	758,285	27%	731,335	23%	(26,950)	(4%)
Retained earnings	360,275	13%	292,772	9%	(67,503)	(19%)
Other equity interest	(61,868)	(2%)	(64,947)	(2%)	(3,079)	5%
Total equity	1,826,692	65%	1,729,160	55%	(97,532)	(5%)

Analysis of changes in financial ratios over 20% and the difference amount over NT$ 10,000 thousand:

1. Property, Plant and Equipment increased NT$ 640,777 thousand due to purchasing Property and Plant.
2. Due to long-term loans for the acquisition of real property and plant, non-current liabilities increased by NT$413,745 thousand with an increase of 352%.

7.2 Analysis of Financial Performance

(1) Analysis of changes in Financial Performance

Unit: NT$ thousands

Item \ Year	2017 Amount	2018 Amount	Difference	(%)
Operating revenue	2,469,384	2,073,532	(395,852)	(16%)
Cost of Sales	1,968,624	1,713,429	(255,195)	(13%)
Gross profit	500,760	360,103	(140,657)	(28%)
Operating Expenses	389,767	413,436	23,669	6%
Operating Income	110,993	(53,333)	(164,326)	(148%)
Non-operating Income and Expenses	(92,026)	19,124	111,150	121%
Income before tax	18,967	(34,209)	(53,176)	(280%)
Minus: Income tax expense	2,454	22,558	20,104	819%
Net income	16,513	(56,767)	(73,280)	(444%)
Other comprehensive income (income after tax)	(5,698)	(2,265)	3,433	60%
Total comprehensive income	10,815	(59,032)	(69,847)	(646%)

Analysis of changes in financial ratios over 20% and the difference amount over NT$ 10,000 thousand:

1. The main reason for decrease in operating income and operating margin was the impact of sales mix and decline in customized orders during 2018, which also dragged down operating profit, pre-tax net profit and total comprehensive income.

2. The current non-operating income and expenses increased by NT$111,150 thousand with an increase of 121%, which is mainly due to the increase in exchange interest caused by exchange rate volatility.

3. The current income tax expenses grew by NT$20,104 thousand with an increase of 819% as deferred tax assets were not expected to be realized.

4. Other comprehensive income increased by NT$3,433 thousand with an increase of 60%, which was mainly due to the impact of exchange rate volatility on calculating the exchange difference in foreign reinvestment-related financial results.

(2) Anticipated sales volume and grounds thereof, potential impact upon the Company in future financial conditions and the countermeasures:

According to Trendfocus' research report, sales of global hard drives was approximately 380million units in 2018, and is estimated to decrease by 15% YoY to approximately 320million units in 2019. As overall shipments for hard disk drive have dropped, hard disk drive component suppliers have gradually merged with another, and future orders for hard disk components is expected to concentrate towards component manufacturers with high competitiveness. The Company currently manufactures top and bottom plates for voice coil motors, and has long been recognized by customers, thus the Company will continue to maintain a high proportion on the product in order to reduce the impact of overall market recession. In addition, the Company will improve the ability of automatic detection in order to reduce costs and control product quality. In terms of smart phones, according to Trendfocus' research report, shipments inched up by 1-2% YoY to 1.5bn units in 2018, but high-end handsets may have some degree of recession, and overall growth will rely on the shipment of low-end handsets. The handsets previously penetrated by the Company have come to the end of its product life cycle, with no significant contribution to sales in 2018. Hence, if there is an opportunity for the Company to re-enter the handset components market, it may contribute considerably to growth even under recession on high-end handsets. However, all plans will depend on whether market acceptance for the clients' terminal product meets expectations, and the Company will dedicate all its efforts to achieve this goal. In the future, the Company will also continue to enhance business development and sales for clients in automotive components and other electronic products.

In terms of medical plastics, the Company is mainly focused on OEM for global medical device companies. According to BMI research, the global medical device market was approximately US$389.9bn in 2018, and is anticipated to reach US$490.2bn in 2022. The demand for medical products will continue to grow with the aging population in developed countries in Asia amid rapid increase in chronic diseases. The Company will adjust its resources and strategic direction in existing medical device channels and emerging markets in Singapore and Asia to achieve steady growth.

According to statistics, 70% of the world's total 3C production capacity is concentrated in China. In 2018, the employment of 3C equipment industry was approximately 8.32mn, which is much higher than other downstream applications. However, the degree of automation is not high compared with related industries such as the automobile industry.

There is about 50-70% automation rate for front-end parts processing and module packaging in the middle section, of which processing is mainly completed by special equipment. Whereas for back end processes such as assembly, testing, packaging and logistics sorting, the automation equipment penetration rate is very low at around 15%-25%.

3C equipment market is estimated at NT$361.4bn in Taiwan, and the market size for automation equipment is projected to expand to NT$250bn in 2020, thus there is high potential for equipment automation.

7.3 Analysis of Cash Flow

(1) Cash Flow Analysis for the Current Year

Year / Item	2017	2018	Variance (%)
Operating activities	43,479	245,527	465%
Investing activities	(82,659)	(778,924)	842%
Financing activities	(121,464)	447,414	468%
Total	(160,644)	(85,983)	(46%)

Analysis of change in cash flow in the current year:

1. Operating activities: The increase in net cash inflows was mainly due to the Company's accounts receivable collection in 2018.
2. Investing activities: The increase in net cash outflows was mainly due to the acquisition of real property and plant in 2018.
3. Financing activities: The increase in net cash inflows was mainly due to borrowing of long-term loans in 2018.
4. In summary: the net cash outflow decreased to NT$74,661 thousand in 2018, which is lower compared with 2017.

(2) Contingency plans for projected insufficient capital liquidity: N/A.

(3) Cash Flow Analysis for the Coming Year (2019)

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1) + (2) - (3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,000,649	2,501,589	2,208,040	1,294,198	-	-

1. Cash Flow Analysis for the Coming Year:
   a. Operating activities: The cash inflow from operating activities is estimated at NT$466,996 thousand in 2018.
   b. Investing activities: The Company is expected to obtain new machinery and equipment, with cash outflow estimated at NT$98,497 thousand.
   c. Financing activities: The Company plans to repay bank loans and capital surplus would be distributed as cash dividends, with cash outflow estimated at NT$74,950 thousand.
   d. In summary, the total cash surplus in 2018 is approximately NT$1,294,198 thousand.
2. Contingency plans for projected insufficient cash position: N/A。

7.4 The impact of the significant capital expenditure of the latest year upon the financial conditions:

(1) Major Capital Expenditure Items and Source of Capital:

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital
Purchasing Property and Plant	Own funds and bank loans	107.3.28	680,000

(2) Expected Benefits: The Company's sustainable development brings positive business image to the Company. In addition, it can save rental costs, and reduce the risk of relocating the factory after the lease expires in the future.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

(1) Reinvestment policy for the most recent fiscal year: The Company's reinvestments are in compliance with the “Procedures for Acquisition and Disposal of Assets”, and shall be implemented after the evaluation of investment effectiveness and approved by the board of directors.

(2) The main reasons for profits or losses: In 2018, the Company recognized investment loss of NT$10,551 thousand using the equity method of accounting, which was mainly due to reduced profits on reinvestment of overseas companies caused by decline in gross margin and recognition of foreign exchange losses.

(3) Investment Plans for the Coming Year : N/A。

7.6 Analysis of Risk Management

(1) The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

1. Interest rate

   The interest revenues of the Company in 2017 and 2018 accounted for 18.64% and 9.04% respectively of total pre-tax profit. The interest expenses in 2017 and 2018 accounted for 22.52% and 25.71% respectively of total pre-tax profit. The Company use bank loans for debt financing, with agreements on interest rate intervals to reduce the interest rate risks. Thus, the change in interest rate has no significant impact on the Company. The Company has also keep up with changes in interest rates and conduct necessary measures, thereby reducing the impact of interest rate fluctuations on profit and loss.

2. Foreign exchange rate

   The Company's business is mainly focused on exports, which is mainly based on US dollars, whereas purchases are mainly from domestic manufacturers. Total receivables denominated in US dollars is larger than the purchases denominated in US dollars, thus after calculating the balance amount, the foreign exchange rate fluctuations would still have certain impact on the Company's income. The foreign exchange gains and losses of the Company in 2017 and 2018 were –NT$95,204 thousand and NT$35,681 thousand respectively, accounting for -501.95% and 104.3% of the Company's pre-tax profit.

   Although the foreign exchange rate fluctuations have an impact on the Company's revenue and profit, the Company manages its foreign capital based on the Conservatism Principle, and commit to greater efforts to avoid adverse effects that may be caused by foreign exchange rate fluctuations. In addition to the natural hedges from foreign denominated receivables and payables, the Company’s financial personnel would retain foreign currency holdings in response to the demand for foreign currencies, and adjust its foreign currency holdings accordingly, depending on the exchange rate trends, in order to reduce the impact of foreign exchange rate fluctuations. When providing a quote, the business department also considers price adjustment caused by foreign exchange rate fluctuations to ensure profitability, and make efforts on eliminating the impact of foreign exchange rate fluctuation on the Company’s income.

3. Inflation

   Inflation has no significant impact on the Company, and the Company will also pay close attention to future inflation, and adjust its inventories and product price accordingly.

(2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

In order to manage financial risks, the Company has not engaged in high-risk or highly leveraged investments, and has established internal management and operational procedures in accordance with regulations such as the “Procedures for Acquisition and Disposal of Assets”, “Procedures for the Loaning of Funds”, and “Procedures for Endorsements and Guarantees”.

Financial derivatives held or issued by the Company are for hedging foreign exchange rate risks of net assets or net liabilities, and the transactions are based on regulations of the “Procedures for Acquisition and Disposal of Assets”. Up to date of publication of the annual report in 2019, the Company has not engaged in transactions of financial derivatives.

(3) Future Research & Development Projects and Corresponding Budget

1. Future Research & Development Projects

The Company has already invested considerable resources in the development of new products over a long time. In terms of precision metal stamping, the Company has considerable investment on hard disk and other products in order to meet clients' needs in product development. For hard disks, the Company has actively invested on the improvement and R & D of various new molds and manufacturing processes since its establishment. In terms of precision stamping of products other than hard disks, the Company actively focuses on entering communication or electronic fields. The products underline features of thin and robust, hence the Company also invests considerable resources in surface treatments and manufacturing processes of these products in order to meet the needs of clients who seek new developments.

For the medical plastics business, the Company will gradually invest resources in order to maintain steady and long-term development.

As for the automation equipment, since the business focuses on customization, the Company's automation business unit has considerable R&D and innovation abilities in order to meet clients' needs. In addition, the recent increase in labor costs accelerated automation demands, thus the business unit actively invests in robotic arms and systems integration, in order to offer more varieties for its clients. Moreover, the business unit for automation equipment also makes considerable improvements in the product design process, enabling clients to receive the required products in a short period of time, and gain more opportunities on obtaining client orders in automated businesses.

2. Expected Research Expenditure

The Company will continue on developing projects acquiring patents, investing R&D expenses accounting for 4%-5% of total operating revenue in 2018, in order to boost its R&D capability and market competitiveness.

(4) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company's various businesses are implemented in accordance with regulations of the competent authority, and pay attention to the changes major policies and regulation changes locally and internationally in order to assess its impact on The Company. Up to the date of publication of the annual report, major policies and regulation changes locally and internationally have no significant impact on The Company's financial and business activities.

(5) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The Company attaches great importance to improvements in technology and carefully monitors market trends and assesses the impact they may have on the Company's operations.

In addition, the Company has obtained ISO-22301 Operational Continuous Management System Certification in 2017, and regularly conducts information system operational impact analysis and risk assessment every year, and implements improvement measures based on risk level assessment results, and continuously strengthens security protection to respond to information systems. Possible risks to avoid disruption of operations. Up to now, the Company has no significant security risks.

(6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company always adheres to relevant laws and regulations on fulfilling its corporate social responsibility. It has successively implemented ISO14001 and OHSAS18001 since 2009, and has also implemented the EICC (currently named RBA Responsible Business Alliance Code of Conduct) since 2011. The Company acquired certifications of PAS2050:2008 and ISO14064-1:2006 in 2012 to fulfill responsibilities on protecting the global environment.

There are no negative reports on the Company’s corporate image.

(7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: N/A.

(8) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: N/A.

(9) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

1. Risks Relating to Excessive Concentration of Purchasing Sources

   The Company has a large number of suppliers of the same nature to supply its main raw materials, in order to achieve high raw material flexibility. The supplier also has flexible schedules for special specifications and spot markets to secure a stable source of steel supply. The Company maintained a good relationship and business cooperation with all its suppliers, hence there are no risks associated with shortage or interruption of the source caused by consolidation of purchasing.

2. Risks Relating to Excessive Customer Concentration

   The Company's main products are precision metal stamping, plastic injection parts and automatic machines, which are mainly sold to famous international companies or assembly foundries. The Company has a diverse customer base that provides stability, and maintains stable strategic partnership with downstream clients and upstream suppliers to ensure stable operations.

(10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: N/A.

(11) Effects of, Risks Relating to and Response to the Changes in Management Rights : N/A.

(12) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: N/A.

(13) Other important risks, and mitigation measures being or to be taken: N/A.

7.7 Other important matters: N/A.

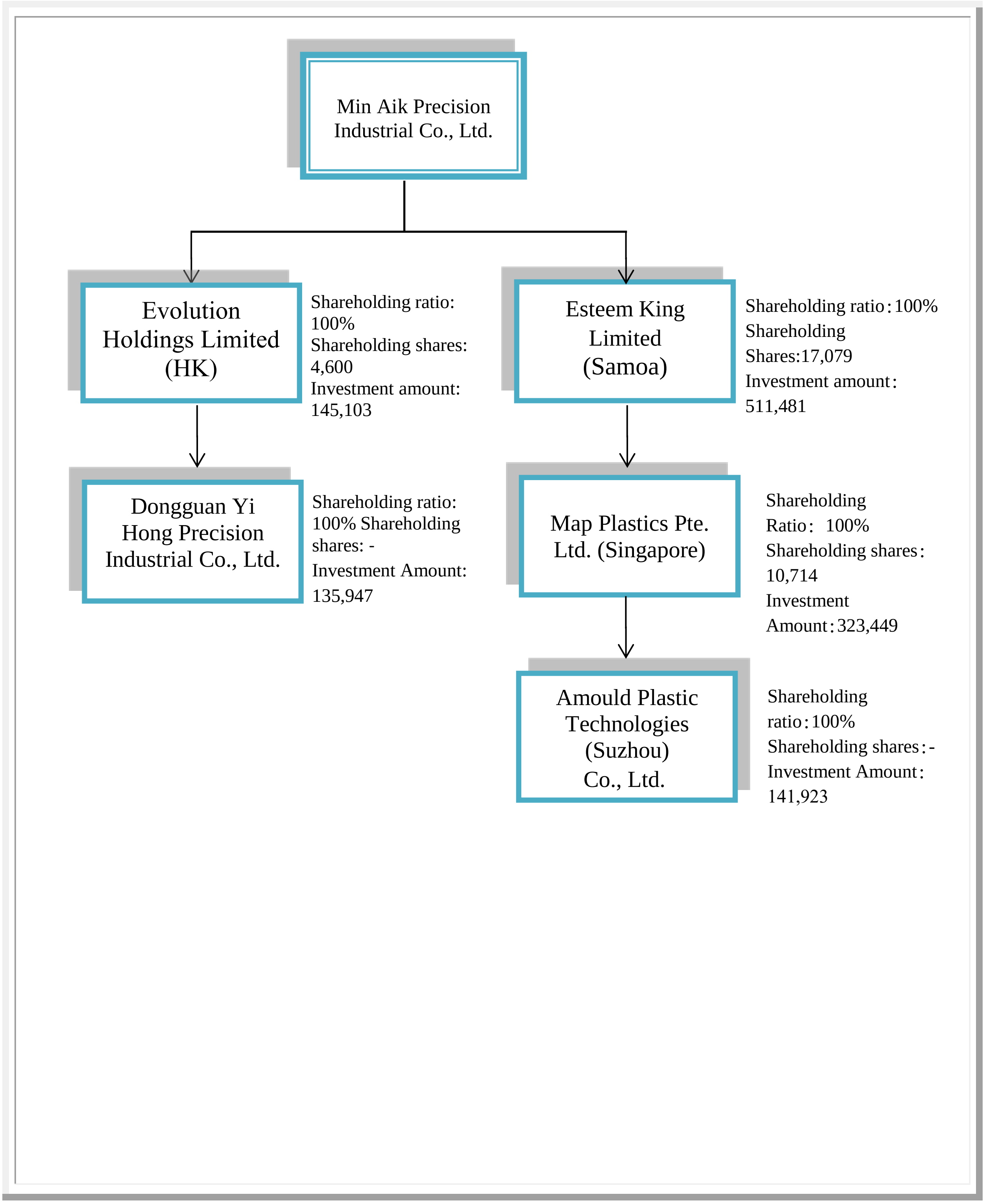
VIII. Specially Noted Matters

8.1 Relevant information of Affiliated Enterprise

(1) Affiliates information

1. Organization chart of Affiliated Enterprise

Dec. 31, 2018; Unit: In Thousands



2. Basic information of affiliates

Dec. 31, 2018

Company Name	Established Date	Address	Paid-In Capital	Main Business or Production Item
Esteem King Limited (Samoa)	06.28.2011	Vistra Corporate Services Centre, Ground Floor Npf Building, Beach Road, Apia, Samoa.	USD 17,079,352	Holding company
Evolution Holdings Limited (HK)	02.18.2015	1004 Axa Centre,151 Gloucester Road, Wan Chai, Hong Kong	USD 4,600,000	Holding company
MAP Plastics Pte. Ltd. (Singapore)	10.25.2002	13 Loyang Lane, Loyang Industrial Estate, Singapore 508924	SGD 14,178,469	R&D, manufacturing and sales of medical equipment and tooling
Amould Plastic Technologies (Suzhou) Co., Ltd.	06.26.2002	Building 4, No.886, Yinzhong South Road, Wuzhong District, Suzhou City, Jiangsu Province, China 215124	USD 7,250,000	Automated machine manufacturing, trading, after-sales service and R&D
Dongguan Yi Hong Precision Industrial Co., Ltd.	04.15.2015	No. 4 Tonggu Zhonglu, Shangjiao District, Chang'an Town, Dongguan City, China 523878	USD 4,400,000	Clearing

3. Business Scope of the Company and Its Affiliated Companies

Dec. 31, 2018

Industry	Affiliated Companies name	Affiliated with business operations of Affiliated companies
General investing	Esteem King Limited (Samoa) Evolution Holdings Limited (HK)	Holding company
Manufacturing	Map Plastics Pte. Ltd. (Singapore)	R&D, manufacturing and sales of medical equipment and tooling
Manufacturing	Amould Plastic Technologies(Suzhou) Co., Ltd.	Automated machine manufacturing, trading, after-sales service and R&D
Manufacturing	Dongguan Yi Hong Precision Industrial Co., Ltd.	Clearing

4. Shareholders representing both holding companies and subordinates: None

5. Directors, Supervisors and Presidents of Affiliated Companies

Unit: Thousand shares

Company Name	Title	Name or Representative	Shareholding	
			Number of Shares	ratio (%)
Esteem King Limited (Samoa)	Director	Min Aik Precision Industrial Co., Ltd.	17,079	100%
Evolution Holdings Limited (HK)	Director Director Director	Fang, Kuang-Yi Lu, Jung-Ching Mong, Ching-Yu	0 0 0	- - -
Map Plastics Pte. Ltd. (Singapore)	Director Director Director	Fang, Kuang-Yi Loy Chit See Mong, Ching-Yu	0 0 0	- - -
Amould Plastic Technologies (Suzhou) Co., Ltd.	Chairman Director Supervisor President	Fang, Kuang-Yi Mong, Ching-Yu Fang, Kuang-Yi	0 0 0 0	- - - -
Dongguan Yi Hong Precision Industrial Co., Ltd.	Chairman Director Director Supervisor President	Fang, Kuang-Yi Lu, Jung-Ching Chang, Yu-Hua Mong, Ching-Yu Chang, Yu-Hua	0 0 0 0 0	- - - - -

6. Affiliates' Operating Results

Dec. 31, 2018 Unit: NT$ Thousands

Company Name	Paid-in capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating profit (Loss)	Net Income (Loss) (After tax)	EPS (Loss)/NT $ (After tax)
Esteem King Limited (Samoa)	511,481	1,342,355	398,276	944,079	-	(160)	8,945	0.52
Evolution Holdings Limited (HK)	145,103	11,125	69	11,056	-	(253)	(950)	(0.21)
Map Plastic Pte. Ltd. (Singapore)	325,392	1,040,298	398,276	642,022	531,723	104,350	16,550	1.54
SEB Manufacturing Sdn. Bhd. (Malaysia) (Note)	-	-	-	-	-	-	(641)	-
Amould Plastic Technologies (Suzhou) Co., Ltd.	213,774	534,255	272,659	261,596	532,333	(90,954)	(82,583)	-
Dongguan Yi Hong Precision Industrial Co., Ltd.	135,947	8,577	-	8,577	-	(172)	(265)	-

Note: It has been disposed in second-quarter of 2018.

(2) Affiliates Consolidated Financial Statements: Please refer to the fourth consolidated financial report of the 2018 Annual Accountant Checking Visa of the "Financial Information".

(3) Report of affiliated enterprise: None.

8.2 Acts in privately placed securities in categories and names of negotiable securities in the most recent year as of the Annual Report issuance date: None.

8.3 The Company's share certificates being held or disposed of by subsidiaries in the most recent year as of the Annual Report issuance date: None.

8.4 Other necessary supplementary notes: None.

8.5 Occurrence of significant impact upon shareholders' equity or securities prices under Subparagraph 2, Paragraph 3, Article 36 of the Act in the most recent year as of the Annual Report issuance date.

(1) Change in the chairman of the board, general manager, or one-third or more of the directors of the company: On December 20, 2018, Mr. Jin, Bor-Shi was elected as the chairman by the board of directors.

【Appendix 1】

Stock Code:4545

MIN AIK PRECISION INDUSTRIAL CO., LTD.
AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: No.2, Guorui Rd., Guanyin Dist., Taoyuan City, Taiwan (R.O.C.)
Telephone: (03) 438-9966

Table of contents

Representation Letter

The entities that are required to be included in the combined financial statements of Min Aik Precision Industrial Co., Ltd. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Min Aik Precision Industrial Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Min Aik Precision Industrial Co., Ltd.
Chairman: Jin, Bor-Shi
Date: March 18, 2018

Independent Auditors' Report

To the Board of Directors of Min Aik Precision Industrial Co., Ltd. :

Opinion

We have audited the consolidated financial statements of Min Aik Precision Industrial Co., Ltd. and subsidiaries ("the Group"), which comprise the consolidated balance sheets statement of financial position as of December 31, 2018 and 2017, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and 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 year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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.

1. Inventory valuation

   Please refer to Notes 4(h) "Inventory" and Note 5 of the notes to consolidated financial statement for the accounting policies on inventory measurement and significant accounting assumptions and judgments, and major sources of estimation uncertainty, respectively.

   Description of key audit matter:

   The Group's inventory are measured at lower of cost and net realized value. The Group's products except for automatic machines may be obsolescent or do not meet the market demand due to new product or market change, and the automatic machines are customizable. Thus, the cost of inventory may exceed its net realizable value. Moreover, the net realizable value involved management's judgments. Therefore, the inventory valuation is one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the Group's policies of inventory valuation to assess the appropriateness of its inventory valuation; on a sampling basis, testing the Group's inventory aging report to verify its correctness; understanding and testing, on a sampling basis, the selling price that the management used, or reviewing the subsequent sales of the inventories to assess the appropriateness of the net realizable value.

Other Matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 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's 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 appropriate audit evidence regarding the financial information of the 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 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 of the current period 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 Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 18, 2018

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,000,649	32	1,092,427	39
1170	Accounts receivable, net (notes 6(b) and (m))	420,343	13	548,168	20
1181	Accounts receivable from related parties (notes 6(b), (m) and 7)	143,965	4	213,681	8
130X	Inventories (note 6(c))	275,781	9	260,217	9
1479	Other current assets (notes 7 and 8)	59,698	2	62,261	2
		1,900,436	60	2,176,754	78
	Non-current assets:				
1551	Investments accounted for using equity method (note 6(d))	107,991	3	117,300	4
1600	Property, plant and equipment (notes 6(e) and 8)	1,098,142	35	457,365	16
1995	Other non-current assets (notes 6(i) and (j))	51,152	2	51,503	2
		1,257,285	40	626,168	22
	Total assets	$ 3,157,721	100	2,802,922	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(f))	$ 184,600	6	209,818	7
2170	Accounts payable (note 7)	224,852	7	260,277	9
2201	Salary and wages payable (note 6(n))	113,320	3	118,868	4
2230	Current income tax liabilities	25,060	1	28,288	1
2300	Other current liabilities (note 7)	251,336	8	241,331	9
2322	Long-term borrowings, current portion (note 6(g))	98,000	3	-	-
		897,168	28	858,582	30
	Non-Current liabilities:				
2541	Long-term borrowings (note 6(g))	462,000	15	50,000	2
2570	Deferred tax liabilities (note 6(j))	69,393	2	64,648	3
2600	Other non-current liabilities	-	-	3,000	-
		531,393	17	117,648	5
	Total liabilities	1,428,561	45	976,230	35
	Equity attributable to owners of parent (note 6(k)):				
3110	Ordinary share	770,000	25	770,000	27
3200	Capital surplus	731,335	23	758,285	27
3310	Legal reserve	284,874	9	283,223	10
3320	Special reserve	61,868	2	56,380	2
3350	Unappropriated retained earnings (accumulated deficit)	(53,970)	(2)	20,672	1
3410	Exchange differences on translation of foreign financial statements	(64,947)	(2)	(61,868)	(2)
	Total equity	1,729,160	55	1,826,692	65
	Total liabilities and equity	$ 3,157,721	100	2,802,922	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4111	Operating revenues (notes 6(m) and 7)	$ 2,100,367	101	2,494,480	101
4170	Less: Sales returns and allowances	26,835	1	25,096	1
	Net operating revenues	2,073,532	100	2,469,384	100
5111	Operating costs (notes 6(c), (h), (i), (n), 7 and 12)	1,713,429	83	1,968,624	80
	Gross profit from operations	360,103	17	500,760	20
	Operating expenses (notes 6(h), (i), (n), 7 and 12):				
6100	Selling expenses	104,141	5	97,178	4
6200	Administrative expenses	205,420	10	190,462	8
6300	Research and development expenses	102,233	5	102,127	4
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	1,642	-	-	-
	Total operating expenses	413,436	20	389,767	16
	Net operating income (losses)	(53,333)	(3)	110,993	4
	Non-operating income and expenses (notes 6(d) and (o)):				
7010	Other income	45,435	2	50,765	2
7020	Other gains and losses, net	(6,965)	-	(127,745)	(5)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	(10,551)	(1)	(10,740)	-
7050	Finance costs	(8,795)	-	(4,272)	-
7635	Loss on financial assets (liabilities) at fair value through profit or loss	-	-	(34)	-
		19,124	1	(92,026)	(3)
7900	**Profit (loss) before income tax**	(34,209)	(2)	18,967	1
7951	Less: Income tax expenses (note 6(j))	22,558	1	2,454	-
	Net profit (loss)	(56,767)	(3)	16,513	1
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Gain (loss) on remeasurements of defined benefit plans	814	-	(210)	-
		814	-	(210)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(3,079)	-	(5,488)	-
		(3,079)	-	(5,488)	-
8300	**Other comprehensive income (loss), net of income tax**	(2,265)	-	(5,698)	-
	Total comprehensive income (loss)	**$ (59,032)**	**(3)**	**10,815**	**1**
	Net profit (loss) attributable to:				
	Owners of parent	**$ (56,767)**	**(3)**	**16,513**	**1**
	Total comprehensive income (loss) attributable to:				
	Owners of parent	**$ (59,032)**	**(3)**	**10,815**	**1**
9750	**Basic earnings (loss) per share (NT dollars) (note 6(l))**	**$ (0.74)**		**0.21**	
9850	**Diluted earnings per share (NT dollars) (note 6(l))**			**$ 0.21**	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							
	Share capital		Retained earnings			Other equity interest		
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Total equity
Balance on January 1, 2017	$ 770,000	758,285	260,460	6,361	250,401	(56,380)	1,989,127	1,989,127
Net profit	-	-	-	-	16,513	-	16,513	16,513
Other comprehensive income (loss), net of income tax	-	-	-	-	(210)	(5,488)	(5,698)	(5,698)
Total comprehensive income (loss)	-	-	-	-	16,303	(5,488)	10,815	10,815
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	22,763	-	(22,763)	-	-	-
Special reserve	-	-	-	50,019	(50,019)	-	-	-
Cash dividends on ordinary share	-	-	-	-	(173,250)	-	(173,250)	(173,250)
Balance on December 31, 2017	770,000	758,285	283,223	56,380	20,672	(61,868)	1,826,692	1,826,692
Net loss	-	-	-	-	(56,767)	-	(56,767)	(56,767)
Other comprehensive income (loss), net of income tax	-	-	-	-	814	(3,079)	(2,265)	(2,265)
Total comprehensive income (loss)	-	-	-	-	(55,953)	(3,079)	(59,032)	(59,032)
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	1,651	-	(1,651)	-	-	-
Special reserve	-	-	-	5,488	(5,488)	-	-	-
Cash dividends on ordinary share	-	-	-	-	(11,550)	-	(11,550)	(11,550)
Cash dividends from capital surplus	-	(26,950)	-	-	-	-	(26,950)	(26,950)
Balance on December 31, 2018	**$ 770,000**	**731,335**	**284,874**	**61,868**	**(53,970)**	**(64,947)**	**1,729,160**	**1,729,160**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit (loss) before income tax	$ (34,209)	18,967
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	116,469	117,592
Interest expense	8,795	4,272
Interest income	(3,091)	(3,555)
Share of loss (profit) of associates and joint ventures accounted for using equity method	10,551	10,740
Loss on disposal or retirement of property, plant and equipment	1,407	20,523
Property, plant and equipment transferred to expenses	7,510	-
Impairment loss on non-financial assets	12,444	-
Other	-	139
Total adjustments to reconcile profit (loss)	154,085	149,711
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	197,542	28,010
Inventories	(26,157)	(43,623)
Other current assets	2,037	(33,460)
Other operating assets	(1,042)	(2,908)
Total changes in operating assets	172,380	(51,981)
Changes in operating liabilities:		
Accounts payable	(35,425)	(8,075)
Other current liabilities	10,079	(38,048)
Total changes in operating liabilities	(25,346)	(46,123)
Total changes in operating assets and liabilities	147,034	(98,104)
Total adjustments	301,119	51,607
Cash inflow generated from operations	266,910	70,574
Interest received	3,170	3,494
Interest paid	(6,649)	(4,205)
Income taxes paid	(17,904)	(26,384)
Net cash flows from operating activities	245,527	43,479
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	-	14,500
Acquisition of property, plant and equipment	(779,025)	(104,821)
Proceeds from disposal of property, plant and equipment	1,531	9,492
Increase in refundable deposits	(366)	(275)
Increase in other non-current assets	(1,064)	(1,555)
Net cash flows used in investing activities	(778,924)	(82,659)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowing	(24,086)	51,786
Increase in long-term borrowing	510,000	-
Cash dividends paid	(38,500)	(173,250)
Net cash flows from (used in) financing activities	447,414	(121,464)
Effect of exchange rate changes on cash and cash equivalents	(5,795)	(13,657)
Net decrease in cash and cash equivalents	(91,778)	(174,301)
Cash and cash equivalents at beginning of period	1,092,427	1,266,728
Cash and cash equivalents at end of period	$ **1,000,649**	**1,092,427**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Min Aik Precision Industrial Co., Ltd. (the "Company") was incorporated on January 18, 2001, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company's shares were listed on the Taiwan Stock Exchange (TWSE) on January 6, 2016. The address of its registered office is No. 2, Guorui Rd., Guanyin Dist., Taoyuan City. The Company mainly engages in the processing and manufacturing of electroplating of aluminum and copper products, precision stamping components and electroless nickel plating .

The Company's subsidiaries mainly engage in the design, manufacture, sale, and after-sales service of medical injection, molding and automatic machines.

The consolidated financial statements comprise the Company and subsidiaries (together referred to as the "Group" and individually as "Group entities") and the right to the Group's associates.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the Board of Directors on March 18, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The cumulative impact amount of initially adopting IFRS 15 was $0 to the Group, and there was no impact to the consolidated financial statements for the year ended December 31, 2018, that is, the Group's consolidated financial statements for the year ended December 31, 2018, in conformity with the consolidated financial statements that did not adopt IFRS 15. Therefore, the Group need not to disclose the information that the consolidated financial statements for the year ended December 31, 2018, which did not adopt IFRS 15.

(Continued)

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 “Financial Instruments: Disclosures” that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

3) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018. (There is no change in categories and carrying amount of financial liabilities)

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and equivalents	Loans and receivables	1,092,427	Amortized cost	1,092,427
Accounts receivable	Loans and receivables (note 1)	761,849	Amortized cost	761,849
Other financial assets (Guarantee deposits paid)	Loans and receivables (note 1)	8,635	Amortized cost	8,635

Note1: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. No influence on the allowance for impairment was recognized in opening retained earning upon transition to IFRS 9 on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Amortized cost						
Beginning balance of cash and cash equivalents, accounts receivable, and other financial assets	$ 1,862,911	-	-	1,862,911	-	-

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(s).

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

· IFRS 16 definition of a lease to all its contracts; or

· a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

· retrospective approach; or

· modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

· apply a single discount rate to a portfolio of leases with similar characteristics.

· apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

· exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

· use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Group estimated that the right-of-use assets and the lease liabilities to increase by 96,260 thousand and 91,343 thousand after deducting 4,917 of the prepayment respectively, on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, the Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Group expects the adoption of the abovementioned adoption of the IFRSs that will not impact the deferred income tax liabilities and retained earnings at January 1, 2019. However, the actual impacts of adopting the standards may change that, it depends on the economic conditions and events occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date 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

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized as below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC.

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) The defined benefit asset is recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group' s share of net assets before and after the change, and any considerations received or paid, are adjusted to equity attributable to stockholders of the Company.

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Main Activities and Location	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017
The Company	Esteem King Limited. (Esteem King)	Holding Company	100 %	100 %
The Company	Evolution Holdings Limited. (Evolution)	Holding Company	100 %	100 %
Esteem King	MAP Plastics Pte Ltd. (MAPP)	Design, Manufacture and Sale of tooling and medical injection molding	100 %	100 %
MAPP	SEB Manufacturing (Malaysia) SDN. BHD. ((M))	Discontinuing(Note)	- %	100 %
MAPP	Amould Plastic Technologies (Suzhou) Co., Ltd. (AMO)	Design, Manufacture and Sale of automatic machines	100 %	100 %
Evolution	Dongguan Yi Hong Precision Industrial Co., Ltd. (YHP)	Discontinuing	100 %	100 %

Note: SEB(M) has been disposed in the second quarter of 2018.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

(Continued)

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash, and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual rights or obligations of the instruments.

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or fair value through other comprehensive income (FVOCI) described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than 90 days past due;

(Continued)

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (policy applicable before January 1, 2018)

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

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations：

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

- Performance of the financial asset is evaluated on a fair value basis;

- A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in other gains and losses, net. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, and it is included in other income.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management’ s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

(Continued)

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in other gains and losses, net.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable in profit or loss is included in other gains and losses, net.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Group designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations：

· Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

· Performance of the financial liabilities is evaluated on a fair value basis; or

· A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in other gains and losses, net.

3) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of associates, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group' s share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(Continued)

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Leased assets are depreciated by the straight line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

1) Buildings: 50~56 years

2) Building facilities: 3~5 years

3) Machinery and equipment: 2~10 years

4) Office and other equipment：2~15 years

5) Leasehold improvement：2~10 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(k) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(Continued)

(ii) Lessee

Under the operating leases, all payments are recognized as lease expenses, and the leased assets are not recognized in the consolidated statement of financial position.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight line basis over the term of the lease.

Contingency rent is recognized as expense in the period in which it is incurred.

(l) Impairment – non financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from inventory, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount(the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount of an individual asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been an improvement in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(Continued)

(ii) Site restoration

In accordance with the leases agreement, the Group has the obligation to restore the leased facilities and office. The provision is measured by the discounted present value of restoration cost at the termination of agreement and related expense are recognized during contract period.

(n) Revenue recognized

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

The Group manufactures and sells electronic and plastic components as well as automatic machines. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group offers standard warranty with the automatic machines for months to one year to its clients. Therefore, the Group' s obligation to provide a refund for faulty automatic machines under the standard warranty terms is recognized as a provision of warranty.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(iii) Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(Continued)

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Usually, the transfer occurs upon that the goods are delivered to clients' warehouse, and are accepted by the clients.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(Continued)

(iii) Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share based payment

The grant-date fair value of share based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non market performance conditions at the vesting date.

The Group usually reserves partial shares for employees' subscription when the Group increases capital, the grant-date is the date that the Group and employees reach a consensus in the subscription price and number of shares.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of the expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be revaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per Share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee bonuses not yet resolved by the shareholders and such employee bonuses is paid by new shares that resolved by the shareholders.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The Group’s accounting policies do not involve significant judgments.

Information about assumptions and estimation uncertainties that has a significant risk of resulting in a material adjustment within the next financial year is as follows:

Valuation of Inventory

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(c) for further description of the valuation of inventories.

The Group’s accounting policies include measuring financial and nonfinancial assets and liabilities at fair value through profit or loss. The Group’s financial division conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial division also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(p) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2018	December 31, 2017
Cash, petty cash, check and demand deposits	$	881,343	909,703
Time deposits		119,306	182,724
Cash and cash equivalents in the consolidated statement of cash flows	**$**	**1,000,649**	**1,092,427**

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Please refer to note 6(p) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

(b) Accounts receivable (include related parties)

		December 31, 2018	December 31, 2017
Accounts receivable	$	568,812	764,620
Less: Loss allowance		(4,504)	(2,771)
	$	564,308	761,849

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

Accounts receivable -non related parties		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	281,619	1%	2,878
0 to 60 days past due		138,391	1%	1,384
61 to 120 days past due		4,837	5%	242
121 to 180 days past due		-	20%	-
181 to 360 days past due		-	50%	-
More than 360 days past due		-	100%	-
	$	424,847		4,504

Accounts receivable -related parties		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	143,965	0%	-
61 to 120 days past due		-	0%	-
121 to 180 days past due		-	0%	-
181 to 360 days past due		-	0%	-
More than 360 days past due		-	0%	-
	$	143,965		-

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of accounts receivable, and the aging analysis of accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
0 to 90 days past due	$ 9,787
91 to 180 days past due	19,015
	$ 28,802

The movement in the allowance for accounts receivable was as follows:

		2017	
	2018	**Individually assessed impairment**	**Collectively assessed impairment**
Balance on January 1, 2018 and 2017 per IAS 39	$ 2,771	-	4,993
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	2,771		
Impairment losses recognized (Gain on reversal of impairment loss)	1,642	-	(2,170)
Foreign exchange gains/(losses)	91	-	(52)
Balance on December 31, 2018 and 2017	**$ 4,504**	**-**	**2,771**

(c) Inventories

	December 31, 2018	December 31, 2017
Raw materials and supplies	$ 46,907	50,639
Work in progress	55,149	52,024
Finished goods	173,725	157,554
	$ 275,781	**260,217**

In 2018, the write-down of inventories amounted to $42,201 thousand (2017: $14,399 thousand). Such loss was added to cost of goods sold.

In 2018, the idle capacity was $28,888 thousand (2017: $20,289) . Such unallocated fixed overheads due to idle capacity was recognized as cost of goods sold.

As of December 31, 2018 and 2017, the Group did not provide any inventories as collateral for its loans.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Investments accounted for using equity method

(i) The Group's financial information for investments accounted for using the equity method that were individually insignificant was as follows:

Name of Affiliates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights December 31, 2018	Proportion of shareholding and voting rights December 31, 2017
MATC Technology (M) Sdn. Bhd.	Production of hardware components	Malaysia	20.00 %	20.00 %

The following financial information has been adjusted according to individually prepared IFRS financial statements of these affiliates:

	December 31, 2018	December 31, 2017
Carrying amount of individually insignificant affiliates equity	$ **107,991**	**117,300**

	2018	2017
Attributable to the Group:		
Loss for the year	$ (10,551)	(10,740)
Other comprehensive income	1,242	2,415
Comprehensive income (loss)	$ **(9,309)**	**(8,325)**

(ii) These affiliates do not have a quoted market price in an active market.

(iii) As of December 31, 2018 and 2017, the Group did not provide any investments accounted for using the equity method as collateral for its loans.

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017, were as follows:

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		Land	Buildings	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
Cost or deemed cost:							
Balance on January 1, 2018	$	26,721	186,008	742,891	468,882	25,399	1,449,901
Additions		569,641	108,945	40,927	14,809	34,919	769,241
Disposal		-	-	(8,983)	(7,711)	-	(16,694)
Transfer		-	-	35,023	8,840	(50,561)	(6,698)
Effect of movements in exchange rates		-	1,389	1,143	(63)	129	2,598
Balance on December 31, 2018	$	**596,362**	**296,342**	**811,001**	**484,757**	**9,886**	**2,198,348**
Balance on January 1, 2017	$	26,721	185,590	765,927	435,035	4,016	1,417,289
Additions		-	607	25,638	65,265	25,034	116,544
Disposal		-	-	(51,214)	(32,696)	-	(83,910)
Transfer		-	-	1,736	2,153	(3,444)	445
Effect of movements in exchange rates		-	(189)	804	(875)	(207)	(467)
Balance on December 31, 2017	$	**26,721**	**186,008**	**742,891**	**468,882**	**25,399**	**1,449,901**
Depreciation and impairments loss:							
Balance on January 1, 2018	$	-	58,135	590,450	343,951	-	992,536
Depreciation		-	5,860	60,535	40,329	-	106,724
Disposal		-	-	(6,246)	(7,511)	-	(13,757)
Impairment loss		-	-	12,444	-	-	12,444
Effect of movements in exchange rates		-	552	1,072	635	-	2,259
Balance on December 31, 2018	$	**-**	**64,547**	**658,255**	**377,404**	**-**	**1,100,206**
Balance on January 1, 2017	$	-	54,025	552,513	338,730	-	945,268
Depreciation		-	4,154	64,316	34,062	-	102,532
Disposal		-	-	(25,693)	(28,202)	-	(53,895)
Effect of movements in exchange rates		-	(44)	(686)	(639)	-	(1,369)
Balance on December 31, 2017	$	**-**	**58,135**	**590,450**	**343,951**	**-**	**992,536**
Carrying amounts:							
Balance on December 31, 2018	$	**596,362**	**231,795**	**152,746**	**107,353**	**9,886**	**1,098,142**
Balance on January 1, 2017	$	**26,721**	**131,565**	**213,414**	**96,305**	**4,016**	**472,021**
Balance on December 31, 2017	$	**26,721**	**127,873**	**152,441**	**124,931**	**25,399**	**457,365**

The Group entered into a contract with Taitien Asset Development Co., Ltd. (Taitien) on January 26, 2018, to purchase the land and buildings (No.2 Guorui Rd., Guanyin Dist., Toayuan City), which were originally rented for its office and plant with $680,000 thousands. The Group referred to the transaction information of nearby real estate market and the real estate appraisal report, and then negotiated with Taitien to decide the purchase price. The ownership of the land and building has been transferred to the Company and completed registration on March 28, 2018. The Group recognized the land and buildings as property, plant and equipment, and borrow the long-term borrowings in compliance with its operating and financial plan. Please refer to note 6(g) for details.

In 2018, the Group considered that some of the machinery and equipment are insufficient capacity utilization, and the future economic benefits probably may not be recovered after the Group' s assessment. Therefore, the Group recognized impairment loss amounting to $12,444 thousand.

As of December 31, 2018 and 2017, for the Group pledged property, plant and equipment as collateral for long-term borrowings, please refer to note (8).

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ **184,600**	**209,818**
Unused short-term credit lines	$ **516,177**	**613,802**
Range of interest rates	**1%~5.655%**	**0.9%~3.15%**

(g) Long-term borrowings

The details were as follows:

	December 31, 2018	December 31, 2017
Secured bank loans	$ 510,000	-
Unsecured bank loans	50,000	50,000
Less : current portion	98,000	-
Total	$ **462,000**	**50,000**
Unused long-term credit lines	$ **50,000**	**50,000**
Range of interest rates	**1.18%~1.6117%**	**1.18%**

According to the Group' s operating and financial plan, the Group entered into a long-term borrowings agreement with Cathay United Bank on April 16, 2018, and drawdown of loan to purchase the property, plant and equipment simultaneously. Please refer to note 6(e) for details.

(h) Operating lease

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 18,175	18,266
Between one and five years	38,614	49,644
Over five years	108,912	111,101
	$ **165,701**	**179,011**

(i) The Group leases a number of land, factory facilities and offices under operating lease with an option to renew the lease after that date. During the year, an amount of $25,507 thousand was recognized as an expense in profit or loss in respect of operating leases (2017: $38,508 thousand).

(ii) The lease agreements are identified as operating lease because such agreements have no conditions to transfer subject matters or assumes substantially all of the risks and rewards of ownership by the Group.

(i) Employee benefit

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

		December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$	(26,118)	(25,339)
Fair value of plan assets		45,687	43,052
Net defined benefit liabilities	**$**	**19,569**	**17,713**

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group' s Bank of Taiwan labor pension reserve account balance amounted to $45,687 thousand as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows

		2018	2017
Defined benefit obligations at January 1	$	25,339	32,563
Current service costs and interest cost		408	537
Remeasurements loss (gain):			
－Return on plan assets excluding interest income		(223)	(537)
－Actuarial loss (gain) arising from:		99	96
-demographic assumptions			
-financial assumptions		495	480
Benefits planned to be paid		-	(7,800)
Defined benefit obligations at December 31	**$**	**26,118**	**25,339**

(Continued)

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

		2018	2017
Fair value of plan assets at January 1	$	43,052	41,578
Interest income		545	579
Remeasurements loss (gain):			
－Return on plan assets excluding interest income		1,184	(170)
Benefits paid		906	1,065
Fair value of plan assets at December 31	**$**	**45,687**	**43,052**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

		2018	2017
Current service costs	$	92	89
Net interest of net liabilities (assets) for defined benefit obligations and plan assets		(228)	(132)
	$	**(136)**	**(43)**
Operating cost	**$**	**(136)**	**(43)**

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

		2018	2017
Accumulated amount at January 1	$	2,022	1,812
Recognized during the period		(814)	210
Accumulated amount at December 31	**$**	**1,208**	**2,022**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2018.12.31	2017.12.31
Discount rate	1.125 %	1.250 %
Future salary increase rate	3.125 %	3.125 %

(Continued)

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $906 thousand.

The weighted average lifetime of the defined benefits plans is 12 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit plan assets	
Original actuarial assumptions	**Increased 0.5%**	**Decreased 0.5%**
December 31, 2018		
Discount rate 1.125%	983	(1,042)
Future salary increasing rate 3.125%	(988)	942
December 31, 2017		
Discount rate 1.250%	953	(1,011)
Future salary increasing rate 3.125%	(956)	910

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $51,921 thousands and $49,485 thousands for the years ended December 31, 2018 and 2017, respectively.

(j) Income taxes

(i) The components of income tax in the years 2018 and 2017 were as follows:

	2018	**2017**
Current tax expense	$ 8,102	14,375
Deferred tax expense (income)	14,456	(11,921)
Income tax expense	**$ 22,558**	**2,454**

(ii) The amount of income tax recognized directly in equity for 2018 and 2017 was 0.

(iii) Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows:

	2018	2017
Profit and loss excluding income tax	$ (34,209)	18,967
Income tax using the Company's domestic tax rate	(2,627)	3,224
Adjustment in tax rate	6,038	(633)
Change in unrecognized temporary differences	30,988	(137)
Change in provision in prior periods	(11,841)	-
	$ 22,558	**2,454**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group's foreign subsidiaries have retained earnings, because of the demand of capital expenditures and working capital. The Group expects that some of these retained earnings will not be returned back to the Company in the foreseeable future under the consideration of Group's integral development and investment plan. Hence, the temporary differences are not recognized under deferred tax liabilities. As of December 31, 2018 and 2017, the unrecognized deferred tax liabilities amount was $13,595 thousand and $11,556 thousand, respectively.

2) Unrecognized deferred tax assets

	December 31, 2018	December 31, 2017
Tax effect of deductible temporary differences	$ 16,592	10,012
The carry forward of unused tax losses	25,399	-
	$ 41,991	**10,012**

The R.O.C. Income Tax Act and subsidiaries tax jurisdiction allows net losses, as assessed by the tax authorities, to offset taxable income over a period of five to ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2018, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Company name	Year of loss	Unused tax loss	Expiry date
The Company	2017 to 2018 (Filed)	$ 87,522	2027
AMO	2018 (Estimation)	52,632	2028

(Continued)

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	Unrealized exchange gain	Gain on foreign investments under the equity method	Depreciation difference under tax laws	Total
Deferred Tax Liabilities:				
Balance at January 1, 2018	$ -	41,652	16,961	58,613
Recognized in profit or loss	1,439	8,949	391	10,779
Balance at December 31, 2018	**$ 1,439**	**50,601**	**17,352**	**69,392**
Balance at January 1, 2017	$ 1,841	41,606	17,781	61,228
Recognized in profit or loss	(1,841)	46	(820)	(2,615)
Balance at December 31, 2017	**$ -**	**41,652**	**16,961**	**58,613**

	Allowance to reduce inventory	Non-financial assets impairment	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2018	$ (8,843)	-	(5,048)	(13,891)
Recognized in profit or loss	(67)	(1,304)	5,048	3,677
Balance at December 31, 2018	**$ (8,910)**	**(1,304)**	**-**	**(10,214)**
Balance at January 1, 2017	$ (8,156)	-	3,571	(4,585)
Recognized in profit or loss	(687)	-	(8,619)	(9,306)
Balance at December 31, 2017	**$ (8,843)**	**-**	**(5,048)**	**(13,891)**

(v) Examination and Approval

The Company's tax returns for the years through 2016 were examined and approved by the Taipei National Tax Administration.

(k) Capital and other equity

As of December 31, 2018 and 2017, the total value of authorized ordinary shares both were amounted to $1,000,000 thousand with par value of $10 per share. As of that date, ordinary shares both were issued amounted to $770,000 thousand.

(i) Capital surplus

The balances of capital surplus as of December 31, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Share premium	$ 681,049	707,999
Reorganization	42,439	42,439
Employee share options	7,847	7,847
	$ 731,335	**758,285**

(Continued)

The general meeting of shareholders that held on Jane 15, 2018, decided to distribute capital surplus resulting from share premium as cash dividends amounted to $26,950 thousand with $0.35 per share.

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

The Company's Articles of Incorporation requires that after-tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, may be appropriated according to a resolution of a shareholder's meeting.

In consideration of the shareholder's long-term benefit and stable operation, the Company adopts a stable dividends policy. Therefore, cash dividends should not be less than 10% of the aggregate dividends.

1) Legal reserve

According to the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

3) Earnings distribution

Earnings distribution for 2017 and 2016 was decided via the general meeting of shareholders held on Jane 15, 2018 and Jane 16, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to ordinary shareholders				
Cash	$ 0.15	11,550	2.25	173,250

Earnings distributions for 2017 and 2016 that decided by the general meeting of shareholders were not different from the resolution of board meeting. Related information would be available at the Market Observation Post System website.

(l) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2018, was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, calculated as follows:

	2018	2017
Basic earnings per share		
Profit (loss) attributable to ordinary shareholders of the Company	$ (56,767)	16,513
Weighted-average number of ordinary shares (thousand shares)	77,000	77,000
Earnings per share	$ (0.74)	0.21

(ii) Diluted earnings per share

The Company does not have any dilutive potential ordinary shares in 2018. Thus, only basic earnings per share is disclosed. The calculation of diluted earnings per share at December 31, 2017, was based on profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows.

	2017
Diluted earnings per share	
Profit (loss) attributable to ordinary shareholders of the Company	$ 16,513
Weighted-average number of ordinary shares (thousand shares)	77,156
Earnings per share	$ 0.21

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2017
Weighted-average number of ordinary shares (diluted) (thousand shares):	
Weighted average number of ordinary shares (basic)	77,000
Effect of employee share bonus	156
Weighted average number of ordinary shares (diluted)	**77,156**

(m) Revenue from contracts with customers

(i) Details of revenue

	2018	2017
Primary geographical markets		
Malaysia	$ 521,022	612,591
Singapore	460,307	395,348
China	458,481	640,369
Taiwan	249,185	347,347
Others	384,537	473,729
	$ 2,073,532	**2,469,384**

Please refer to note 14 (b) for major product information.

(ii) Contract balances

	December 31, 2018	December 31, 2017
Accounts receivable	$ 568,812	764,620
Less: allowance for impairment	(4,504)	(2,771)
Total	**$ 564,308**	**761,849**

For details on accounts receivable and allowance for impairment, please refer to note 6(b).

(n) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of Incorporation the Company should contribute 3%~9% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company did not estimate employee compensation and directors' and supervisors' remuneration due to loss before income tax for the year ended December 31, 2018. For the year ended December 31, 2017, the Company estimated its employee remuneration amounting to $195 thousand, and directors' and supervisors' remuneration amounting to $0. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2017. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2017.

(o) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

		2018	2017
Interest income	$	3,091	3,536
Rent income		3,839	3,692
Other income		38,505	43,537
	$	**45,435**	**50,765**

(ii) Other gains and losses

The details of other gains and losses were as follows:

		2018	2017
Foreign exchange gains (losses), net	$	35,681	(95,204)
Gains (Losses) on disposals of property, plant and equipment, net		(1,407)	(20,523)
Loss on non-financial assets impairment		(12,444)	-
Others		(28,795)	(12,018)
	$	**(6,965)**	**(127,745)**

(p) Financial instruments

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which is derived primarily from the Group' s accounts receivable.

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Credit risk exposure

The maximum exposure to credit risk is mainly from carrying amount of financial assets. As of December 31, 2018 and 2017, the maximum amounts that exposed to credit risk were $1,571,324 thousand and $1,862,911 thousand, respectively. Since the Group's bank deposits are deposited in many different finance institutions with good credit rating. Therefore, there is no significant credit risk.

2) Concentration of credit risk

The concentration of credit risk is mainly affected by creditors' rating and the client's industry. As of December 31, 2018 and 2017, 63% and 80%, respectively, of the Group's accounts receivable were concentrated on top five sales clients.

3) Please refer to note 6(b) for the details of the accounts receivable aging and loss allowance.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2018						
Non derivative financial liabilities						
Bank loans	$ 744,600	782,015	293,750	70,861	206,335	211,069
Accounts payable (including related parties)	224,852	224,852	224,852	-	-	-
Other financial liabilities	196,935	196,935	196,935	-	-	-
	$ 1,166,387	**1,203,802**	**715,537**	**70,861**	**206,335**	**211,069**
December 31, 2017						
Non derivative financial liabilities						
Bank loans	$ 259,818	260,924	210,873	50,051	-	-
Accounts payable (including related parties)	260,277	260,277	260,277	-	-	-
Other financial liabilities	210,010	210,010	210,010	-	-	-
	$ 730,105	**731,211**	**681,160**	**50,051**	**-**	**-**

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 33,172	30.715	1,018,890	38,388	29.76	1,142,432
Financial liabilities						
Monetary items						
USD	974	30.715	29,932	794	29.76	23,641

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and accounts payable that are denominated in foreign currency.

A strengthening (weakening) of 1% of the NTD against the abovementioned foreign currency as of 31 December, 2018 and 2017 would have increased (decreased) the net profit before tax by $9,890 thousand and $11,188 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2017.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $35,681 thousand and $ (95,204) thousand, respectively.

3) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases a quarter-point when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

(Continued)

If the interest rate had increased / decreased by a quarter-point, the Group's profit (loss) before income tax would have increased / decreased by $802 thousand and 2,178 thousand for the year ended 2018 and 2017 with all other variable factors remaining constant. This is mainly due to the changes in the Group's variable-interest-rate financial liabilities exposure to interest risk.

The Group's fixed-interest-rate financial assets and liabilities are measured at amortized cost. The changes in market rate do not affect the Group's profit or loss on the reporting date. Therefore, the Group does not disclose the sensitivity analysis of the changes in fair value.

(iv) Fair value of financial instruments

The carrying amounts and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy are as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that have no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,000,649				
Accounts receivable	420,343				
Accounts receivables – related party	143,965				
Other financial assets	6,367				
Subtotal	**$ 1,571,324**				
Financial liabilities measured at amortized cost					
Long term and short term borrowing	$ 744,600				
Accounts payable (including related parties)	224,852				
Other financial liabilities	196,935				
Subtotal	**$ 1,166,387**				

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2017				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Loans and receivables					
Cash and cash equivalents	$ 1,092,427				
Accounts receivable	548,168				
Accounts receivable – related party	213,681				
Other financial assets	8,635				
Subtotal	**$ 1,862,911**				
Financial liabilities measured at amortized cost					
Long term and short term borrowing	$ 259,818				
Accounts Payables – related party	260,277				
Other financial liabilities	210,010				
Subtotal	**$ 730,105**				

1) Valuation techniques for financial instruments measured at fair value

The fair value of financial instruments traded in an active market is based on the quoted market price. The quotation announced by the stock exchange center or exchange center, might be regarded as the fair value of the listed equity securities which is traded in an active market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

The Group' s valuation techniques and assumptions used for financial instruments measured at fair value are as follows:

- Measurements of fair value of financial instruments with an active market, such as listed company stock, beneficiary certificate etc., its fair value depends on the market quotation.

- Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

2) There were no transfers between each fair value levels in 2018 and 2017.

(q) Financial risk management

(i) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) The Group have exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The abovementioned risks discuss the Group's objectives, policies and processes for measuring and managing the aforementioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to note 6(p).

(r) Capital management

The Group's capital management policy is to ensure that it has sufficient and necessary financial resources to sustain its working capital, capital expenditures and debt refunding requirements within twelve months after the reporting date. And also considers the debt ratio to maintain investor, creditor and market confidence. The Group's capital management strategy is consistent with the prior year, and the debt ratio were 46% and 35% as of December 31, 2018 and 2017, respectively.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Financing activities

Reconciliation of liabilities arising from financing activities were as follows:

		Short-term borrowings	Long-term borrowings	Total liabilities from financing activities
January 1, 2018	$	209,818	50,000	259,818
Cash flows				
Proceeds from borrowings		64,444	510,000	574,444
Repayments of borrowings		(88,530)	-	(88,530)
Non-cash changes				
Effect of exchange rate		(1,132)	-	(1,132)
Total liabilities from financing activities	**$**	**184,600**	**560,000**	**744,600**

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	**Relationship with the Group**
Min Aik Technology Co., Ltd (MAT)	The entity with significant influence over the Group
Min Aik Technology (M) Sdn. Bhd. (MAM)	Other related parties (The entity's parent company with significant influence over the Group)
MATC Technology (M) Sdn. Bhd. (MATC)	〃
Min Aik Technology (Suzhou) Co., Ltd. (MAY)	〃
MAP Technology Holdings Limited (MAPT)	〃
Key management personnel	The Group’s major management personnel

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

		Sales		Receivables from related parties	
		2018	**2017**	**December 31, 2018**	**December 31, 2017**
The entity with significant influence over the Group:					
MAT	$	156,565	220,489	47,347	102,468
Other related parties:					
MAM		396,303	419,604	96,618	111,116
Others		14	6,050	-	97
	$	**552,882**	**646,143**	**143,965**	**213,681**

The payment term of sales to related parties was O/A 120 days and which term may be changed depend on the Group' s operation. The payment terms to non-related parties was normally about two to three months. The selling price to related parties was referred to the market price and negotiated by both parties.

(ii) Purchases

The amounts of purchase transactions and outstanding balances between the Group and related parties were as follows:

		Purchases		Payables to related parties	
		2018	**2017**	**December 31, 2018**	**December 31, 2017**
The entity with significant influence over the Group	$	397	607	-	-
Other related parties		26,194	19,477	8,080	4,398
	$	**26,591**	**20,084**	**8,080**	**4,398**

1) The payment term of purchases from related parties was O/A 120 days. The purchase price from related parties was referred to the market price and negotiated by both parties.

2) As of December 31, 2018 and 2017, the prepayments for purchasing raw materials from the entity with significant influence over the Group were US$91 thousand, and US$65 thousand, respectively.

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Accepting services from and other accounts payable to related parties

	Transaction amount		Other accounts payable to related parties	
	2018	2017	December 31, 2018	December 31, 2017
The entity with significant influence over the Group	$ 5,674	6,212	1,978	2,853
Other related parties	3,359	4,537	165	214
	$ 9,033	**10,749**	**2,143**	**3,067**

(iv) Rendering services to and other accounts receivable from related parties

	Transaction amount		Other accounts receivable from related parties	
	2018	2017	December 31, 2018	December 31, 2017
The entity with significant influence over the Group	$ 1,019	267	2	-
Other related parties	2,269	3,337	326	490
	$ 3,288	**3,604**	**328**	**490**

(c) Key management personnel compensation

	2018	2017
Short-term employee benefits	$ 14,422	13,966
Post-employment benefits	268	245
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
Total	**$ 14,690**	**14,211**

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2018	December 31, 2017
Restricted cash in banks	Short-term borrowings and guarantee for letter of credit	$ 690	790
Land and buildings	Long-term borrowings	676,768	-
		$ 677,458	**790**

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Significant contingent liabilities and unrecognized commitment:

(a) The Group's unrecognized contractual commitments were as follows:

	December 31, 2018	December 31, 2017
Purchase commitment	$ 68,958	6,490
Acquisition of property, plant and equipment	$ 22,698	34,382

(b) The guarantee notes issued by the Group for the line of credit and the endorsements and guarantees for the financing were as follows:

	December 31, 2018	December 31, 2017
Issued guarantee notes	$ 1,139,658	760,080
Endorsements and guarantees	$ 167,460	193,440

(c) Please refer to note 6(h) for the irrevocable lease contracts entered into by the Group.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	For the year ended December 31					
	2018			2017		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	459,166	197,259	656,425	496,451	173,886	670,337
Labor and health insurance	40,263	15,751	56,014	42,392	14,252	56,644
Pension	30,446	21,339	51,785	29,892	19,550	49,442
Others	36,195	8,985	45,180	36,647	8,188	44,835
Depreciation and amortization	88,849	27,620	116,469	93,945	23,647	117,592

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2018:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 3)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Individual funding loan limits (Note 1)	Maximum limit of fund financing (Note 1)
1	Esteem King	AMO	Other accounts receivable-related parties	Yes	91,380	-	-	3%	Short-term financing	-	Operating capital	-		-	864,580	864,580

Note 1: For foreign company in which the Company, directly or indirectly, owned 100% of their shares, the individual and total amount available for financing purposes shall not exceed 50% of the Company's net worth, which was audited or reviewed by Certified Public Accountant.

Note 2: The aforementioned related-party transactions have been eliminated from the consolidated financial statements.

Note 3: The amounts are approved by the board of directors

Note 4: If highest balance of financing to other parties during the period was foreign currencies which were translated to New Taiwan Dollars by the highest exchange rate for current year. If ending balance and actual usage amount during the period were foreign currencies which were translated to New Taiwan Dollars by the exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	Esteem King	4)	1,729,160	123,820	122,860	-	-	7.11 %	1,729,160	Y	No	No
0	The Company	Evolution	4)	1,729,160	74,875	-	-	-	- %	1,729,160	Y	No	No
0	The Company	AMO	4)	1,729,160	44,600	44,600	44,600	-	2.58 %	1,729,160	Y	No	Yes

Note 1: Relationship with guarantor:

1. Ordinary business relationship.
2. The Company directly or indirectly owned more than 50% of the subsidiary shares.
3. The counter-party directly or indirectly owned more than 50% of the Company's shares.
4. The Company directly or indirectly owned 90% or more than 90% of subsidiaries' shares.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.

The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The amount of the guarantee provided by the Company to any individual entity shall not exceed 10% of the Company's net worth. The subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company shall not exceed the Company's net worth.

Note 3: The total amount of endorsements/guarantees may not exceed the Company's net worth.

Note 4: If highest balance of financing to other parties during the period was foreign currencies which were translated to New Taiwan Dollars by the highest exchange rate for current year. If ending balance and actual usage amount during the period were foreign currencies which were translated to New Taiwan Dollars by the exchange rate at the reporting date.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and buildings	107.03.28	680,000	According to the contract	Taitien Asset Development Co., Ltd.	-	Not applicable	Not applicable	Not applicable	-	Refer to appraisal report and negotiated with counter-party	manufacture	None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The company	Min Aik Technology (M) Sdn. Bhd. (MAM)	The entity with significant influence over the Group	(Sale)	396,303	(38) %	Note 1	-	normally two to three months	96,618	37%	
The company	Min Aik Technology Co., Ltd. (MAT)	〃	(Sale)	156,565	(15) %	Note 1	-	〃	47,347	18%	

Note 1：The payment is O/A 120 days. However, it can be changed via negotiation.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions (only disclose transactions with amounts exceeding NT$10):

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	AMO	the Company	2	Sales	19,445	O/A 30 days	0.90%

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

1. Number 0 represents the Company.
2. The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

1. The Company to the consolidated subsidiary.
2. The consolidated subsidiary to the Company.
3. The consolidated subsidiary to another consolidated subsidiary.

Note 3: The purchasing price is decided by negotiation between the Company and subsidiaries that consider the actual cost and reasonable revenue. Besides, such related-parties' finance is controlled by the Company and the payment terms is O/A 75 to 120 days as of December 31, 2018, which payment is settled by netting accounts receivable and accounts payable. However, the payment terms can be adjusted when the Company and related-parties agreed.

Note 4: The aforementioned related-party transactions have been eliminated from the consolidated financial statements.

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of the investee		Highest	Highest	
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value	Carrying value	Investment income (losses)	Percentage of ownership	Percentage of ownership	Note
The Company	Esteem King	Samoa	Investment holding	511,481	511,481	17,079	100.00 %	944,079	8,945	8,945	17,079	100.00 %	Note 1
The Company	Evolution	Hong Kong	Investment holding	145,103	78,624	4,600	100.00 %	11,056	(950)	(950)	4,600	100.00 %	Note 1
Esteem King	MATC	Malaysia	Manufacture and selling hard disk components	127,726	127,726	10,527	20.00 %	107,991	(52,755)	(10,551)	10,527	20.00 %	
Esteem King	MAPP	Singapore	Manufacture and selling medical injection and molding	323,449	323,449	10,714	100.00 %	642,022	16,550	16,550	10,714	100.00 %	Note 1
MAPP	SEB(M)	Malaysia	Suspension	-	-	-	- %	-	(641)	(641)	2,500	100.00 %	Note 1, Noete2

Note 1: The aforementioned investments have been eliminated from the consolidated financial statements.

Note 2: It has been disposed in second-quarter of 2018.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee (Note 2)	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings as of December 31, 2018	Highest balance during the year	
					Outflow	Inflow							Shares/ Units (thousands)	percentage of ownership
AMO	Design and manufacture automatic machines	213,774	Note1	141,923	-	-	141,923	(82,583)	100%	(82,583)	261,596	-	-	100%
Dongguan Yi Hong	Manufacture metal products and molding	135,947	Note1	78,624	57,323	-	135,947	(265)	100%	(265)	8,577	-	-	100%

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
277,947	277,947	1,037,496

Note 1: The Company invests subsidiaries which are registered in the third-country and then indirectly invests in Mainland China via such subsidiaries.

Note 2: The Company recognized investment income (losses) by subsidiaries' financial statements which was audited by the Certified Public Accountant who audited the Company's financial statements.

Note 3: The aforementioned investments have been eliminated from the consolidated financial statements.

(iii) Significant transactions with the investees in Mainland China:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions"

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

For the purpose of resource allocation and performance measurement, the Group classified operating segment based on its business types, and supervised and managed the divisions' performance by the Group's decision-maker. The Group has three reportable segments: the Company, MAPP and AMO. The Company engages mainly in the development, design and manufacture of precise components. MAPP engages mainly in the development and manufacture of medical plastic injection and molding. AMO engages mainly in development, manufacture and selling of automatic machines. Since the divisions offer different products and use different sales strategy, the Group managed them separately. Please refer to Note 6(O) for geographic information of operating segment.

The Group measures segment's profit or loss based on their operating income and use them as the basis for performance evaluation. The accounting policies of operating segments are identical to Note 4 "summary of significant accounting policies". The Group's operating segment information and reconciliation are as follows:

	2018					
	The Company	**MAPP**	**AMO**	**Other segment**	**Reconciliation and elimination**	**Total**
Revenue						
Revenue from external customers	$ 1,032,281	531,723	509,528	-	-	2,073,532
Intersegment revenues	15	-	22,805	-	(22,820)	-
Total revenue	**$ 1,032,296**	**531,723**	**532,333**	**-**	**(22,820)**	**2,073,532**
Reportable segment profit or loss	**$ (68,498)**	**104,350**	**(90,954)**	**(585)**	**2,354**	**(53,333)**

	2017					
	The Company	**MAPP**	**AMO**	**Other segment**	**Reconciliation and elimination**	**Total**
Revenue						
Revenue from external customers	$ 1,209,236	455,963	804,515	(330)	-	2,469,384
Intersegment revenues	747	-	4,441	-	(5,188)	-
Total revenue	**$ 1,209,983**	**455,963**	**808,956**	**(330)**	**(5,188)**	**2,469,384**
Reportable segment profit or loss	**$ 8,302**	**86,204**	**26,249**	**(9,343)**	**(419)**	**110,993**

MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Corporate information

(i) Product information

The Group's revenue from external customers were as follows:

Major products	2018	2017
Hard disk drive stamping components	$ 846,495	995,985
Other electronic stamping components	179,862	190,806
Plastic injection	481,975	402,692
Automatic machines	431,326	733,168
Others	133,874	146,733
	$ 2,073,532	**2,469,384**

(ii) Geographic information：Please refer to note 6 (m).

(iii) Major customers' information

For the years ended December 31, 2018 and 2017, the amounts of sales to clients representing greater than 10% of net operating revenues were as follows:

	2018	
Customer	**Amount**	**%**
MAT Group	$ 552,882	27
J Company	287,208	14
S Group	222,968	11
	$ 1,063,058	**52**

	2017	
Customer	**Amount**	**%**
MAT Group	$ 646,058	26
J Company	254,703	10
A Company	245,653	10
F Company	235,473	10
	$ 1,381,887	**56**

【Appendix 2】

Stock Code:4545

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: No.2, Guorui Rd., Guanyin Dist., Taoyuan City, Taiwan (R.O.C.)
Telephone: (03) 438-9966

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

Table of contents

Independent Auditors' Report

To the Board of Directors of Min Aik Precision Industrial Co., Ltd. :

Opinion

We have audited the financial statements of Min Aik Precision Industrial Co., Ltd. ("the Company"), which comprise the parent company only balance sheets statement of financial position as of December 31, 2018 and 2017, the parent company only statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Inventory valuation

   Please refer to Note 4(g) "Inventory" and Note 5(b) of the notes to financial statement for the accounting policies on inventory measurement and significant accounting assumptions and judgments, and major sources of estimation uncertainty, respectively.

Description of key audit matter:

The Company's inventory are measured at lower of cost and net realized value. The Company's products may be obsolescent or do not meet the market demand due to new product or market change. Thus, the cost of inventory may exceed its net realizable value. Moreover, the net realizable value involved management's judgments. Therefore, the inventory valuation is one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the Company's policies of inventory valuation to assess the appropriateness of its inventory valuation; on a sampling basis, testing the Company's inventory aging report to verify its correctness; understanding and testing, on a sampling basis, the selling price that the management used to assess the appropriateness of the net realizable value.

2. Investments accounted for using equity method

Please refer to Notes 4(h) "Investment in associates" and Notes 5(b) of the notes to financial statement for the accounting policies on investment in associates and significant accounting assumptions and judgments, and major sources of estimation uncertainty, respectively.

Description of key audit matter:

One of the subsidiaries that accounted for using equity method, whose inventory valuation is material to the parent company only financial statements, and the net realizable value involved management's judgments. Such matters may have significant impact to the Company's financial statements. Therefore, which subsidiary's financial statements in relation to inventory valuation was one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the subsidiary's policies of automatic machine valuation to assess the appropriateness of its inventory valuation; reviewing the reasonableness of prior years' inventory allowance and then compare to current year to assess the appropriateness of the method and the assumption for current year's inventory allowance; understanding and testing, on a sampling basis, the selling price that the management used, or reviewing the subsequent sales of the inventories to assess the appropriateness of the net realizable value.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only 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 Company'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 Company'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 parent company only 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the 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 the investment in other entities accounted for using the equity method to express an opinion on this parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only financial statements of the current period 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 Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 18, 2018

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Parent Company Only Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (notes 6(a))	$ 417,477	15	737,907	30
1170	Accounts receivable, net (notes 6(b) and (m))	116,414	4	134,772	5
1181	Accounts receivable from related parties (notes 6(b) and 7)	143,965	5	213,598	9
130X	Inventories (notes 6(c))	135,286	5	118,535	5
1479	Other current assets (notes 7 and 8)	41,090	1	44,446	1
		854,232	30	1,249,258	50
	Non-current assets:				
1551	Investments accounted for using equity method (note 6(d))	955,135	35	934,148	38
1600	Property, plant and equipment (notes 6(e), 7 and 8)	914,946	33	258,313	10
1995	Other non-current assets (notes 6(i) and (j))	39,073	2	38,212	2
		1,909,154	70	1,230,673	50
	Total assets	**$ 2,763,386**	**100**	**2,479,931**	**100**

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(f))	$ 140,000	5	150,000	6
2170	Accounts payable	126,820	5	161,227	7
2201	Salary and wages payable (note 6(n))	59,498	2	68,171	3
2300	Other current liabilities (note 7)	97,086	3	122,746	4
2322	Long-term borrowings, current portion (note 6(g))	98,000	4	-	-
		521,404	19	502,144	20
	Non-Current liabilities:				
2541	Long-term borrowings (note 6(g))	462,000	17	50,000	2
2570	Deferred tax liabilities (note 6(j))	50,822	2	41,652	2
2670	Other non-current liabilities	-	-	59,443	2
		512,822	19	151,095	6
	Total liabilities	1,034,226	38	653,239	26
	Equity attributable to owners of parent (note 6(k)):				
3110	Ordinary share	770,000	28	770,000	31
3200	Capital surplus	731,335	26	758,285	31
3310	Legal reserve	284,874	10	283,223	11
3320	Special reserve	61,868	2	56,380	2
3350	Unappropriated retained earnings (accumulated deficit)	(53,970)	(2)	20,672	1
3412	Exchange differences on translation of foreign financial statements	(64,947)	(2)	(61,868)	(2)
	Total equity	1,729,160	62	1,826,692	74
	Total liabilities and equity	**$ 2,763,386**	**100**	**2,479,931**	**100**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	**%**	**Amount**	**%**
4111	Operating revenues (notes 6(m) and 7)	$ 1,053,656	102	1,229,559	102
4170	Less: Sales returns and allowances	21,360	2	19,576	2
	Net operating revenues	1,032,296	100	1,209,983	100
5111	Operating costs (notes 6(c), (h), (i), (n), 7 and 12)	923,336	89	1,023,870	84
	Gross profit from operations	108,960	11	186,113	16
	Operating expenses (notes 6(h), (i), (n), 7 and 12):				
6100	Selling expenses	36,660	4	36,455	3
6200	Administrative expenses	106,460	10	103,047	9
6300	Research and development expenses	33,460	3	38,309	3
6450	Impairment loss determined in accordance with IFRS 9	878	-	-	-
	Total operating expenses	177,458	17	177,811	15
	Net operating income (losses)	(68,498)	(6)	8,302	1
	Non-operating income and expenses (notes 6(d) and (o)):				
7010	Other income (note 7)	12,293	1	11,145	1
7020	Other gains and losses, net	11,356	1	(79,135)	(7)
7375	Share of profit of associates and joint ventures accounted for using equity method	7,995	1	68,246	6
7050	Finance costs	(7,880)	(1)	(2,231)	-
7635	Loss on financial assets (liabilities) at fair value through profit or loss	-	-	(34)	-
		23,764	2	(2,009)	-
7900	**Profit (loss) before income tax**	(44,734)	(4)	6,293	1
7950	Less: Income tax expenses (note 6(j))	12,033	1	(10,220)	(1)
	Net profit (loss)	(56,767)	(5)	16,513	2
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Gains (loss) on remeasurements of defined benefit plans	814	-	(210)	-
		814	-	(210)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(3,079)	-	(5,488)	-
		(3,079)	-	(5,488)	-
8300	**Other comprehensive income (loss), net of income tax**	(2,265)	-	(5,698)	-
	Total comprehensive income (loss)	**$ (59,032)**	**(5)**	**10,815**	**2**
9750	**Basic earnings per share (NT dollars) (note 6(l))**	**$**	**(0.74)**		**0.21**
9850	**Diluted earnings per share (NT dollars) (note 6(l))**			**$**	**0.21**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2017	$ 770,000	758,285	260,460	6,361	250,401	(56,380)	1,989,127
Net profit	-	-	-	-	16,513	-	16,513
Other comprehensive income (loss), net of income tax	-	-	-	-	(210)	(5,488)	(5,698)
Total comprehensive income (loss)	-	-	-	-	16,303	(5,488)	10,815
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	22,763	-	(22,763)	-	-
Special reserve	-	-	-	50,019	(50,019)	-	-
Cash dividends on ordinary share	-	-	-	-	(173,250)	-	(173,250)
Balance on December 31, 2017	770,000	758,285	283,223	56,380	20,672	(61,868)	1,826,692
Net loss	-	-	-	-	(56,767)	-	(56,767)
Other comprehensive income (loss), net of income tax	-	-	-	-	814	(3,079)	(2,265)
Total comprehensive income (loss)	-	-	-	-	(55,953)	(3,079)	(59,032)
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	1,651	-	(1,651)	-	-
Special reserve	-	-	-	5,488	(5,488)	-	-
Cash dividends on ordinary share	-	-	-	-	(11,550)	-	(11,550)
Cash dividends from capital surplus	-	(26,950)	-	-	-	-	(26,950)
Balance on December 31, 2018	**$ 770,000**	**731,335**	**284,874**	**61,868**	**(53,970)**	**(64,947)**	**1,729,160**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Parent Company Only Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from (used in) operating activities:			
Profit (loss) before income tax	$	(44,734)	6,293
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation and amortization expense		79,104	77,751
Net loss on financial assets or liabilities at fair value through profit or loss		-	34
Interest expense		7,880	2,231
Interest income		(1,148)	(2,464)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method		(7,995)	(68,246)
Loss on disposal or retirement of property, plant and equipment		325	475
Impairment loss on non-financial assets		12,444	-
Other		-	106
Total adjustments to reconcile profit (loss)		90,610	9,887
Changes in operating assets and liabilities:			
Changes in operating assets:			
Accounts receivable		87,991	(8,029)
Inventories		(26,534)	(32,886)
Other current assets		2,832	(29,611)
Other operating assets		(1,042)	(2,908)
Total changes in operating assets		63,247	(73,434)
Changes in operating liabilities:			
Accounts payable		(34,407)	22,413
Other current liabilities		(38,169)	(27,098)
Total changes in operating liabilities		(72,576)	(4,685)
Total changes in operating assets and liabilities		(9,329)	(78,119)
Total adjustments		81,281	(68,232)
Cash inflow (outflow) generated from operations		36,547	(61,939)
Interest received		1,229	2,403
Interest paid		(6,157)	(2,221)
Income taxes paid		(2,723)	(11,180)
Net cash flows from operating activities		28,896	(72,937)
Cash flows from (used in) investing activities:			
Proceeds from disposal of financial assets at fair value through profit or loss		-	14,500
Acquisition of investments accounted for using equity method		(66,479)	-
Acquisition of property, plant and equipment		(742,607)	(49,498)
Proceeds from disposal of property, plant and equipment		7	-
Increase in refundable deposits		(1,017)	1,359
Increase in other financial assets		(730)	(1,400)
Net cash flows used in investing activities		(810,826)	(35,039)
Cash flows from (used in) financing activities:			
Increase (decrease) in short-term borrowing		(10,000)	50,000
Increase in long-term borrowing		510,000	-
Cash dividends paid		(38,500)	(173,250)
Net cash flows from (used in) financing activities		461,500	(123,250)
Net decrease in cash and cash equivalents		(320,430)	(231,226)
Cash and cash equivalents at beginning of period		737,907	969,133
Cash and cash equivalents at end of period	$	**417,477**	**737,907**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Min Aik Precision Industrial Co., Ltd. (the "Company") was incorporated on January 18, 2001, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company's shares were listed on the Taiwan Stock Exchange (TWSE) on January 6, 2016. The address of its registered office is No. 2, Guorui Rd., Guanyin Dist., Taoyuan City. The Company mainly engages in the processing and manufacturing of electroplating of aluminum and copper products, precision stamping components and electroless nickel plating.

(2) Approval date and procedures of the financial statements:

These parent company only financial statements were authorized for issuance by the Board of Directors on March 18, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The cumulative impact amount of initially adopting IFRS 15 was $0 to the Company, and there was no impact to the parent company only financial statements for the year ended December 31, 2018, that is, the parent company only financial statements for the year ended December 31, 2018, in conformity with the financial statements that did not adopt IFRS 15. Therefore, the Company need not to disclose the information that the financial statements for the year ended December 31, 2018, which did not adopt IFRS 15.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “ Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 “Financial Instruments: Disclosures” that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

   IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

   The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

   IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Classification of financial assets on the date of initial application of IFRS 9

   The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company’s financial assets as of January 1, 2018. (There is no change in categories and carrying amount of financial liabilities)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	737,907	Amortized cost	737,907
Accounts receivable	Loans and receivables (note 1)	348,370	Amortized cost	348,370
Other financial assets (Guarantee deposits paid)	Loans and receivables (note 1)	10,870	Amortized cost	10,870

Note1: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. No influence on the allowance for impairment was recognized in opening retained earning upon transition to IFRS 9 on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Amortized cost						
Beginning balance of cash and cash equivalents, accounts receivable, and other financial assets	$ 1,097,147	-	-	1,097,147	-	-

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(s).

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

· IFRS 16 definition of a lease to all its contracts; or

· a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

· retrospective approach; or

· modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company is assessing the potential impact of using these practical expedients.

· apply a single discount rate to a portfolio of leases with similar characteristics.

· apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

· exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

· use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Company estimated that the right-of-use assets and the lease liabilities to increase by $3,649 thousand and $3,316 thousand after deducting $333 of the prepayment respectively, on January 1, 2019. No significant impact is expected for the Company’s finance leases. Besides, the Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company expects the adoption of the abovementioned adoption of the IFRSs that will not impact the deferred income tax liabilities and retained earnings at January 1, 2019. However, the actual impacts of adopting the standards may change that, it depends on the economic conditions and events occur in the future.

(Continued)

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date 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

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized as below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) The defined benefit asset is recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to New Taiwan Dollars at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash, and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual rights or obligations of the instruments.

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or fair value through other comprehensive income (FVOCI) described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company’s historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

(Continued)

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (policy applicable before January 1, 2018)

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

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations：

· Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

· Performance of the financial asset is evaluated on a fair value basis;

· A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in other gains and losses, net. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, and it is included in other income.

(Continued)

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in other gains and losses, net.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable in profit or loss is included in other gains and losses, net.

(Continued)

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations：

· Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

· Performance of the financial liabilities is evaluated on a fair value basis; or

· A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in other gains and losses, net.

3) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the net income, other comprehensive income and equity in the parent company only financial statements are the same as those attributable to the owners of parent in the consolidated financial statements.

Changes in parent's ownership interest in a subsidiary that do not result in the loss of control are recognized under equity.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Leased assets are depreciated by the straight line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

1) Buildings: 50 years

2) Building facilities: 3~5 years

3) Machinery and equipment: 2~10 years

4) Office and other equipment：2~15 years

5) Leasehold improvement：2~10 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(j) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Under the operating leases, all payments are recognized as lease expenses, and the leased assets are not recognized in the consolidated statement of financial position.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight line basis over the term of the lease.

Contingency rent is recognized as expense in the period in which it is incurred.

(k) Impairment – non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from inventory, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount of an individual asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

(Continued)

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been an improvement in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

In accordance with the leases agreement, the Company has the obligation to restore the leased facilities and office. The provision is measured by the discounted present value of restoration cost at the termination of agreement and related expense are recognized during contract period.

(m) Revenue recognized

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

The Company manufactures and sells electronic components to computer and automobile manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(iii) Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Usually, the transfer occurs upon that the goods are delivered to clients' warehouse, and are accepted by the clients.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings.

(Continued)

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Share based payment

The grant-date fair value of share based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The Company usually reserves partial shares for employees' subscription when the Company increases capital, the grant-date is the date that the Company and employees reach a consensus in the subscription price and number of shares.

(p) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

(Continued)

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) Levied by the same taxing authority; or

2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of the expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be revaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee bonuses not yet resolved by the shareholders and such employee bonuses is paid by new shares that resolved by the shareholders.

(r) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The Company's accounting policies do not involve significant judgments.

Information about assumptions and estimation uncertainties that has a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of Inventory

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(c) for further description of the valuation of inventories.

(b) Inventory valuation of subsidiary which accounted for using the equity method.

One of the subsidiaries that accounted for using equity method, whose inventories stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

The Company' s accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company' s financial division conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial division also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(p) for assumptions used in measuring fair value.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2018	December 31, 2017
Cash in hand, check, and demand deposits	$	417,477	666,483
Time deposits		-	71,424
Cash and cash equivalents in the statement of cash flows	$	**417,477**	**737,907**

Please refer to note 6(p) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Accounts receivable (include related parties)

		December 31, 2018	December 31, 2017
Accounts receivable	$	117,602	135,082
Accounts receivable from related parties		143,965	213,598
Less: Loss allowance		(1,188)	(310)
	$	**260,379**	**348,370**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

Accounts receivable -non-related parties		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	109,867	1%	1,111
0 to 60 days past due		7,735	1%	77
61 to 180 days past due		-	5%	-
121 to 180 days past due		-	20%	-
181 to 360 days past due		-	50%	-
More than 360 days past due		-	100%	-
	$	**117,602**		**1,188**

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

Accounts receivable -related parties	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 143,965	0%	-
0 to 60 days past due	-	0%	-
61 to 120 days past due	-	0%	-
121 to 180 days past due	-	0%	-
181 to 360 days past due	-	0%	-
More than 360 days past due	-	0%	-
	$ 143,965		-

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of accounts receivable, and the aging analysis of accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
0 to 90 days past due	$ 5,592

The movement in the allowance for accounts receivable was as follows:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	$ 310	-	217
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	310		
Impairment losses recognized (Gain on reversal of impairment loss)	878	-	93
Balance on December 31, 2018 and 2017	$ 1,188	-	310

(c) Inventories

	December 31, 2018	December 31, 2017
Raw materials and supplies	$ 19,810	24,156
Work in progress	20,550	15,904
Finished goods	94,926	78,475
	$ 135,286	118,535

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

In 2018, the write-down of inventories amounted to $2,903 thousand (2017: $5,737 thousand). Such loss was added to cost of goods sold.

In 2018, the idle capacity was $28,888 thousand (2017: $20,061 thousand). Such unallocated fixed overheads due to idle capacity was recognized as cost of goods sold.

As of December 31, 2018 and 2017, the Company did not provide any inventories as collateral for its loans.

(d) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Esteem King Limited (Esteem King))	$ 944,079	934,148
Evolution Holdings Limited (Evolution)	11,056	(50,408)
Recognized as other liabilities	-	50,408
	$ 955,135	**934,148**

	2018	2017
Attributable to the Company:		
Profit for the year	**$ 7,995**	**68,246**

The Company recognized investment income (losses) based on subsidiaries' financial statements with same fiscal period that was audited by the Certified Public Accountant.

Such investment accounted for using equity method does not have a quoted market price in an active market.

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

	Land	Buildings	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
Cost or deemed cost:						
Balance on January 1, 2018	$ 26,721	45,388	556,386	235,780	27,777	892,052
Additions	569,641	108,945	35,153	10,276	14,837	738,852
Disposal	-	-	(3,629)	(6,449)	-	(10,078)
Transfer	-	-	28,287	4,495	(32,782)	-
Balance on December 31, 2018	**$ 596,362**	**154,333**	**616,197**	**244,102**	**9,832**	**1,620,826**
Balance on January 1, 2017	$ 26,721	44,781	546,268	217,094	4,016	838,880
Additions	-	607	9,907	17,331	27,205	55,050
Disposal	-	-	(1,525)	(798)	-	(2,323)
Transfer	-	-	1,736	2,153	(3,444)	445
Balance on December 31, 2017	**$ 26,721**	**45,388**	**556,386**	**235,780**	**27,777**	**892,052**

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

		Land	Buildings	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
Depreciation and impairments loss:							
Balance on January 1, 2018	$	-	3,726	444,384	185,629	-	633,739
Depreciation		-	3,279	46,254	19,910	-	69,443
Disposal		-	-	(3,451)	(6,295)	-	(9,746)
Impairment loss		-	-	12,444	-	-	12,444
Balance on December 31, 2018	**$**	**-**	**7,005**	**499,631**	**199,244**	**-**	**705,880**
Balance on January 1, 2017	$	-	2,118	402,901	167,594	-	572,613
Depreciation		-	1,608	42,592	18,774	-	62,974
Impairment loss		-	-	(1,109)	(739)	-	(1,848)
Balance on December 31, 2017	**$**	**-**	**3,726**	**444,384**	**185,629**	**-**	**633,739**
Carrying amounts:							
Balance on December 31, 2018	**$**	**596,362**	**147,328**	**116,566**	**44,858**	**9,832**	**914,946**
Balance on January 1, 2017	**$**	**26,721**	**42,663**	**143,367**	**49,500**	**4,016**	**266,267**
Balance on December 31, 2017	**$**	**26,721**	**41,662**	**112,002**	**50,151**	**27,777**	**258,313**

The Company entered into a contract with Taitien Asset Development Co., Ltd. (Taitien) on January 26, 2018, to purchase the land and buildings (No.2 Guorui Rd., Guanyin Dist., Toayuan City), which were originally rented for its office and plant with $680,000 thousand. The Company referred to the transaction information of nearby real estate market and the real estate appraisal report, and then negotiated with Taitien to decide the purchase price. The ownership of the land and building has been transferred to the Company and completed registration on March 28, 2018. The Company recognized the land and buildings as property, plant and equipment, and borrow the long-term borrowings in compliance with its operating and financial plan. Please refer to note 6(g) for details.

In 2018, the Company considered that some of the machinery and equipment are insufficient capacity utilization, and the future economic benefits probably may not be recovered after the Group' s assessment. Therefore, the Company recognized impairment loss amounting to $12,444 thousand.

As of December 31, 2018 and 2017, for the Company pledged property, plant and equipment as collateral for long-term borrowings, please refer to note (8).

(f) Short-term borrowings

The short-term borrowings were summarized as follows:

		December 31, 2018	December 31, 2017
Unsecured bank loans	**$**	**140,000**	**150,000**
Unused short-term credit lines	**$**	**516,177**	**613,802**
Range of interest rates		**1%**	**0.90%~0.99%**

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(g) Long-term borrowings

The details were as follows:

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 50,000	50,000
Secured bank loans	510,000	-
Less : current portion	(98,000)	-
Total	**$ 658,000**	**50,000**
Unused long-term credit lines	**$ 50,000**	**50,000**
Range of interest rates	**1.18%~1.61167%**	**1.18%**

According to the Company's operating and financial plan, the Company entered into a long-term borrowings agreement with Cathay United Bank on April 16, 2018, and drawdown of loan to purchase the property, plant and equipment simultaneously. Please refer to note 6(e) for details.

(h) Operating lease

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 2,596	3,244
Between one and five years	819	3,337
	$ 3,415	**6,581**

(i) The Company leases a number of land, factory facilities, offices, and vehicles under operating lease with an option to renew the lease after that date. Such leased land and factory have been transferred to the Company and completed registration on March 28, 2018, please refer to 6(e) for details. During the year, an amount of $5,213 thousand was recognized as an expense in profit or loss in respect of operating leases (2017: $18,240 thousand). Moreover, the Company's operating lease contracts had no agreements with contingent rental.

(ii) The lease agreements are identified as operating lease because such agreements have no conditions to transfer subject matters or assumes substantially all of the risks and rewards of ownership by the Group.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(i) Employee benefit

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

		December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$	(26,118)	(25,339)
Fair value of plan assets		45,687	43,052
Net defined benefit liabilities	**$**	**19,569**	**17,713**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $45,687 thousand as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows

		2018	2017
Defined benefit obligations at January 1	$	25,339	32,563
Current service costs and interest cost		408	537
Remeasurements loss (gain):			
－Return on plan assets excluding interest income		(223)	(537)
－Actuarial loss (gain) arising from:		99	96
-demographic assumptions			
-financial assumptions		495	480
Benefits planned to be paid		-	(7,800)
Defined benefit obligations at December 31	**$**	**26,118**	**25,339**

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

		2018	2017
Fair value of plan assets at January 1	$	43,052	41,578
Interest income		545	579
Remeasurements loss (gain):			
—Return on plan assets excluding interest income		1,184	(170)
Benefits paid		906	1,065
Fair value of plan assets at December 31	**$**	**45,687**	**43,052**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

		2018	2017
Current service costs	$	92	89
Net interest of net liabilities (assets) for defined benefit obligations and plan assets		(228)	(132)
	$	**(136)**	**(43)**
Operating cost	**$**	**(136)**	**(43)**

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

		2018	2017
Accumulated amount at January 1	$	2,022	1,812
Recognized during the period		(814)	210
Accumulated amount at December 31	**$**	**1,208**	**2,022**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2018.12.31	2017.12.31
Discount rate	1.125 %	1.250 %
Future salary increase rate	3.125 %	3.125 %

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $906 thousand.

The weighted average lifetime of the defined benefits plans is 12 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit plan assets	
Original actuarial assumptions	**Increased 0.5%**	**Decreased 0.5%**
December 31, 2018		
Discount rate 1.125%	983	(1,042)
Future salary increasing rate 3.125%	(988)	942
December 31, 2017		
Discount rate 1.250%	953	(1,011)
Future salary increasing rate 3.125%	(956)	910

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $13,378 thousands and $13,833 thousands for the years ended December 31, 2018 and 2017, respectively.

(j) Income taxes

(i) The components of income tax in the years 2018 and 2017 were as follows:

	2018	**2017**
Current tax expense	$ -	(3,486)
Deferred tax expense (income)	12,033	(6,734)
Income tax expense	**$ 12,033**	**(10,220)**

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(ii) The amount of income tax recognized directly in equity for 2018 and 2017 was 0.

(iii) Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows:

	2018	2017
Profit and loss excluding income tax	$ (44,734)	6,293
Income tax using the Company's domestic tax rate	(8,947)	1,070
Adjustment in tax rate	6,038	-
Change in unrecognized temporary differences	14,942	(11,290)
	$ 12,033	**(10,220)**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company's foreign subsidiaries have retained earnings, because of the demand of capital expenditures and working capital. The Company expects that some of these retained earnings will not be returned back to the Company in the foreseeable future under the consideration of Company's integral development and investment plan. Hence, the temporary differences are not recognized under deferred tax liabilities. As of December 31, 2018 and 2017, the unrecognized deferred tax liabilities amount was $13,595 thousand and $11,556 thousand, respectively.

2) Unrecognized deferred tax assets

	December 31, 2018	December 31, 2017
Tax effect of deductible temporary differences	$ 3,396	2,908
The carry forward of unused tax losses	17,504	-
	$ 20,900	**2,908**

The R.O.C. Income Tax Act and subsidiaries tax jurisdiction allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2018, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax loss	Expiry date
2017 (Filed)	$ 12,682	2027
2018 (Estimation)	74,840	2028

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	Unrealized exchange gain	Gain on foreign investments under the equity method	Total
Deferred Tax Liabilities:			
Balance at January 1, 2018	$ -	41,652	41,652
Recognized in profit or loss	221	8,949	9,170
Balance at December 31, 2018	**$ 221**	**50,601**	**50,822**
Balance at January 1, 2017	$ 1,841	41,606	43,447
Recognized in profit or loss	(1,841)	46	(1,795)
Balance at December 31, 2017	**$ -**	**41,652**	**41,652**

	Unrealized exchange loss	Allowance to reduce inventory	Non-financial assets impairment	Total
Deferred Tax Assets:				
Balance at January 1, 2018	$ (5,047)	(2,391)	-	(7,438)
Recognized in profit or loss	5,047	(880)	(1,304)	2,863
Balance at December 31, 2018	**$ -**	**(3,271)**	**(1,304)**	**(4,575)**
Balance at January 1, 2017	$ -	(2,499)	-	(2,499)
Recognized in profit or loss	(5,047)	108	-	(4,939)
Balance at December 31, 2017	**$ (5,047)**	**(2,391)**	**-**	**(7,438)**

(v) Examination and Approval

The Company's tax returns for the years through 2016 were examined and approved by the Taipei National Tax Administration.

(k) Capital and other equity

As of December 31, 2018 and 2017, the total value of authorized ordinary shares both were amounted to $1,000,000 thousand with par value of $10 per share. As of that date, ordinary shares both were issued amounted to $770,000 thousand.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(i) Capital surplus

The balances of capital surplus as of December 31, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Share premium	$ 681,049	707,999
Reorganization	42,439	42,439
Employee share options	7,847	7,847
	$ 731,335	**758,285**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

The general meeting of shareholders that held on Jane 15, 2018, decided to distribute capital surplus resulting from share premium as cash dividends amounted to $26,950 thousand with $0.35 per share.

(ii) Retained earnings

The Company's Articles of Incorporation requires that after-tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, may be appropriated according to a resolution of a shareholder's meeting.

In consideration of the shareholder's long-term benefit and stable operation, the Company adopts a stable dividends policy. Therefore, cash dividends should not be less than 10% of the aggregate dividends.

1) Legal reserve

According to the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2017 and 2016 was decided via the general meeting of shareholders held on Jane 15, 2018 and Jane 16, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to ordinary shareholders				
Cash	$ 0.15	**11,550**	2.25	**173,250**

Earnings distributions for 2017 and 2016 that decided by the general meeting of shareholders were not different from the resolution of board meeting. Related information would be available at the Market Observation Post System website.

(l) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2018, was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, calculated as follows:

	2018	2017
Basic earnings per share		
Profit (loss) attributable to ordinary shareholders of the Company	$ **(56,767)**	**16,513**
Weighted-average number of ordinary shares (thousand shares)	**77,000**	**77,000**
Earnings per share	$ **(0.74)**	**0.21**

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(ii) Diluted earnings per share

The Company does not have any dilutive potential ordinary shares in 2018. Thus, only basic earnings per share is disclosed. The calculation of diluted earnings per share at December 31, 2017, was based on profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows.

	2017
Diluted earnings per share	
Profit (loss) attributable to ordinary shareholders of the Company	$ 16,513
Weighted-average number of ordinary shares (thousand shares)	77,156
Earnings per share	$ 0.21

	2017
Weighted-average number of ordinary shares (diluted) (thousand shares):	
Weighted average number of ordinary shares (basic)	77,000
Effect of employee share bonus	156
Weighted average number of ordinary shares (diluted)	77,156

(m) Revenue from contracts with customers

(i) Details of revenue

	2018	2017
Primary geographical markets		
Malaysia	$ 505,704	600,811
Taiwan	248,185	310,601
Thailand	150,153	158,599
China	80,149	108,666
Others	48,105	31,306
	$ 1,032,296	1,209,983

(ii) Contract balances

	December 31, 2018	December 31, 2017
Accounts receivable	$ 261,567	348,680
Less: allowance for impairment	(1,188)	(310)
Total	$ 260,379	348,370

For details on accounts receivable and allowance for impairment, please refer to note 6(b).

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(n) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of Incorporation the Company should contribute 3%~9% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

The Company did not estimate employee compensation and directors’ and supervisors’ remuneration due to loss before income tax for the year ended December 31, 2018. For the year ended December 31, 2017, the Company estimated its employee remuneration amounting to $195 thousand, and directors' and supervisors' remuneration amounting to $0. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2017. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2017.

(o) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	2018	2017
Interest income	$ 1,148	2,464
Rent income	3,839	3,692
Other income	7,306	4,989
	$ 12,293	**11,145**

(ii) Other gains and losses

The details of other gains and losses were as follows:

	2018	2017
Foreign exchange gains (losses), net	$ 18,090	(78,760)
Gain (Losses) on disposals of property, plant and equipment, net	(325)	(475)
Loss on non-financial assets impairment	(12,444)	-
Others	6,035	100
	$ 11,356	**(79,135)**

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(p) Financial instruments

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which is derived primarily from the Company’ s accounts receivable.

1) Credit risk exposure

The maximum exposure to credit risk is mainly from carrying amount of financial assets. As of December 31, 2018 and 2017, the maximum amounts that exposed to credit risk were $687,355 thousand and $1,097,147 thousand, respectively. Since the Company’ s bank deposits are deposited in many different finance institutions with good credit rating. Therefore, there is no significant credit risk.

2) Concentration of credit risk

The concentration of credit risk is mainly affected by creditors’ rating and the client’s industry. As of December 31, 2018 and 2017, 91% and 98%, respectively, of the Company’s accounts receivable were concentrated on top five sales clients.

3) Please refer to note 6(b) for the details of the accounts receivable aging and loss allowance.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company’s management supervises the banking facilities and ensures compliance with the terms of loan agreements.

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2018						
Non-derivative financial liabilities						
Bank loans	$ 700,000	736,174	247,909	70,861	206,335	211,069
Accounts payable (including related parties)	126,820	126,820	126,820	-	-	-
Other financial liabilities	89,684	89,684	89,684	-	-	-
	$ 916,504	**952,678**	**464,413**	**70,861**	**206,335**	**211,069**
December 31, 2017						
Non-derivative financial liabilities						
Bank loans	$ 200,000	200,813	150,762	50,051	-	-
Accounts payable (including related parties)	161,227	161,227	161,227	-	-	-
Other financial liabilities	107,957	107,957	107,957	-	-	-
	$ 469,184	**469,997**	**419,946**	**50,051**	**-**	**-**

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	16,481	30.715	506,200	31,548	29.76	938,860
Financial liabilities						
Monetary items						
USD	367	30.7150	11,261	440	29.76	13,101

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other accounts receivable and accounts payable that are denominated in foreign currency.

A strengthening (weakening) of 1% of the NTD against the abovementioned foreign currency as of 31 December, 2018 and 2017 would have increased (decreased) the net profit before tax by $4,949 thousand and $9,258 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2017.

3) Foreign exchange gain and loss on monetary items

The exchange rate information that foreign exchange gain (loss) (including realized and unrealized portions) on monetary items is translated to the parent company's functional currencies, New Taiwan Dollars, was as follows:

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

	2018		2017	
	Exchange gain or loss	**Average exchange rate**	**Exchange gain or loss**	**Average exchange rate**
NTD	18,090	1	(78,760)	1

4) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases a quarter-point when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by a quarter-point, the Company’s profit (loss) before income tax would have increased / decreased by $357 thousand and $1,570 thousand for the year ended 2018 and 2017 with all other variable factors remaining constant. This is mainly due to the changes in the Company’s variable-interest-rate financial liabilities exposure to interest risk.

The Company’s fixed-interest-rate financial liabilities are measured at amortized cost. The changes in market rate do not affect the Company’s profit or loss on the reporting date. Therefore, the Company does not disclose the sensitivity analysis of the changes in fair value.

(iv) Fair value of financial instruments

The carrying amounts and fair value of the Company’s financial assets and liabilities, including the information on fair value hierarchy are as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that have no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

	December 31, 2018				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 417,477				
Accounts receivable	116,414				
Accounts receivables – related party	143,965				
Other receivables (including related parties)	9,499				
Subtotal	**$ 687,355**				
Financial liabilities measured at amortized cost					
Long term and short term borrowing	$ 700,000				
Accounts payable (including related parties)	126,820				
Other financial liabilities	89,684				
Subtotal	**$ 916,504**				

	December 31, 2017				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Loans and receivables					
Cash and cash equivalents	$ 737,907				
Accounts receivable	134,772				
Accounts receivable – related party	213,598				
Other receivables (including related parties)	10,870				
Subtotal	**$ 1,097,147**				
Financial liabilities measured at amortized cost					
Long term and short term borrowing	$ 200,000				
Accounts Payables (including related parties)	161,227				
Other financial liabilities	107,957				
Subtotal	**$ 469,184**				

1) Valuation techniques for financial instruments measured at fair value

The fair value of financial instruments traded in an active market is based on the quoted market price. The quotation announced by the stock exchange center or exchange center, might be regarded as the fair value of the listed equity securities which is traded in an active market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

The Company's valuation techniques and assumptions used for financial instruments measured at fair value are as follows:

- Measurements of fair value of financial instruments with an active market, such as listed company stock, beneficiary certificate etc., its fair value depends on the market quotation.

- Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

2) There were no transfers between each fair value levels in 2018 and 2017.

(q) Financial risk management

(i) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) The Company have exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The abovementioned risks discuss the Company's objectives, policies and processes for measuring and managing the aforementioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to note 6(p).

(r) Capital management

The Company's capital management policy is to ensure that it has sufficient and necessary financial resources to sustain its working capital, capital expenditures and debt refunding requirements within twelve months after the reporting date. And also considers the debt ratio to maintain investor, creditor and market confidence. The Company's capital management strategy is consistent with the prior year, and the debt ratio were 38% and 26% as of December 31, 2018 and 2017, respectively.

(s) Financing activities

Reconciliation of liabilities arising from financing activities were as follows:

		Short-term borrowings	Long-term borrowings	Total liabilities from financing activities
January 1, 2018	$	150,000	50,000	200,000
Cash flows				
Proceeds from borrowings		20,000	510,000	530,000
Repayments of borrowings		(30,000)	-	(30,000)
Total liabilities from financing activities	$	140,000	560,000	700,000

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Group
Min Aik Technology Co., Ltd (MAT)	The entity with significant influence over the Group
Min Aik Technology (M) Sdn. Bhd. (MAM)	Other related parties (The entity's parent company with significant influence over the Group)
MATC Technology (M) Sdn. Bhd. (MATC)	〃
Min Aik Technology (Suzhou) Co., Ltd. (MAY)	〃
MAP Technology Holdings Limited (MAPT)	〃
Evolution Holdings Limited. (Evolution)	〃
Esteem King Limited. (Esteem King)	〃
MAP Plastics Pte Ltd. (MAPP)	〃
Dongguan Yi Hong Precision Industrial Co., Ltd. (YHP)	〃
Amould Plastic Technologies (Suzhou) Co., Ltd. (AMO)	〃
Key management personnel	The Group's major management personnel

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(b) Parent company and ultimate controlling company

The Company is the subsidiaries' parent company and the ultimate controlling party.

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales transactions and outstanding balances between the Company and related parties were as follows:

	Sales		Receivables from related parties	
	2018	**2017**	**December 31, 2018**	**December 31, 2017**
Subsidiaries	$ 15	747	-	-
The entity with significant influence over the Company:				
MAT	156,565	220,489	47,347	102,468
Other related parties:				
MAM	396,303	419,604	96,618	111,116
Others	14	5,965	-	14
	$ 552,897	**646,805**	**143,965**	**213,598**

The payment term of sales to related parties was O/A 120 days and which term may be changed depend on the Company's operation. The payment terms to non-related parties was normally about two to three months. The selling price to related parties was referred to the market price and negotiated by both parties.

(ii) Purchases

The amounts of purchase transactions and outstanding balances between the Company and related parties were as follows:

	Purchases		Payables to related parties	
	2018	**2017**	**December 31, 2018**	**December 31, 2017**
Subsidiaries	**$ -**	**151**	**-**	**-**

The payment term of purchases from related parties was O/A 120 days. The purchase price from related parties was referred to the market price and negotiated by both parties.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(iii) Accepting services from and other accounts payable to related parties

		Transaction amount		Other accounts payable to related parties	
		2018	2017	December 31, 2018	December 31, 2017
Subsidiaries	$	67	49	52	446
The entity with significant influence over the Company	$	5,674	6,212	1,978	2,853
Other related parties		3,322	3,876	165	214
	$	9,063	10,137	2,195	3,513

(iv) Rendering services to and other accounts receivable from related parties

		Transaction amount		Other accounts receivable from related parties	
		2018	2017	December 31, 2018	December 31, 2017
Subsidiaries	$	14,196	13,977	3,783	2,900
The entity with significant influence over the Company		1,019	267	2	-
Other related parties		2,268	3,337	325	490
	$	17,483	17,581	4,110	3,390

Abovementioned services income excludes expenses and is recognized under other income.

(v) Property transactions

1) The property, plant and equipment purchased from related parties are summarized as follows:

		Transaction amount		Other accounts payable to related parties	
		2017	2017	December 31, 2018	December 31, 2017
Subsidiaries	$	19,224	1,787	-	-

2) For the years ended December 31, 2018 and 2017, the Company purchased machines from subsidiaries for its operating demand amounting to $8,898 thousand and $10,326 thousand, respectively. Aforementioned transactions have been paid $8,501 thousand and have been recognized as prepayments as of December 31, 2017, and were recognized as property, plant and equipment as of December 31, 2018.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(vi) Guarantee

As of December 31, 2018 and 2017, the Company's guarantees for subsidiaries' bank loan were $167,460 thousand and $193,440 thousand, respectively, and actually drawdown amounts were $44,600 thousand and $59,818 thousand, respectively.

(d) Key management personnel compensation

		2018	2017
Short-term employee benefits	$	12,008	11,586
Post-employment benefits		268	245
Termination benefits		-	-
Other long-term benefits		-	-
Share-based payments		-	-
Total	$	12,276	11,831

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object		December 31, 2018	December 31, 2017
Restricted cash in banks	Short-term borrowings and guarantee for letter of credit	$	690	790
Land and buildings	Long-term borrowings		676,768	-
		$	677,458	790

(9) Significant contingent liabilities and unrecognized commitment:

(a) The Company's unrecognized contractual commitments were as follows:

		December 31, 2018	December 31, 2017
Purchase commitment	$	68,958	6,490
Acquisition of property, plant and equipment	$	16,980	24,170

(b) The guarantee notes issued by the Company for the line of credit and for the financing were as follows:

		December 31, 2018	December 31, 2017
Issued guarantee notes	$	1,139,658	760,080

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(c) Please refer to note 7 for the Company provided an endorsements and guarantees for subsidiaries' bank loan.

(d) Please refer to note 6(h) for the irrevocable lease contracts entered into by the Group.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	For the year ended December 31					
	2018			2017		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	249,121	77,554	326,675	281,715	69,853	351,568
Labor and health insurance	25,533	5,609	31,142	25,730	6,007	31,737
Pension	10,349	2,893	13,242	10,807	2,983	13,790
Remuneration of directors	-	988	988	-	928	928
Others	8,811	1,927	10,738	9,880	1,550	11,430
Depreciation and amortization	55,791	13,652	69,443	49,818	13,156	62,974
Amortization	9,661	-	9,661	14,777	-	14,777

As of December 31, 2018 and 2017, the Company had 546 and 624 employees, and of which 6 directors were not in concurrent employment, respectively.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2018:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 3)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Individual funding loan limits (Note 1)	Maximum limit of fund financing (Note 1)
1	Esteem King	AMO	Other accounts receivable-related parties	Yes	91,380	-	-	3%	Short-term financing	-	Operating capital	-		-	864,580	864,580

Note 1: For foreign company in which the Company, directly or indirectly, owned 100% of their shares, the individual and total amount available for financing purposes shall not exceed 50% of the Company's net worth, which was audited or reviewed by Certified Public Accountant.

Note 2: The amounts are approved by the board of directors

Note 3: The highest balance of financing to other parties during the period was foreign currencies which were translated to New Taiwan Dollars by the highest exchange rate for current year. The ending balance and actual usage amount during the period was foreign currencies which were translated to New Taiwan Dollars by the exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	Esteem King	4)	1,729,160	123,820	122,860	-	-	7.11 %	1,729,160	Y	No	No
0	The Company	Evolution	4)	1,729,160	74,875	-	-	-	- %	1,729,160	Y	No	No
0	The Company	AMO	4)	1,729,160	44,600	44,600	44,600	-	2.58 %	1,729,160	Y	No	Yes

Note 1: Relationship with guarantor:

1. Ordinary business relationship.
2. The Company directly or indirectly owned more than 50% of the subsidiary shares.
3. The counter-party directly or indirectly owned more than 50% of the Company's shares.
4. The Company directly or indirectly owned 90% or more than 90% of subsidiaries' shares.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The amount of the guarantee provided by the Company to any individual entity shall not exceed 10% of the Company's net worth. The subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company shall not exceed the Company's net worth.

Note 3: The total amount of endorsements/guarantees may not exceed the Company's net worth.

Note 4: If highest balance of financing to other parties during the period was foreign currencies which were translated to New Taiwan Dollars by the highest exchange rate for current year. If ending balance and actual usage amount during the period were foreign currencies which were translated to New Taiwan Dollars by the exchange rate at the reporting date.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and buildings	107.03.28	680,000	According to the contract	Taitien Asset Development Co., Ltd.	-	Not applicable	Not applicable	Not applicable	-	Refer to appraisal report and negotiated with counter-party	manufacture	None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The company	Min Aik Technology (M) Sdn. Bhd. (MAM)	The entity with significant influence over the Group	(Sale)	396,303	(38) %	Note 1	-	normally two to three months	96,618	37%	
The company	Min Aik Technology Co., Ltd. (MAT)	〃	(Sale)	156,565	(15) %	Note 1	-	〃	47,347	18%	

Note 1：The payment is O/A 120 days. However, it can be changed via negotiation.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the year 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of the investee	Investment income (losses)	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value	Carrying value		
The Company	Esteem King	Samoa	Investment holding	511,481	511,481	17,079	100.00 %	944,079	8,945	8,945	
The Company	Evolution	Hong Kong	Investment holding	145,103	78,624	4,600	100.00 %	11,056	(950)	(950)	
Esteem King	MATC	Malaysia	Manufacture and selling hard disk components	127,726	127,726	10,527	20.00 %	107,991	(52,755)	(10,551)	
Esteem King	MAPP	Singapore	Manufacture and selling medical injection and molding	323,449	323,449	10,714	100.00 %	642,022	16,550	16,550	
MAPP	SEB(M)	Malaysia	Suspension	-	-	-	- %	-	(641)	(641)	Note 1

Note 1: It has been disposed in second-quarter of 2018.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee (Note 2)	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings as of December 31, 2018
					Outflow	Inflow						
AMO	Design and manufacture automatic machines	213,774	Note1	141,923	-	-	141,923	(82,583)	100%	(82,583)	261,596	-
Dongguan Yi Hong	Manufacture metal products and molding	135,947	Note1	78,624	57,323	-	135,947	(265)	100%	(265)	8,577	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
277,947	277,947	1,037,496

Note 1: The Company invests subsidiaries which are registered in the third-country and then indirectly invests in Mainland China via such subsidiaries.

Note 2: The Company recognized investment income (losses) by subsidiaries' financial statements which was audited by the Certified Public Accountant who audited the Company's financial statements.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, and are disclosed in "Information on significant transactions"

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2018.

Min Aik Precision Industrial Co., Ltd.

Chairman: Jin, Bor-Shi