Stock Code:4545

# Min Aik Precision Industrial Co., Ltd.

# Annual Report 2019

Annual Report is available at
Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw
Company Website: http://www.mapi.com.tw

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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

**Acting Spokesperson**

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

**2. Address and Telephone of Headquarters, Branches and Factories**

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

**3. Stock Transfer Agency**

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,

With the effort of all colleagues together, the company has overcome the awkward situation of low loss in 2018 and turned that loss into earnings in 2019, despite the ongoing trade war between the US and China, as well as other factors resulting in industrial fluctuation. Although the turnover amount decreased compared to the year before, all profitability ratios in 2019 improved due to cost control and improved efficiency. As for the outlook of 2020, we will still face many macroeconomic and industrial challenges, whether from the perspective of declined consumption due to COVID-19 or increasing competition among the industry, which may result in great operational burdens to the company in 2020. The management team will bravely persist in the spirit of transforming adverse circumstances and facing them head on for sustainable profit growth and to fulfill the expectation of the company's investors.

## I. Operating achievements in 2019

(I) Operating policies and implementation overview

Since the trade war between US and China has been continued from the end of 2018 to 2019, many companies setting operation in China successively move partial productivity out from China. It has certain effects on automatic equipment business based in China. In addition, the hard disc market shrinks continuously, and therefore the precision metal stamping business was quiet suppressed in term of revenue. To reduce the effects of decreased revenue on profit of the company, the management team devoted to the cost control over precision metal stamping and automatic equipment to improve production efficiency. Therefore, though the revenue was not as good as expected, the gross margin was increased on contrary. In addition, the medical plastic business still provides stable revenue and profit to the group. Therefore, the operating income of 2019 grew significantly as comparing to 2018 and we had turned the loss NT$53.33 million in 2018 to profit 47.78 million in 2019.

After smooth recovery of profit in 2019, the precision metal stamping and automatic equipment will be continuously contributed to new product market and aggressive development to reduce the impact of macroeconomic and industrial chain to the company. Meanwhile, we cut in the new products and customer market to offset the effects of gradual decline of existed products. On the other hand, the company will continuously expand the productivity and reinforce the product line of medical plastic business as to consolidate the revenue and profit contribution to the group, allowing the group have more resources for continuous transformation and create more profits to shareholders.

(II) Implementation achievements of the operating plan

| Item | 2019 | 2018 |
|---|---|---|
| Operating Revenue | 1,797,291 | 2,073,532 |
| Operating Gross Profit | 398,249 | 360,103 |
| Operating profit/loss | 47,780 | -53,333 |
| Non-Operating Income and Expenses | -46,113 | 19,124 |
| Net income | 14,160 | -56,767 |

(III) Analysis of profitability

| Item | | 2019 | 2018 |
|---|---|---|---|
| Return on asset (%) | | 0.92% | -1.61% |
| Return on equity (%) | | 0.82% | -3.19% |
| Paid-in capital (%) | Operating Income | 6.21% | -6.93% |
| | Pre-tax Profit | 0.22% | -4.44% |
| Profit ratio (%) | | 0.79% | -2.74% |
| Earnings per share (NT$) | | 0.18 | -0.74 |

(IV) Research and development situations

Min Aik Precision mainly engages in metal stamping, automatic equipment and medical plastics such three businesses based on manufacturing. The improvement of manufacturing efficiency is highly correlated with profitability. Therefore, the company has aggressively introduced industry 4.0 to all business units for the expectation to carry out the theory and system of smart manufacturing and big data analysis to improve production efficiency and yield. In addition, since there was no revolutionary product on market in recent two years and the market is at a standstill, the precision metal stamping and automatic equipment industries are situated in red sea market. In order to get rid of this situation, the company has invested certain resources to convent its original core competence to new product and market, e.g. non-consumer electronic components and visual identification system as to gradually enter the blue sea field. As to the medical plastic products, the company also continuously invests materials and modules into development and assembly to expand the foundation of existed customers and diversify the operational on the other hand and further increase the contribution of medical plastic industry to the group as well.

The management team fully understands that only constant development and innovation may keep the leading advantages of the company. Therefore, the developments of all business units in this group are originated from their own core competence, incorporated with future product trend and market potential. In addition, the company also actively cooperates with different domestic academic unit to seek for the opportunities of new technology marketization. The management team of the company firmly considers that only the technological threshold and power established by continuous investment in development resources incorporated with co-development with academic units is the only way to be industrial leaders in all business fields.

## II. Overview of operating plan in 2020

(I) Operating policy of this year

The key of turning loss to earnings in 2019 was production efficiency improvement and cost control. To the outlook of 2010, the macroeconomic recession caused by COVID-19 is anticipated while the effects are hard to predict. In such uncertain condition, continuous efficiency improvement and cost control are still the center of operation. As to the business expansion, in addition to stabilize businesses of current brand mobile phone customers, the company will actively plan the markets and clients outside the China as incorporated with moving of industrial chain and continue to control project risks to reduce inventories and loss on obsolete materials in term of automatic equipment businesses.

For the metal stamping business, because it is expected that the market of the hard disk product may face the considerable challenges in 2020, and there is no space for development of the smart phone product. Therefore, we will offset the sluggish of hard disk industry via the growth of automobile electronic, heat spreader and non-US brands such businesses to continuously lead the growth of revenue and profit.

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 8-10% 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 continue 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

Due to the trade war between US and China in 2019, all major international research institutions were relatively conservative to the forecast of global economic growth in 2020, which is about 2.8%-3%. However, the overall economic growth forecast must be revised downward due to the breakout of COVID-19 in China and worldwide. The original growth forecast 1.7%-2% in all major economies such as US and EURO areas may be affected significantly. As to the fast growth China market in the past, the estimate of growth is already less than 6% as affected by the trade war. In addition, China economy may not have high growth rate as usual due to the outbreak of COVID-19 at the beginning of 2020. In such fluctuate situation, the company will take balance development strategies to continuously work on existed markets and clients to the expectation of acquiring higher market share in term of existed clients and market. Meanwhile, we will continuously develop new products like vehicle electronic and visual systems to expand the base of businesses and avoid the effects of growth sluggish in term of existed clients or products such as hard disc and consumer electronic products.

In terms of the medical plastic business, the effects of unstable macroeconomic situation are not significant to medical plastic business. Besides, the estimate of all major research institutions toward the growth of global medical material market is still around 8% due to aging of global population and gradual development of emerging market. Since all clients of the company actively deploy the countries receiving bonus from adjustment of supply chain in China such as India, Vietnam and Indonesia, the company will actively use this trend to cooperate closely with clients and take the advantage of favorable geographical position of Singapore in Southeastern Asia to pursue the growth as following the strategy of clients cutting in all emerging markets in Southeastern 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.

In overall, in consideration of relative unenthusiastic economic trend in 2020, the management team of the company will continue the control actions and measures taken in 2019 by strict control of costs and expenses to be invincible first. Next, we will continuously transform and introduce new management system and measures and seek for the turn point as appropriate from existed competition advantages to create best interest for shareholders.

## III. Development strategy of the company in the future

Although standing in three different product fields and industries, the value of the company is in manufacturing the best products for its clients. Therefore, the company will continue to introduce and carry out smart manufacturing and industry 4.0 to apply such big data concepts in production and development to meet the expectation of production efficiency and quality improvement. Meanwhile, after leaving the shadow of slight loss with the joint effort of all colleagues in 2018, the company will develop and cut into non-existing product fields based on its current core competence to get an opportunity for future growth. Where proper targets and opportunities are found, the company will acquire products or technology with market potential through strategic alliances or investment measures to prevent the company from lagging behind in the currently rapidly developing industry. In this way, the company can have the opportunity to create value for shareholders.

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

With effects of the trade war between the US and China in 2019, the supply chain originally concentrated in China has gradually adjusted. In addition to the return of Taiwanese businessmen, Vietnam and other countries in Southeastern Asia have also been targets of capacity movement. It is already a foregone conclusion that all industrial supply chains will gradually reduce their dependence on China due to the effects of COVID-19. Among such a condition, the company will adopt more flexible resource distribution and strict risk control to establish new services and supply methods in cooperation with the needs of customers in order to earn trust and identify customers as early as possible and gradually expand revenue and profits as well. Furthermore, the company will actively collect information and evaluate trends in order to avoid losses by strictly controlling various risks and maximize the efficient use of resources. Furthermore, with the global operation environment probably in a recession, the company will seriously control costs and cash flow to avoid operational problems that may arise from any risk in order to protect shareholders' interests.

With the joint effort of the management team and employees, the company has returned to the profit track and removed the shadow of the slight loss encountered in 2018, even though the revenue decreased. All challenges and conditions met by the company in the past few years could be used as lessons for subsequent company development and planning. We appreciate your long-term support and encouragement. Regarding the outlook of 2020, the company will continue its strategies from 2019 to stabilize profit foundation via production efficiency and cost control. Furthermore, we will continue to invest and introduce new product technologies and management systems in order to follow changing trends when the industry starts to adjust in the next few years, developing a new era for growth and profitability in the future.

After being listed in 2016, the operating performance of the company has indeed not been 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 2020, the company shall continue to face considerable uncertainties in the macroeconomic and industrial aspects. However, 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 operations may be very difficult in 2020, we believe that the company will gradually get out of its past difficulties and return to a track of growth, to meet shareholders' expectations.

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:

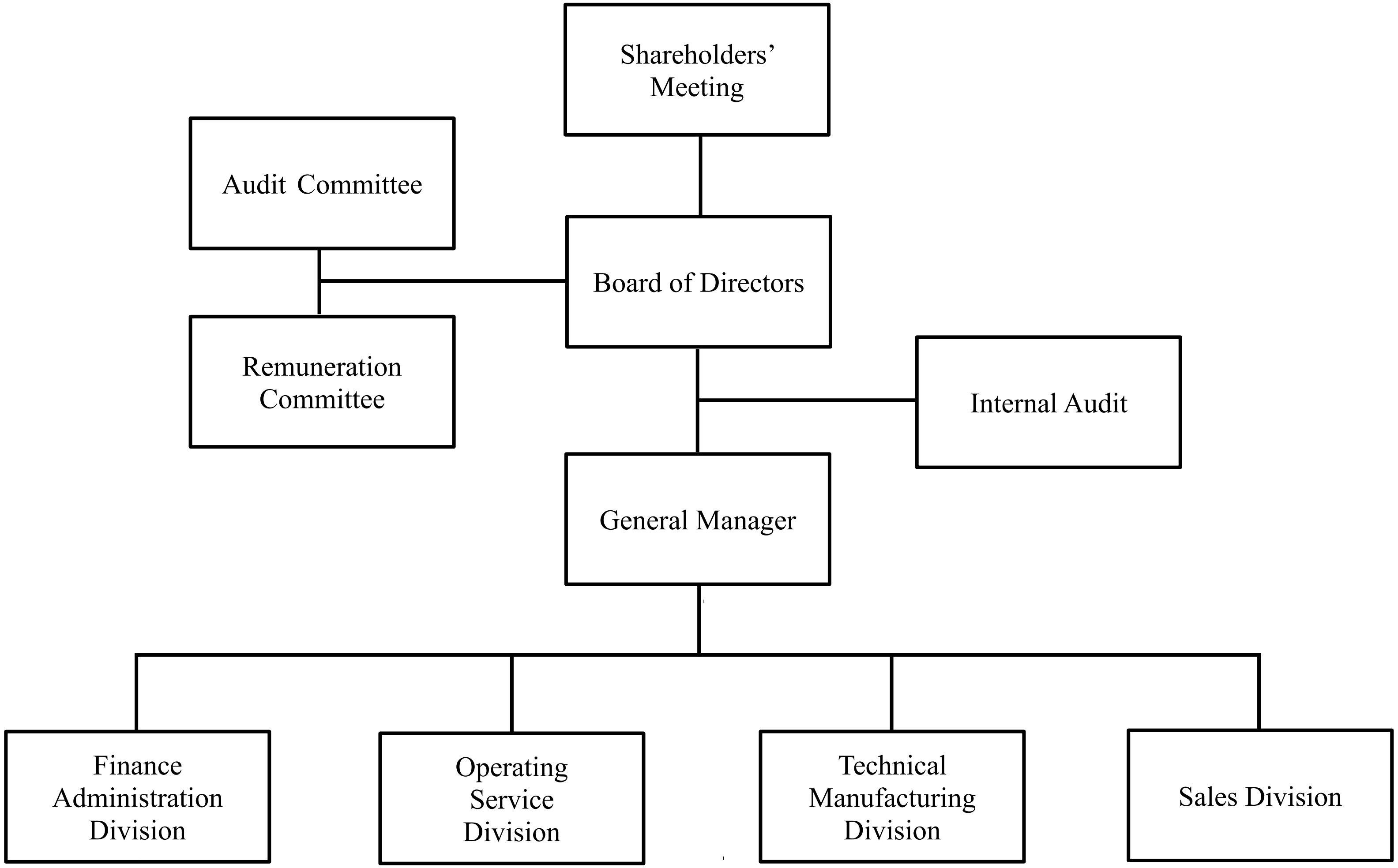
| Year | Important Matters |
|---|---|
| Jan. 2001 | The company was duly incorporated. It was originally named Min En Color Plating Co., Ltd. Its address was No. 5, Jingjian 4th Road, Guanyin Industrial Park, Guanyin District, Taoyuan County. The registered capital was NT$120 million, and the paid-in 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.<br>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. |

| Year | Important Matters |
|---|---|
| Dec. 2012 | Initial public offering |
| 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 ISO 22301 certification. |
| Mar. 2017 | Increased investment in Dongguan Yi Hong US$1,900,000 and paid-in capital increased to US$4,100,000. |
| May 2017 | Liquidation Dongguan Yi Hong Precision Industrial Co., Ltd. |
| 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. |
| Dec. 2019 | Dongguan Yi Hong Liquidation was completed. |
| Feb. 2020 | The company achieved SA8000:2014 certification. |

# 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

2020/03/31

| 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 | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 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<br>• Managing Director of Leon Capital Management Co., Ltd.<br>• 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<br>• Managing Director of Leon Capital Management Co., Ltd.<br>• Vice President, Citibank | - | - | - | - | |
| Director | Fang, Kuang-Yi | R.O.C | Male | 91.12.31 | 106.06.16 | 3 | 591,022 | 0.77 | 874,022 | 1.14 | 67,000 | 0.09 | 0 | 0 | • Bachelor of Science, St. John University of Technology<br>• Sanyo Audio Machinery Development Engineer<br>• Vice General Manager, Manufacturing Department, Min Aik Technology Co., Ltd. | • General Manager of Min Aik Precision Industry Co., Ltd.<br>• Chairman and General Manager of Amould Plastic Technology (Suzhou) Co., Ltd.<br>• Director of Evolution Holdings Limited<br>• CEO of MAP Technology Holdings Pte. Ltd.<br>• Director and General Manager of M&J Technologies 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 | 27,682,910 | 35.94 | 0 | 0 | 0 | 0 | - | - | - | - | - |
| | Representative：Chia, Kin-Heng | Singapore | Male | 90.01.09 (Note 3) | 106.06.16 | 3 | 543,766 | 0.71 | 480,766 | 0.62 | 70,000 | 0.09 | 0 | 0 | • Nanyang University Business School, Singapore<br>• Senior Purchasing Assistant, Singapore Baigong Electric Appliance Co., Ltd.<br>• Senior Director, Miniscribe Co., Ltd.<br>• Senior Materials Manager, Leica Instrument Pte. Ltd.<br>• Senior Associate of The Materials Department, Western Digital (S)Pte. Ltd.<br>• Vice President, Far East Region of Corner Co. Ltd.<br>• Vice President, Materials and Production Planning of Maxtor Peripherals (S) Pte. Ltd.<br>• Director, Min Aik Precision Industry Co., Ltd. | • Chairman and CEO of Min Aik Technology Co., Ltd.<br>• Director of Min Aik Technology USA Inc.<br>• Director of Min Aik International Development Pte. Ltd.<br>• Min Aik Technology (M) Sdn. Bhd. Director<br>• MATC Technology Malaysia Sdn. Bhd. Director<br>• Map Technology Holdings Pte. Ltd. Director<br>• Director of M&J Technologies Co., Ltd.<br>• Director of Mingyu Technology (Suzhou) Co., Ltd.<br>• Director of Jinghao (Shanghai) Energy Technology Co., Ltd.<br>• Director of Jinghao (Suzhou) New Energy Technology Co., Ltd.<br>• 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<br>• Assistant Professor of Tamkang University<br>• The 21st Board of Directors of the Taiwan Institute of Certified Public Accountants<br>• KPMG Accountant | • Independent Director, Remuneration committee of Prolific Technology Inc.<br>• Independent Director, 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<br>• Master of Economics / Master of Business Administration, New York University<br>• Fubon Product Insurance Co., Ltd. Chairman<br>• Fubon Financial Holding Co., Ltd. General Manager<br>• Executive Deputy General Manager and CFO of Fubon Financial Holdings Co., Ltd.<br>• Executive Vice President, Walden International Investment Group<br>• Vice President, Citibank Hong Kong Branch<br>• Investment Director, AIG Investment Corporation<br>• Assistant Vice President, Irving Trust Bank, USA | • Senior Consultant of Fubon Financial Holding Co., Ltd.<br>• Senior Consultant of Fubon Insurance<br>• Supervisor of Fubon Bank (China)<br>• 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<br>• Ph.D. in Materials Science, University of Southern California, USA<br>• Researcher, Rockwell Scientific Center, USA<br>• Co-founder and General Manager of Hexawave, Inc.<br>• Deputy General Manager and Spokesperson of Etron Technology, Inc.<br>• General Manager of CMSC, Inc. | • Chairman and CEO of CMSC, 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

2020/03/31

| 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

2020/03/31

| 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

2020/03/31

| 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 | 11 | 12 | |
| Jin, Bor-Shi | | | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Fang, Kuang-Yi | | | ✓ | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Chia, Kin-Heng | | | ✓ | | | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Kuo, Yao-Wen | | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Liu, Chin-Tang | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |
| 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 a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

5. Not A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Not applicable in cases where the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.).
6. Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (Not applicable in cases where the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.).
7. Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (Not applicable in cases where the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
8. Not A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
9. Not A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations..
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### 3.2.5 Management Team

2020/03/31

| 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 | 2010.05.01 | 874,022 | 1.14% | 67,000 | 0.09% | 0 | 0 | • Bachelor of Science, St. John University of Technology<br>• Sanyo Audio Machinery Development Engineer<br>• Vice General Manager, Manufacturing Department, Min Aik Technology Co., Ltd. | • General Manager of Min Aik Precision Industry Co., Ltd.<br>• Chairman and General Manager of Amould Plastic Technology (Suzhou) Co., Ltd.<br>• Director of Evolution Holdings Limited<br>• CEO of MAP Technology Holdings Pte. Ltd.<br>• Director and General Manager of M&J Technologies Co., Ltd. | - | - | - |
| Vice General Manager CFO | R.O.C | Mong, Ching-Yu | Male | 2012.06.01 | 200,689 | 0.26% | 0 | 0 | 0 | 0 | • National Taiwan University EMBA<br>• Master of Business Administration, University of Washington, USA<br>• Vice General Manager of KPMG Financial Consulting Co., Ltd. | • Director of MAP Plastics Pte. Ltd. (Singapore)<br>• Director of Amould Plastic Technology (Suzhou) Co., Ltd.<br>• Director of Evolution Holdings Limited<br>• Supervisor of Dongguan Yi Hong Precision Industrial Co., Ltd. | - | - | - |
| Assistant Vice President of Technical Manufacturing Division | R.O.C | Hsieh, Hung-Mou | Male | 2019.09.12 | 0 | 0 | 0 | 0 | 0 | 0 | • Department of Machinery, Asia-Pacific Institute of Creativity<br>• Stamping Manager, MEC Enclosure BU, Lite-On Technology Co., Ltd. | - | - | - | - |
| Assistant Vice President of Operating Service Division | R.O.C | Hsieh, Hsiu-Lan | female | 2014.01.01 | 108,054 | 0.16% | 3,250 | 0.00% | 0 | 0 | • Department of Business Administration, South Asian Institute of Technology<br>• Purchasing Director of Qiming Machinery Co., Ltd. | • Director of Amould Plastic Technology (Suzhou) Co., Ltd. | - | - | - |
| Assistant Vice President of Accountant | R.O.C | Hsiao, Chia-Ling | female | 2010.07.01 | 55,734 | 0.07% | 0 | 0 | 0 | 0 | • Department of Enterprise Management, Longhua University of Science and Technology<br>• Chongshi United Certified Public Accountants auditor<br>• Min Aik Technology Co., Ltd. Accounting | • Supervisor of Amould Plastic Technology (Suzhou) Co., Ltd. | - | - | - |
| Assistant Manager of Audit | R.O.C | Chang, Ya-Wen | female | 2016.09.02 | 5,020 | 0.01% | 0 | 0 | 0 | 0 | • University of Science and Technology, Department of Accounting<br>• 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 or the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Base Compensation (A) | | Severance Pay (B) | | Directors Compensation (C) | | Allowances (D) | | | | Salary, Bonuses, and Allowances (E) | | Severance Pay (F) | | Employee Compensation (G) | | | | | | |
| | | 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 | | The company | Companies in the consolidated financial statements | |
| | | | | | | | | | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Chairman | Beacon Investments Limited Representative: Jin, Bor-Shi | 2,480 | 2,480 | 0 | 0 | 0 | 0 | 32 | 32 | 17.74% | 17.74% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17.74% | 17.74% | None |
| Director | Fang, Kuang-Yi | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 12 | 0.08% | 0.08% | 5,633 | 6,864 | 110 | 110 | 0 | 0 | 0 | 0 | 40.65% | 49.34% | None |
| Director | Min Aik Technology Co., Ltd. Representative: Chia, Kin-Heng | 0 | 0 | 0 | 0 | 0 | 0 | 32 | 32 | 0.23% | 0.23% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.23% | 0.23% | None |
| Director | Beacon Investments Limited Representative: Kuo, Yao-Wen | 0 | 0 | 0 | 0 | 0 | 0 | 28 | 28 | 0.20% | 0.20% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.20% | 0.20% | None |
| Independent Director | Liu, Chin-Tang | 240 | 240 | 0 | 0 | 0 | 0 | 28 | 28 | 1.89% | 1.89% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.89% | 1.89% | None |
| Independent Director | Kung, Tien-Hsing | 240 | 240 | 0 | 0 | 0 | 0 | 24 | 24 | 1.86% | 1.86% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.86% | 1.86% | None |
| Independent Director | Chen, John-Sea | 240 | 240 | 0 | 0 | 0 | 0 | 28 | 28 | 1.89% | 1.89% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.89% | 1.89% | None |

1. Independent directors' remuneration policies, systems, standards and structures, and the relationship with the amount of remuneration will be described according to the responsibilities, risks, investment time and other factors: In addition to paying fixed remuneration and transportation fees for independent directors, directors compensation can also be allocated based on directors' tenure, concurrent committee members, and participation in company operations.

2. 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

### 3.3.2 Remuneration of the President and Vice Presidents

Unit: NT$ thousands

| Title | Name | Salary(A) | | Severance Pay (B) | | Bonuses and Allowances (C) | | Employee Compensation (D) | | | | Ratio of total compensation (A+B+C+D) to net income (%) | | Compensation from investments other than subsidiaries or the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | | | |
| General Manager | Fang, Kuang-Yi | 4,800 | 6,031 | 110 | 110 | 833 | 833 | 0 | 0 | 0 | 0 | 40.56% | 49.26% | None |
| Vice General Manager | Mong, Ching-Yu | 2,244 | 2,244 | 108 | 108 | 1,485 | 1,485 | 0 | 0 | 0 | 0 | 27.10% | 27.10% | None |
| Vice General Manager | Lu, Jung-Ching (Note 1) | 1,880 | 1,880 | 72 | 72 | 37 | 37 | 0 | 0 | 0 | 0 | 14.05% | 14.05% | None |

Note 1: Discharge on 2019.08.31

### 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 (Note 1) | | | | |
| Assistant Vice President | Hsieh, Hung-Mou | | | | |
| Assistant Vice President | Hsieh, Hsiu-Lan | | | | |
| Assistant Vice President | Hsiao, Chia-Ling | | | | |

Note 1: Discharge on 2019.08.31

### 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 | 2018 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 989 | 989 | -1.74% | -1.74% | 3,384 | 3,384 | 23.90% | 23.90% |
| General Manager and Vice General Manager | 11,288 | 13,702 | -19.88% | -24.14% | 11,569 | 12,800 | 81.71% | 90.40% |
| Total | 12,277 | 14,691 | -21.63% | -25.88% | 14,953 | 16,185 | 105.61% | 114.30% |

(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 7 times (A) in the latest year (2019). 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 | 7 | 0 | 100% | |
| Director | Fang, Kuang-Yi | 2 | 5 | 29% | - |
| Director | Min Aik Technology Co., Ltd. Representative: Chia, Kin-Heng | 7 | 0 | 100% | - |
| Director | Beacon Investments Limited Representative: Kuo, Yao-Wen | 6 | 1 | 86% | - |
| Independent Director | Liu, Chin-Tang | 6 | 1 | 86% | - |
| Independent Director | Kung, Tien-Hsing | 5 | 2 | 71% | - |
| Independent Director | Chen, John-Sea | 6 | 1 | 86% | - |

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 2018 was discussed at the board meeting on Jan. 17, 2019. 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. The proposal was unanimously approved by all attending directors after the chairman asked for their opinions.
   (2) The board meetings dated January 17 and February 22, 2019 discussed the establishment and adjustment of the Chairman's salary. Since this discussion involved Chairman Kim, Bo-Xi, he did not participate in the discussion and voting or exercise his voting right on behalf of other directors on the principle of avoiding a conflict of interest. The proposal was unanimously approved after the deputy chairperson consulted with the directors attending the meeting.

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:

(1) To carry out corporate governance, enhance the functions of the Board, and establish performance goals to reinforce the efficiency of Board operation, the Board of the company approved the “Regulations Governing the Board Performance Evaluation” and implemented internal and external evaluation.

(2) To cooperate with the competent author regulations, the English version of the financial report and information related to shareholders are prepared, and significant information in English is published to promote the transparency of information.

4. The self-evaluation (or peer evaluation) cycle and period, scope, method, and content of the Board:

2019 Board Evaluation Status

| Evaluation Cycle | Evaluation Period | Scope | Method | Content |
|---|---|---|---|---|
| Once every year | 2018.11.01 To 2019.10.31 | 1. Board<br>2. Individual directors<br>3. Functional committees | Self-evaluation of the Board, committees, and directors | Note 1 |
| At least once every three years | 2018.11.01 to 2019.10.31 | 1. Board<br>2. Individual directors<br>3. Functional committees | An external independent institution [Taiwan Corporate Governance Association] is designated for evaluation | Note 2 |

Note 1: Content of evaluation:

(1) Board performance evaluation includes five major directions: the degree of participation in company operations, promotion quality of Board decisions, Board composition and structure, the selection and continuous training of directors, and internal control, with 45 indicators in total.

(2) The performance evaluation of individual directors includes six major directions: the control company goals and missions, knowledge to competences of director, the degree of participation in company operations, internal relationship operations and communication, professional and continuous study of director, and internal control, with 23 indicators in total.

(3) The performance evaluation of the audit committee includes five major directions: the degree of participation in company operations, promotion quality of functional committee decisions, the composition of functional committee and member selection, and internal control, with 22 indicators in total.

(4) The performance evaluation of the remuneration committee includes four major directions: the degree of participation in company operations, knowledge to the competence of functional committees, promotion quality of functional committee decisions, and the composition of functional committee and member selection, with 18 indicators in total.

Note 2: The external evaluation unit assesses eight major dimensions: the composition, instructions, authorization, supervision, communication, internal control, risk management, self-discipline, and other (board meeting, supporting system, etc.) of the Board, with 38 indicators in total via written review and field interview.

### 3.4.2 Audit Committee

The audit meeting met for 4 times (A) in the latest year (2019). 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 | 4 | 0 | 100% | - |
| Independent Director | Kung, Tien-Hsing | 3 | 1 | 75% | - |
| Independent Director | Chen, John-Sea | 4 | 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 |
|---|---|
| 2019.03.18<br>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.<br>2. The proposal of Deficit Compensation for 2018 was approved.<br>3. The proposal of appointment of the auditing CPA for 2018 and his/her remuneration was approved.<br>4. The internal control system declaration of the company for 2017 was approved.<br>5. The proposal of providing endorsement and guarantees for Esteem King Limited, the subsidiaries owned 100% by the company, was approved.<br>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.<br>■ Resolution of Audit Committee (2019.03.18): It was approved unanimously by all members of the audit committee.<br>■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee. |
| 2019.05.10<br>The 19th meeting of the 8th Session | 1. The consolidated financial report of the company for Q1 of 2019 was approved.<br>2. The endorsement and guarantees provided by the company for customs duty related matters was approved.<br>■ Resolution of Audit Committee (2019.05.10): It was approved unanimously by all members of the audit committee.<br>■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee. |
| 2019.08.08<br>The 20th meeting of the 8th Session | 1. The consolidated financial report of the company for Q2 of 2019 was approved.<br>■ Resolution of Audit Committee (2019.08.08): It was approved unanimously by all members of the audit committee. |

| 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 |
|---|---|
| | ■ How to deal with the opinion given by the audit committee: Consent to the resolution made by the audit committee. |
| 2019.11.11<br>The 21th meeting of the 8th Session | 1. The consolidated financial report of the company for Q3 of 2019 was approved.<br>2. Establishing the annual audit plan of the company for 2020.<br>3. The proposal of providing endorsement and guarantees for Evolution Holdings Limited and Esteem King Limited, the subsidiaries owned 100% by the company, was approved.<br>■ Resolution of Audit Committee (2019.11.11): It was approved unanimously by all members of the audit committee.<br>■ 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 |
|---|---|---|---|---|
| 2018.11.07 | Audit Committee | Head of audit, Auditing CPA | (1) Performance of the audit plan for September 2018<br>(2) Consolidated financial report of the company for Q3 of 2018 | (1) To deal with as suggested<br>(2) To submit to the board of directors for its resolution after the review |
| 2019.02.14 | 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 control system | (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 |
|---|---|---|---|---|
| | | | had been valid would be prepared and submitted to the board of directors.<br>(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 |
| 2019.03.18 | Audit Committee | Head of audit, Auditing CPA | (1) Performance of the audit plan for the period between December 2017 to January 2018<br>(2) Internal control declaration for 2017 to be issued<br>(3) Individual financial report and consolidated financial report of the company for 2018 to be reviewed | (1) To deal with as suggested<br>(2) To consent to issue the internal control declaration of the company for 2017<br>(3) To submit to the board of directors for its resolution after the review |
| 2019.04.10 | Meeting on discussion | Head of audit | (1) Report of internal audit work | (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 |
| 2019.05.10 | Audit Committee | Head of audit | (1) Performance of the audit plan for the period between February to March 2019 | (1) To deal with as suggested |
| 2019.07.29 | Meeting on discussion | Head of audit | (1) Report of internal audit work | (1) To inform independent directors of the method the company has adopted, and to communicate to members of relevant |

| Date | Method of communication | Person to communicate with | Matters communicated | Result |
|---|---|---|---|---|
| | | | | departments the opinions obtained after the discussion |
| 2019.08.08 | Audit Committee | Head of audit | (1) Performance of the audit plan for the period between April to June 2019 | (1) To deal with as suggested |
| 2019.10.30 | Meeting on discussion | Head of audit | (1) Report of internal audit work<br>(2) Discuss the 2020 audit plan | (1) To deal with as suggested |
| 2019.11.11 | Audit Committee | Head of audit, Auditing CPA | (1) Performance of the audit plan for the period between August to September 2019<br>(2) CPA's annual audit and planning report<br>(3) Key matters for audit to be identified, and explanation and discussion of audit procedures to be implemented | (1) To deal with as suggested<br>(2) The CPA has provided with the planning for the annual audit.<br>(3) The CPA has explained and identified the key matters for audit and the audit procedures to be implemented.<br>(4) Both parties have reached an agreement. |

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 4 meetings in 2019, and the actual attendance rate of all members was 91.67%. 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 respective internal control systems to clarify and ensure everything goes in | |

| 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 | |
| (4) Does the company establish internal rules against insiders trading with undisclosed information? | ✓ | | compliance with applicable laws. Risk evaluation is also conducted periodically and from time to time to complete the management mechanism and establish proper firewalls.<br><br>(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<br><br>(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.<br>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 the company to implement the diversification policy and the ability to perform duties is as follows (Note 2) | 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 | |
| (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 standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors? | ✓ | | (3) The company has formulated performance evaluation methods for the board of directors and conducts regular performance evaluations. In addition to submitting the evaluation results to the board for review and improvement, the evaluation results will also be used as a reference for individual directors' salary and remuneration. | |
| (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 auditing CPA to the audit committee and Board of Directors for approval. | |

| 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 | |
| 4. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for 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 |
| 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 |

| 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 | |
| 7. Information Disclosure | | | | None |
| (1) Does the company establish a corporate website to disclose information regarding the company's financial, business and corporate governance status? | ✓ | | (1) The company has established a website to disclose its financial business and governance information. | |
| (2) Does the company have other information disclosure channels (e.g., maintaining an English language website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)? | ✓ | | (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. | |
| (3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit? | | ✓ | (3) The company's financial report and monthly operating status are completed within the statutory period. | |
| 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 | ✓ | | Information relating to governance of the company is as follows:<br>(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. | 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 | |
| customer relations policies, and purchasing insurance for directors and supervisors)? | | | (2) Relationship with Investors: The company discloses its important operational information periodically and also continues to enhance information transparency for investors to be aware of operational activities and development planning of the company.<br><br>(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.<br><br>(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.<br><br>(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.)<br><br>(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.<br><br>(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.<br><br>(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 results of the company's corporate governance evaluation in 2019 have not yet been published, but the company has given priority to the disclosure of English information and the performance evaluation of directors in 2019, and has also made efforts to meet the requirements of various new indicators. | 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 3 years, One Independent Director is appointed for a period of 7 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 62 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 records:

<table>
<tr><th>Name</th><th>Study Date</th><th>Sponsoring Organization</th><th>Course</th><th>Training hours</th><th>Annual training hours</th></tr>
<tr><td rowspan="2">Mong, Ching-Yu</td><td>2019/05/22</td><td>Corporate Organization Association</td><td>Corporate Governance and Directors' Duty, Loyalty and Conflict of Interest</td><td>3</td><td rowspan="2">21</td></tr>
<tr><td>2019/05/27</td><td>Corporate Organization Association</td><td>Corporate governance and financial reporting responsibility</td><td>3</td></tr>
</table>

| Name | Study Date | Sponsoring Organization | Course | Training hours | Annual training hours |
|---|---|---|---|---|---|
| | 2019/06/03 | Corporate Organization Association | Corporate Governance and the Practice of Independent Directors and Audit Committees | 3 | |
| | 2019/07/07 | Securities & Futures Institute | Insider Equity Trading Regulations | 3 | |
| | 2019/12/05 | Taiwan Corporate Governance Association | On the legal liability of directors and supervisors from the perspective of intellectual property rights | 3 | |
| | 2019/12/06 | Taiwan Corporate Governance Association | Insider trading regulations and practice case studies | 3 | |
| | 2019/12/13 | Securities & Futures Institute | 2019 Annual Seminar on Derivative Commodities of Listed Companies | 3 | |

Note 6：2019 Directors' training records:

| Name | Study Date | Sponsoring Organization | Course | Training hours | Annual training hours |
|---|---|---|---|---|---|
| Jin, Bor-Shi | 2019/12/06 | Taiwan Corporate Governance Association | Insider trading regulations and practice case studies | 3 | 6 |
| | 2019/12/05 | Taiwan Corporate Governance Association | On the legal liability of directors and supervisors from the perspective of intellectual property rights | 3 | |
| Fang, Kuang-Yi | 2019/12/06 | Taiwan Corporate Governance Association | Insider trading regulations and practice case studies | 3 | 6 |
| | 2019/12/05 | Taiwan Corporate Governance Association | On the legal liability of directors and supervisors from the perspective of intellectual property rights | 3 | |
| Kuo, Yao-Wen | 2019/12/06 | Taiwan Corporate Governance Association | Insider trading regulations and practice case studies | 3 | 6 |
| | 2019/12/05 | Taiwan Corporate Governance Association | On the legal liability of directors and supervisors from the perspective of intellectual property rights | 3 | |
| Chia, Kin-Heng | 2019/12/06 | Taiwan Corporate Governance Association | Insider trading regulations and practice case studies | 3 | 6 |
| | 2019/12/05 | Taiwan Corporate Governance Association | On the legal liability of directors and supervisors from the perspective of intellectual property rights | 3 | |

| Name | Study Date | Sponsoring Organization | Course | Training hours | Annual training hours |
|---|---|---|---|---|---|
| Liu, Chin-Tang | 2019/12/06 | Taiwan Corporate Governance Association | Insider trading regulations and practice case studies | 3 | 21 |
| | 2019/12/05 | Taiwan Corporate Governance Association | On the legal liability of directors and supervisors from the perspective of intellectual property rights | 3 | |
| | 2019/11/27 | Taiwan Corporate Governance Association | The 15th International Forum on Corporate Governance | 3 | |
| | 2019/11/26 | Taiwan Corporate Governance Association | Compliance and supervision | 1 | |
| | 2019/08/27 | Taiwan Corporate Governance Association | Artificial intelligence in Taiwan: opportunities and challenges of industrial transformation | 1 | |
| | 2019/07/11 | Taiwan Institute of Directors | The new realm of corporate tax administration | 3 | |
| | 2019/06/03 | Corporate Organization Association | Corporate Governance and the Practice of Independent Directors and Audit Committees | 3 | |
| | 2019/05/17 | Corporate Organization Association | Corporate governance and operation of the Board | 3 | |
| | 2019/05/08 | Taiwan Corporate Governance Association | Management view of Aberdeen Standard Investments | 1 | |
| Kung, Tien-Hsing | 2019/12/06 | Taiwan Corporate Governance Association | Insider trading regulations and practice case studies | 3 | 9 |
| | 2019/12/05 | Taiwan Corporate Governance Association | On the legal liability of directors and supervisors from the perspective of intellectual property rights | 3 | |
| | 2019/11/18 | Governance Professionals Institute of Taiwan | 2019 Related Party and Related Party Trading Seminar | 3 | |
| Chen, John-Sea | 2019/12/06 | Taiwan Corporate Governance Association | Insider trading regulations and practice case studies | 3 | 6 |
| | 2019/12/05 | Taiwan Corporate Governance Association | On the legal liability of directors and supervisors from the perspective of intellectual property rights | 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 | 9 | 10 | | |
| 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 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 a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs..

(5) Not A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Not applicable in cases where the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.).

(6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (Not applicable in cases where the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.).

(7) Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (Not applicable in cases

where the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

(8) Not A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

(9) Not A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not been 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 6 meetings(A) in 2019, 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 | 4 | 2 | 67% | - |
| Commission member | Liu, Chin-Tang | 5 | 1 | 83% | - |
| Commission member | Chen, John-Sea | 5 | 1 | 83% | - |

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 |
|---|---|
| 2019.01.07<br>The 7th meeting of the 3rd Session | 1. Approving the proposal of distributing annual bonuses to managers for 2018.<br>2. Approving the salary of the chairman.<br>■ Resolution: It was approved unanimously by all members of the Remuneration committee. 。<br>■ How to deal with the opinion given by the committee: Consent to the resolution made by the committee. |
| 2019.02.22<br>The 8th meeting of the 3rd Session | 1. Approving the KPI of managers for 2019.<br>2. Approving the adjustment of the chairman's salary.<br>■ Resolution: It was approved unanimously by all members of the Remuneration committee. 。<br>■ How to deal with the opinion given by the committee: Consent to the resolution made by the committee. |
| 2019.03.18<br>The 9th meeting of the 3rd Session | 1. Approving the KPI of the heads of departments for 2019.<br>■ Resolution: It was approved unanimously by all members of the Remuneration committee. 。<br>■ How to deal with the opinion given by the committee: Consent to the resolution made by the committee. |
| 2019.05.10<br>The 10th meeting of the 3rd Session | 1. Approval of company salary structure.<br>■ Resolution: It was approved unanimously by all members of the Remuneration committee. 。 |

| Date/Term | Content of Proposal, Resolution of Remuneration Committee, and How the company Dealt With it Subsequently |
|---|---|
| | ■ How to deal with the opinion given by the committee: Consent to the resolution made by the committee. |
| 2019.08.08<br>The 11th meeting of the 3rd Session | 1. Formulate the "Procedures for Board Performance Evaluation" of the Company.<br>2. Approved the appointment of CFO of MAP Plastic Pte. Ltd.<br>■ Resolution: It was approved unanimously by all members of the Remuneration committee.。<br>■ How to deal with the opinion given by the committee: Consent to the resolution made by the committee. |
| 2019.09.12<br>The 12th meeting of the 3rd Session | 1. Approved the proposal for the promotion of the company's senior management.<br>■ Resolution: It was approved unanimously by all members of the Remuneration committee.。<br>■ How to deal with the opinion given by the committee: Consent to the resolution made by the committee. |

**3.4.5 Fulfillment of Social Responsibility and Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons**

| 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 assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? | ✓ | | To ensure that the occupational safety and health management requirements (OHSAS 18001) and social responsibilities (SA 8000) are achieved, the company has established such risk evaluation management procedures as considering the issues mentioned in the different links of organization, stakeholders, and other matters as required by the occupational safety and health system and SA8000 prior to the establishment or implementation of the management system. | None |
| 2. Does the company establish a dedicated or concurrent unit in charge of promoting CSR with senior management authorized by the board to take charge of proposing CSR policies and reporting to the board? | ✓ | | 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. | None |
| 3. Environmental issues<br><br>(1) Does the company establish proper environmental management systems based on the characteristics of their industries? | <br><br>✓ | | <br><br>(1) The company has acquired various pollution facilities and emission permits pursuant to the regulations, pays pollution control expenses, and has established ISO 14001 and OHSAS 18001 management systems in order to meet legal requirements and also expects to apply higher standards than the regulations. | 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 | |
| (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? | ✓ | | (2) The company and all of its subsidiaries execute garbage classification and establish resource recycling sites, as well as uses reclaimed paper and encourages the use of environmental chopsticks and cups to reduce the impact on the environment.<br>To reduce water consumption, the company recycles wastewater to reduce the burden of wastewater on the natural environment.<br>Regarding energy usage, the company has introduced various energy saving measures. In addition to installing smart power meters in partial areas, all lamps have been replaced by energy-saving ones to reduce energy consumption and help the environment. | |
| (3) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues? | ✓ | | (3) To slow down global warming, the company has replaced the low sulfur boiler fuel with natural gas to reduce 50% of carbon emission and contribute some efforts to slow down global warming. | |
| (4) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management? | ✓ | | (4) The company calculated its greenhouse gas emissions from the previous two years and disclosed them on our website. Meanwhile, such policies as waste reduction, wastewater recycling, and steam power recycling have also been established to promote environmental protection. | |

| 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 | |
| 4. Social issues | | | | None |
| (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 employee's welfare committee has also been organized to hold a labor-management consultation meeting periodically to protect rights and benefits of employees. | |
| (2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries? | ✓ | | (2) The company has established complete employee welfare measures and retirement systems, while the appropriation ratio of employee compensation is also specified in the articles of incorporation to reflect the operational performance and results in employees' remuneration. | |
| (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 provide its employees with career development and training sessions? | ✓ | | (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 | |

| 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 | |
| | | | management and exchange through smooth two-way communication. | |
| (5) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures? | ✓ | | (5) The components produced by the company are not end products, and thus no consumer protection and complaint procedures have been established. However, the company follows SA 8000 regulations by signing NDA to protect customers' privacy and the rights of both parties. To maintain the health and safety of customers, all the materials used satisfy RoHS requirements, and the restricted substances and green guarantee are specified to assume corporate responsibility. Meanwhile, the company follows environmental laws to report and handle business waste. | |
| (6) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status? | ✓ | | (6) The company has concluded contracts with major suppliers and implemented SA8000 training to suppliers and requested periodical audits. For suppliers violating social responsibility and causing material effects to the environment, the company may cancel or terminate the contract based on the content of the agreement. | |
| 5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility | | ✓ | Although the company has not yet prepared its corporate social responsibility report, we are still devoted to promoting social responsibility and have acquired SA 8000 certification. | 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>reports? Do the reports above obtain assurance from a third-party verification unit?</td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="5">6. 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.<br><br>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">7. Important information helpful for understanding corporate social responsibility:<br><br>(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.<br>(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.<br>(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.<br>(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>
</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 Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons

| 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) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management 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 mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best- Practice Principles for TWSE/TPEx Listed Companies? | ✓ | | (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) Did the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention | ✓ | | (3) The company has established relevant operational procedures in the "integrity operation procedures and code of conduct" to actively prevent dishonest acts. | |

| 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 | |
| plan, and does it implement and periodically review and revise the plan? | | | | |
| 2. Fulfill operations integrity policy<br><br>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?<br><br>(2) Did the company establish a dedicated unit under the board of directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?<br><br>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?<br><br>(4) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the | <br><br>✓<br><br>✓<br><br>✓<br><br>✓ | | <br><br>(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.<br><br>(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.<br><br>(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.<br><br>(4) The design of the accounting systems and internal control systems of the company and its subsidiaries are examined by the CPAs retained | 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 | |
| internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit? | | | by the company and its subsidiaries and are reviewed periodically. During the audit 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 whistleblowing system | | | | 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 investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation? | ✓ | | (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. | |

| 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 | |
| 4. Strengthening information disclosure<br>Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS? | ✓ | | The company has disclosed information regarding ethical corporate management principles at its website and in Market Observation Post System. | None |
| 5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: None | | | | |
| 6. Important information helpful for understanding ethical corporate management: (e.g.: review and amendment of the ethical corporate management principles, etc.)<br>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. | | | | |

**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.
(4) The company's board of directors established a Corporate Governance Officer on January 17, 2019.

### 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 27, 2020

Over the Company's internal control system of Year 2019, 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, 2019 (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 27, 2020. 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 For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements : 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:

| Important Resolutions Made at Regular Meeting of Shareholders on June 13, 2019 | | |
|---|---|---|
| Subject | Result of Resolution | Status of Performance |
| (1) Proposal of recognizing the business report and financial statements of 2018 | Approved after voting | Relevant statements have been announced and reported in accordance with applicable regulations. |
| (2) Proposal of recognizing the proposal of Deficit Compensation for 2018 | Approved after voting | |
| (3) Proposal of distributing funds in cash from capital reserve | Approved after voting | Allocated in accordance with the resolution of the shareholders meeting, the dates are as follows:<br>1. Record date of distribution: 2019.7.10<br>2. Date of cash distribution: 2019.8.2 |
| (4) Amendment to the Procedures for Acquisition or Disposal of Assets | Approved after voting | Relevant operations in accordance with the revised procedures |
| (5) Amendment to the Procedures for the Loaning of Funds | Approved after voting | Relevant operations in accordance with the revised procedures |
| (6) Amendment to the Procedures for Endorsements and Guarantees | Approved after voting | Relevant operations in accordance with the revised procedures |

(2) Important matters resolved by board of directors: (Jan. 1, 2019 to March 31, 2020)

| Date/Term | Important matters resolved |
|---|---|
| 2019.01.17<br>The 16th meeting of the 8th Session | (1) Approving the proposal of distributing annual bonuses to managers for 2018<br>(2) Approving the salary of the chairman<br>(3) Approving the proposal of extended functional unit of group organization<br>(4) Approving the appointment of Corporate Governance Officer<br>(5) Approving the proposal of applying to the bank for credit extension<br>(6) Approving the proposal of changing the keeping unit of the Seal registered with the Ministry of Economic Affairs of the company<br>(7) Approving the operational plan of the company for 2019 |
| 2019.02.22<br>The 17th meeting of the 8th Session | (1) Approving the adjustment of the chairman's salary<br>(2) Approving the proposal of amendment to the Procedures for Limit of Authority |
| 2019.03.18<br>The 18th meeting of the 8th Session | (1) Approving the business report, individual financial report and consolidated financial report of the company for 2018<br>(2) Approving the proposal of the proposal for 2018 Deficit Compensation<br>(3) Approving the Proposal of cash distribution from the capital reserve<br>(4) Approving the appointment and remuneration of the auditing CPA for 2019<br>(5) Approving the declaration for internal control system of the company for 2018<br>(6) Approving the endorsement and guarantees provided for Esteem King Limited, the subsidiaries owned 100% by the company<br>(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<br>(8) Approving the proposal of designate Jin, Bor-Shi as the authorized signatory of Esteem King Limited<br>(9) Approving the proposal of convening the general meeting of shareholders for 2019 and other relevant matters<br>(10) Approving the adjustment of the board timetable |
| 2019.05.10<br>The 19th meeting of the 8th Session | (1) Approving the consolidated financial report of the company for Q1 2019<br>(2) Approving the proposal of the company's grade and rank structure case<br>(3) Approving the proposal of amendment to the "Measures for the operation and management of subsidiaries"<br>(4) Approving the proposal of amendment to the "Procedures for Limit of Authority" of subsidiaries<br>(5) Approving the proposal of Set the company's "standard operating procedures for handling directors’ requirements"<br>(6) Approving the endorsement and guarantees to be provided by the company for customs duty related matters<br>(7) Approving the proposal of changing the keeping unit of the Seal registered with the Ministry of Economic Affairs of the company |
| 2019.08.08<br>The 20th meeting of the 8th Session | (1) Approved the MAP Plastic Pte. Ltd. plant expansion plan.<br>(2) Approved the adjustment of the group's organizational structure.<br>(3) Approved the appointment of CFO of MAP Plastic Pte. Ltd. |

| Date/Term | Important matters resolved |
|---|---|
| | (4) Approved the proposal of amendment to the "Procedures for Limit of Authority" of MAP Plastic Pte. Ltd.<br>(5) Formulate the "Procedures for Board Performance Evaluation" of the Company.<br>(6) Approved the endorsement and guarantees provided for Esteem King Limited, the subsidiaries owned 100% by the company. |
| 2019.09.12<br>The 21th meeting of the 8th Session | (1) Approved the proposal for the promotion of the company's senior management.<br>(2) Approved the adjustment of the group's organizational structure.<br>(3) Approved appointment of chairman, director and supervisor of Amould Plastic Technologies (Suzhou) Co., Ltd. 。<br>(4) Approved the proposal of changing the keeping unit of the Seal registered with the Ministry of Economic Affairs of the company. |
| 108.11.11<br>The 22th meeting of the 8th Session | (1) Establishing the annual audit plan of the company for 2020. |
| 108.01.15<br>The 23th meeting of the 8th Session | (1) Approved the operational plan of the company for 2020.<br>(2) Approved the proposal of distributing annual bonuses to managers for 2019.<br>(3) Approved the Company's plant expansion plan.<br>(4) Approved the proposal of applying to the bank for credit extension. |
| 108.02.26<br>The 24th meeting of the 8th Session | (1) Approved the proposal of amendment to the "Rules of Procedure for Board of Directors Meetings", "Audit Committee Charter " and "Remuneration Committee Charter" of the company.<br>(2) Approved the proposal of convening the general meeting of shareholders for 2020 and other relevant matters.<br>(3) Proposal for shareholders to re-election the 9th director of the company. |
| 108.03.27<br>The 25th meeting of the 8th Session | (1) Approved the reversal deferred income tax debt case.<br>(2) Approved the business report, individual financial report and consolidated financial report of the company for 2019.<br>(3) Approved the proposal of distributing earnings of 2019.<br>(4) Approved the proposal of cash distribution from the capital reserve.<br>(5) Approved the proposal of amendment to the "Articles of Association" of the company.<br>(6) Nomination and examination of nominees.<br>(7) Proposal for shareholders' meeting to lift the restriction on the prohibition of competition for new directors.<br>(8) Added the reason for convening the 2020 shareholders' meeting of the company.<br>(9) Approved the appointment and remuneration of the auditing CPA for 2020.<br>(10) Approved the proposal of amendment to the "Accounting System" of the company.<br>(11) Approved the proposal of amendment to the "Internal Control System" of the company.<br>(12) Approved the declaration for internal control system of the company for 2019.<br>(13) Adjust the annual audit plan of the company for 2020. |

**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:**

2020/03/31

| Title | Name | Date of Appointment | Date of Termination | Reasons for resignation or discharge |
|---|---|---|---|---|
| R&D Officer | Chiang, Chih-Pin | 2014.01.01 | 2019.04.19 | Resignation |

### 3.5 Information on CPA professional fees

(1) Information on CPA professional fees

| Accounting Firm | Name of CPA | Audit period | Remarks |
|---|---|---|---|
| KPMG | Chen, Cheng-Chien | 2019.01.01~2019.12.31 | - |
| | Huang, Yung-Hua | | |

Unit: NT$ Thousand

| Fee Range | Fee Items | Audit Fee | Non-audit Fee | Total |
|---|---|---|---|---|
| 1 | Under NT$ 2,000,000 | - | 74 | - |
| 2 | NT$2,000,001 ~ NT$4,000,000 | - | - | - |
| 3 | NT$4,000,001 ~ NT$6,000,000 | 5,625 | - | 5,699 |
| 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

| Accounting Firm | Name of CPA | Audit Fee | Non-audit Fee | | | | | Audit period | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | | | System of Design | Company Registration | Human Resource | Others | Subtotal | | |
| KPMG | Chen, Cheng-Chien | 5,625 | - | - | - | 74 | 74 | 2019.01.01 ~ 2019.12.31 | Others: Printing fee |
| | Huang, Yung-Hua | | | | | | | | |

(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 10 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="3">2018.3.15</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="3">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>Parties<br>Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td>Termination of appointment</td><td>N/A</td><td>N/A</td></tr>
<tr><td>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="3">None</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="4">Yes</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of Financial Statements</td></tr>
<tr><td></td><td>Audit scope or steps</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td>None</td><td colspan="2">V</td></tr>
<tr><td colspan="3">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="3">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 | 2019 | | As of 2020/03/31 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman | Jin, Bor-Shi | 0 | 0 | 0 | 0 |
| Director<br>General Manager | Fang, Kuang-Yi | 0 | 0 | 874,022 | 0 |
| Director<br>Major shareholders | Min Aik Technology Co., Ltd. | 0 | 0 | 700,000 | 0 |
| Director | Chia, Kin-Heng | 0 | 0 | 65,000 | 0 |
| Director<br>Major shareholders | Beacon Investments Limited | 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<br>CFO | Mong, Ching-Yu | 0 | 0 | 21,000 | 0 |
| Assistant Vice President | Hsiao, Chia-Ling | 0 | 0 | 0 | 0 |
| Assistant Vice President | Hsieh, Hsiu-Lan | (13,000) | 0 | 0 | 0 |
| Assistant Vice President | Hsieh, Hung-Mou (Note 1) | 0 | 0 | 0 | 0 |

Note 1: New appointment on 2019.09.12

(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

2020/03/31

| 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. | 27,682,910 | 35.95% | - | - | - | - | Chia, Kin-Heng | Chairman of Min Aik Technology Co., Ltd. | - |
| Min Aik Technology Co., Ltd. Representative: Chia, Kin-Heng | 480,766 | 0.62% | 70,000 | 0.09% | - | - | | | - |
| Beacon Investments Limited | 25,375,763 | 32.96% | - | - | - | - | - | - | - |
| Beacon Investments Limited Representative: Kuo, Yao-Wen | - | - | - | - | - | - | - | - | - |
| Yin, Yu-Min | 1,448,000 | 1.88% | - | - | - | - | - | - | - |
| Taiwan Fu Hsing Industrial Co., Ltd. | 1,419,000 | 1.84% | - | - | - | - | - | - | - |
| Taiwan Fu Hsing Industrial Co., Ltd. Representative: Lin, Jui-Chang | - | - | 148,298 | 0.19% | - | - | - | - | - |
| Fang, Kuang-Yi | 874,022 | 1.14% | 67,000 | 0.09% | - | - | - | - | - |
| Huang, Chih-Ming | 637,000 | 0.83% | - | - | - | - | - | - | - |
| NOMURA SINGAPORE LIMITED | 618,000 | 0.80% | | | | | | | |
| Pan, Chih-Heng | 525,000 | 0.68% | - | - | - | - | - | - | - |
| Hu, Chao-Wei | 489,000 | 0.64% | - | - | - | - | - | - | - |
| Chia, Kin-Heng | 480,766 | 0.62% | 70,000 | 0.09% | - | - | Min Aik Technology Co., Ltd. | 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**

2020/03/31; 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

2020/3/31; 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

2020/3/31

| 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

2020/3/31

| Type of Shareholder / Quantity | Government Agencies | Financial Institutions | Other Juridical Persons | Individuals | Foreign Institutions & foreigners | Total |
|---|---|---|---|---|---|---|
| Number of Shareholders | 0 | 0 | 18 | 4,145 | 21 | 4,184 |
| Shareholding | 0 | 0 | 29,547,917 | 20,361,951 | 27,090,132 | 77,000,000 |
| Percentage | 0.00% | 0.00% | 38.37% | 26.44% | 35.19% | 100.00% |

### 4.1.3 Shareholding Distribution Status

(1) Common Shares

2020/3/31; NT$10 per share

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|---|---|---|---|
| 1 ~ 999 | 1,495 | 47,940 | 0.06% |
| 1,000 ~ 5,000 | 2,140 | 3,764,881 | 4.89% |
| 5,001 ~ 10,000 | 274 | 2,131,169 | 2.77% |
| 10,001 ~ 15,000 | 79 | 987,935 | 1.28% |
| 15,001 ~ 20,000 | 49 | 883,400 | 1.14% |
| 20,001 ~ 30,000 | 44 | 1,103,217 | 1.43% |
| 30,001 ~ 50,000 | 40 | 1,562,399 | 2.03% |
| 50,001 ~ 100,000 | 30 | 2,092,535 | 2.72% |
| 100,001 ~ 200,000 | 13 | 1,898,225 | 2.47% |
| 200,001 ~ 400,000 | 9 | 2,534,838 | 3.29% |
| 400,001 ~ 600,000 | 4 | 1,938,766 | 2.52% |
| 600,001 ~ 800,000 | 2 | 1,255,000 | 1.63% |
| 800,001 ~ 1,000,000 | 1 | 874,022 | 1.14% |
| 1,000,001 or over | 4 | 55,925,673 | 72.63% |
| Total | 4,184 | 77,000,000 | 100% |

(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:

2020/3/31; shares

| Name \ Shares | Shareholding | Percentage |
|---|---|---|
| Min Aik Technology Co., Ltd. | 27,682,910 | 35.95% |
| Beacon Investment Limited (Malaysia) | 25,375,763 | 32.96% |
| Yin, Yu-Min | 1,448,000 | 1.88% |
| Taiwan Fu Hsing Industrial Co., Ltd. | 1,419,000 | 1.84% |
| Fang, Kuang-Yi | 874,022 | 1.14% |
| Huang, Chih-Ming | 637,000 | 0.83% |
| NOMURA SINGAPORE LIMITED | 618,000 | 0.80% |
| Pan, Chih-Heng | 525,000 | 0.68% |
| Hu, Chao-Wei | 489,000 | 0.64% |
| Chia, Kin-Heng | 480,766 | 0.62% |

### 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 | | | 2018 | 2019 | As of 2020/3/31 |
|---|---|---|---|---|---|
| Market price per share（Note 1） | Highest | | 49.1 | 29.5 | 36.2 |
| | Lowest | | 24.05 | 21.20 | 20.20 |
| | Average | | 33.51 | 24.26 | 28.29 |
| Net Value per share（Note 2） | Before Distribution | | 22.46 | 22.24 | - |
| | After Distribution | | 22.29 | Not Yet Distributed | - |
| Earnings per share | Weighted Average Shares | | 77,000,000 | 77,000,000 | 77,000,000 |
| | Earnings per share（Note 3） | | (0.74) | 0.18 | - |
| Dividends per share | Cash Dividends | | - | 0.1 | - |
| | Stock Dividends | From Retained Earnings | - | - | - |
| | | From Capital Surplus | - | - | - |
| | Accumulated Undistributed Dividends（Note 4） | | - | - | - |
| Return on Investment | Price / Earnings Ratio（Note 5） | | - | 134.78 | - |
| | Price / Dividend Ratio（Note 6） | | - | 242.6 | - |
| | Cash Dividend Yield Rate（Note 7） | | - | 0.41% | - |

∗ 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 company’s dividend policy was approved by the board of directors on March 27, 2020 as follows, and it will be submitted to the shareholders meeting for resolution:

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 30% 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 2019 Earnings Distribution on March 27, 2020:

Unit: NT$

| Item | Amount |
|---|---|
| Undistributed profit at start of period | 0 |
| Plus: Variation following re-evaluation of confirmed welfare plan | 1,217,197 |
| Plus: Net profit after tax for the current period | 14,159,650 |
| Less: Legal reserve | (1,415,965) |
| Less: Special reserve provided for equity deductions Distributable surplus | (5,178,242) |
| Accumulated distributable earnings | 8,782,640 |
| Allocation items in this period | |
| Less: Cash dividends (NT$0.1 / per share ) | (7,700,000) |
| Undistributed earnings at the end of the period | 1,082,640 |

(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: None

**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 injection product.
(2) Design and manufacturing of the electronic plastic injection product.
(3) Design and fabricate plastic injection mould.
(4) Provide customised automation solutions to medical device industry.

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 | 2019 | |
|---|---|---|
| | Sales volume | Proportion |
| Hard Disk Drive stamping components | 728,167 | 41% |
| Other electronic stamping components | 515,056 | 29% |
| Plastic injection parts | 201,190 | 11% |
| Automated machine | 164,307 | 9% |
| Other | 188,571 | 10% |
| Total | 1,797,291 | 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) Medical plastic consumables.
(2) Life Science consumable and enclosure plastic parts to be used in the lab.
(3) Other plastic products.
(4) Mould fabrication.

(5) Automation equipment for assembling of the medical consumables

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) Assembly and test automation equipment of memory, solar energy, LED and many other industries.

4. New Products (Services) Planned to be Developed

Min Aik Precision

(1) Develop high-end service hard disk related stamping components incorporated with market trend
(2) The development and manufacturing of mobile phone, tablet, notebook, automobile, display electronic components
(3) The development and manufacturing of 5G and communication base electronic parts

MAPP

(1) Micromoulding of medical devices.
(2) Silicon moulding of medical devices.

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 has been globally dominated by three major hard disk drive manufacturers began in 2012. All the procedures for Seagate to merge with and acquire the Hard Disk Drive Department of Samsung Electronics Co., Ltd. were completed on December 19, 2011. Western Digital Corporation (WD) successfully carried out its acquisition of Hitachi Global Storage Technologies (HGST) on March 8, 2012. However, due to requirements of mainland China’s Ministry of Commerce at that time, the status was maintained until October 2017, and the independent operation of WD and HGST brands was maintained until then. Therefore, WD and HGST were considered different brands and storage technology companies and occupied the market separately although they belonged to the same group. In 2018, WD Group continuously merged, organized, and adjusted its actions, market positioning, and target groups. After successive acquisitions of such internal storage device brands as HGST, SanDisk, G-Technology, Tegile, and Upthere, WD decided to re-adjust the brands it owned so that the products of the owned brands could be more easily identified in the market. After such adjustment, the name -- Western Digital would be used in a unified manner to refer to all the brands of the enterprise, as well as its commercial application products. In the future, HGST and WD brands would no longer be used to promote the products of the enterprise and commercial application, respectively. The three major hard disk drive manufacturers, Western Digital, Seagate, and Toshiba, shall continue to subsequently lead the hard disk drive market.

According to the publication of the market survey unit Digital Storage Technology Newsletter, the estimate of overall shipments of the hard disk industry was 320 billion sets, about a 15% annual decrease. The PC shipment has been turned from decline to recovery with 261 million for the first time since 2011, showing annual growth of 0.6%. However, due to the gradual increase of SSD percentage used in the PC market, which is adopted by big game console companies such as Sony and Microsoft as storage media for the new generation game console, hard disk sales for PC and relevant consumer electronics have been affected.

Seen from the market share of hard disk drive manufacturers in 2019, Seagate continuously took the lead of the global market share by 40% in 2019 and is still the biggest hard disk manufacturer in the world, followed by Western Digital, with 36% of the market share. Although its share slightly declined, it is still the second biggest manufacturer. Toshiba takes third place, with 24% of the market share..

Shipment statistics of hard disk drives and analysis of market shares of major hard disk manufacturers in 2017-2019

Unit: Million sets

| Year | 2017 | | 2018 | | 2019 | |
|---|---|---|---|---|---|---|
| Manufacturer | Shipment | % | Shipment | % | Shipment | % |
| Seagate | 148.0 | 37% | 150.0 | 40% | 129.3 | 40% |
| Western Digital | 163.0 | 40% | 140.0 | 37% | 114.0 | 36% |
| Toshiba | 93 | 23% | 85 | 23% | 76.7 | 24% |
| Total | 404.0 | | 375.0 | | 320.0 | |
| Growth (%) | (4.7%) | | (7.2%) | | (14.7%) | |

Source: Seagate, WD ANNUAL REPORT and Trendfocus.

Even though the overall shipments of hard disks declined, the demand for high capacity storage applications is increasing in the cloud big data era due to content digitalization, 5G, and AioT. Currently, mid-end capacity related applications have been gradually developed from 1TB and 2TB to higher storage capacity. By 2019 Q4, the average capacity of hard disk had broken through to 3.3TB in a single instant.

B. 3C electronic industry

According to statistics published by Gartner, the global sales volume of consumer smart phones reached 1.54 billion in 2019. As for brands, the sales volume of Samsung increased slightly from 291 million in 2018 to 296 million in 2019, with a market share of about 19% and maintaining its lead in the global smart phone market. The major reasons were that Samsung successfully modified the mid-end and basic models of the smart phone, as well as provided a flip phone, to battle for the market of high-end mobile phone users. Meanwhile, the sales volume of iPhone declined from 209 million to 193 million, decreasing from 13.4% to 12.6% in terms of market share.

2019年全球前五大智慧型手機廠商銷售量（單位：千台）

| 廠商 | 2019年 銷售量 | 2019年 市占率（%） | 2018年 銷售量 | 2018年 市占率（%） |
|---|---|---|---|---|
| 三星 | 296,194.0 | 19.2 | 295,043.7 | 19.0 |
| 華為 | 240,615.5 | 15.6 | 202,901.4 | 13.0 |
| 蘋果 | 193,475.1 | 12.6 | 209,048.4 | 13.4 |
| 小米 | 126,049.2 | 8.2 | 122,387.0 | 7.9 |
| OPPO | 118,693.2 | 7.7 | 118,787.1 | 7.6 |
| 其他 | 565,630.0 | 36.7 | 607,445.4 | 39.0 |
| **總計** | **1,540,657.0** | **100.0** | **1,555,613.0** | **100.0** |

數字可能因四捨五入而與整數有些微出入。

Source: Gartner March, 2020

Furthermore, the performance of Mi has been brilliant in emerging countries and the Asia-Pacific area, allowing Mi to squeeze OPPO and become the fourth global major smart phone brand. Mi has recently begun raising the price of smart phones in the China market to increase profits. The outbreak of COVID-19 disease at the beginning of 2020 has also created a good opportunity for Mi to continuously expand its sales channel via the Internet, while the OPPO and vivo suppliers, which mainly focus on retail stores, are facing challenges. Due to the effects of the pandemic disease, the research survey unit TrendForce estimates that COVID-19 will cause a 12% decrease of mobile phone capacity in Q1 compared to the same period last year, creating a new record low in the past 5 years. The originally expected prosperity trend for 2020 due to the 5G mobile phone will now need to be observed.

C. Heat spreader

The heat spreader is one of most basic heat spreading components and is usually made of metals that easily conduct heat. The metal materials of the heat spreader include such high heat conductive metal materials as copper alloy, aluminum material, alumina-silicon carbon, and stainless steel. In general, the heat spreader is in direct contact with the chip that is the direct material for CPU or GPU. Since the heat spread must be completely bound with CPU to equally conduct the heat, flatness is very important. Furthermore, because it needs to be bound with CPU, the heat spreader has become a highly customized product in order to meet the different requirements of various chip plants for the package.

The application of heat spreaders is very extensive, e.g., electronic components in the electronic information industry, semiconductor, and photoelectric component industries. Downstream industries have further expanded to 3C and automobile electronic industries. Current major applications are such electronic components as CPU, GPU, single chip, and multiple chip modules, and the market demand is increasing along with computer productivity.

Following 5G Internet technology development, as well as the growth of new demand for mobile phones, automobiles, computer games, UAV, AI, and IoT applications, finding ways to solve the heat caused by high speed calculation and transmission has become an important business opportunity for heat spreaders.

D. Automobile stamping parts

Global automobile sales volumes slipped due to a recession in the China market and further expansion to such major automobile markets as the US, Europe, and Japan. Moreover, the vehicle parts supply chain has been affected by the transition of traditional fuel vehicle and new energy vehicle and the COVID-19 pandemic. The German Automobile Association VDA forecasts that the global automobile sales volume may continuously decline 1% to 78.9 million in 2020.

Nonetheless, considering both environmental protection and safety, smart vehicles, electric vehicles, car sharing, and automatic driving are growing rapidly. The global vehicle number with the electric power system is estimated to be 25~30 million in 2025. The number of such new power system vehicles as pure electric or plug-in hybrid will grow 34% on average. In contrast, the number of traditional vehicles with traditional fuel and internal combustion engine vehicles will decrease.

Rapid 5G Internet technology development and the popularity of smart phones in recent years has brought about vehicle technology development and relevant software demands. With the amendment and support of the laws and regulations of different countries and the subsequent demand for energy saving electric vehicles and smart vehicle IoT, Advance Driver Assistance Systems (ADAS) are continuously increasing.

ADAS can promote safe and convenient driving and reduce traffic accidents. In addition to providing external environmental change and vehicle operation condition to allow drivers to avoid accidents in a timely manner, ADAS has further turned to the development of automatic driving. Therefore, the vehicle electronic demand growth should not be underestimated, e.g., radar sensors, lenses, and laser distance detection; image lenses may lead the demand for vehicle semiconductors and PCM.

(2) Medical consumable industry

The global medical devices market reached a value nearly US$423.8 billion in 2018, having grown at a compound annual growth rate (CAGR) of 5.28% since 2014, and is expected to grow at a CAGR of 5.33% to nearly US$521.64 billion by 2022.

Growth in the historic period resulted from the rapid growth in the elderly population, strong economic growth and increasing access to healthcare facilities in emerging countries, adoption of advanced technologies in the manufacture of medical devices and rising healthcare expenditure globally. Factors that negatively affected growth in the historic period were the lack of awareness about chronic diseases and decreased healthcare reimbursements.

Going forward, faster global economic growth, increasing prevalence of chronic diseases globally, and technological advances in the industry will drive the growth.

(3) Automation industry

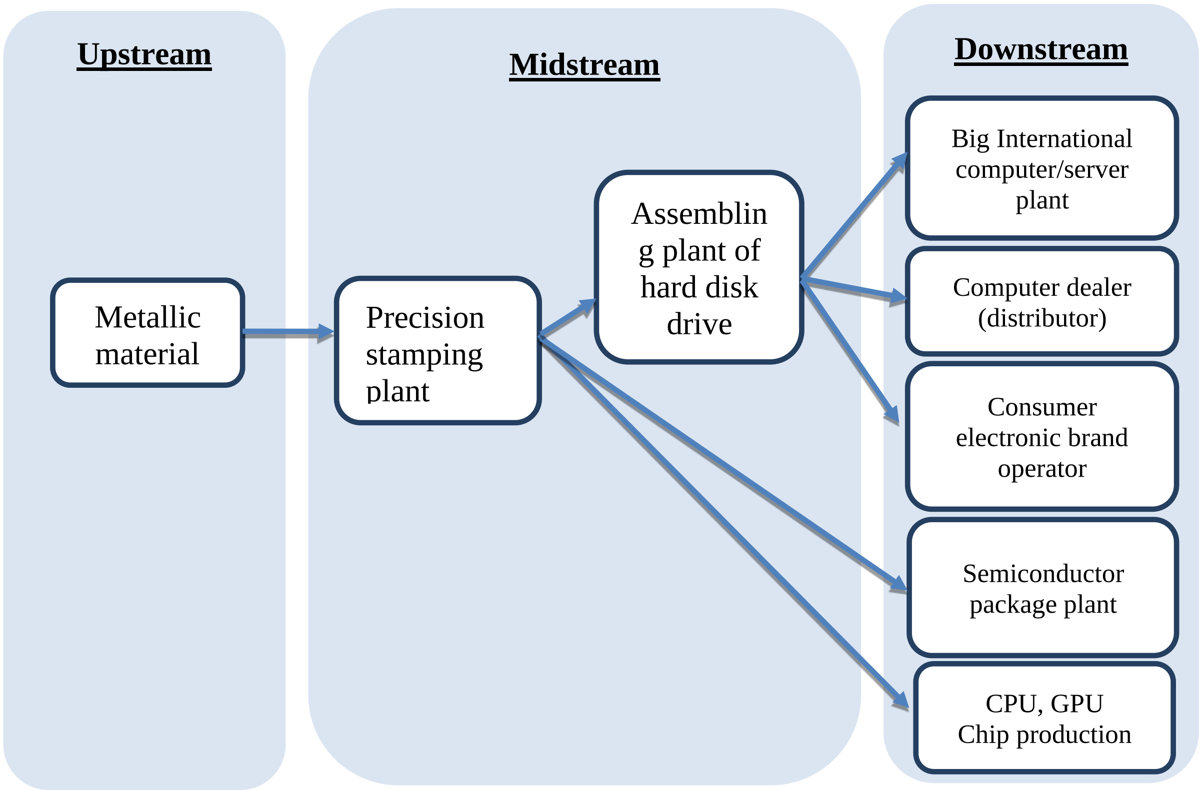
Automation industry is the support industry of automation technology for other industries, belonging to the upstream industry with technology-intensive, service-intensive, non-mass production and many kinds of projects. This characteristic is the same at home and abroad, but the advanced countries abroad 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.

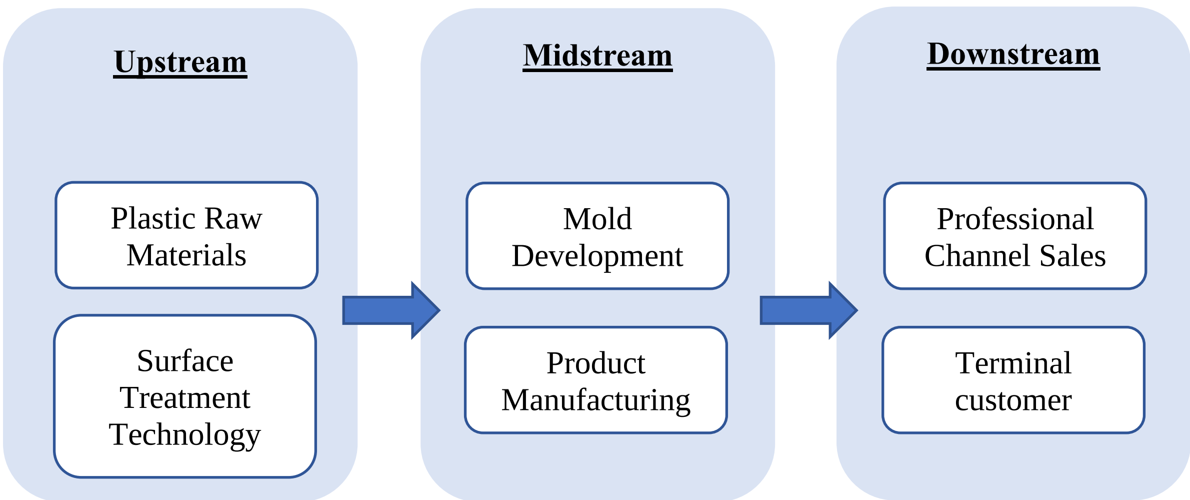
Since 2008, China has applied the Active Contract Law, which expressly stipulates the protection of employment rights, including the provision of social insurance, overtime pay and severance pay. This has greatly increased the employing cost of enterprises, especially in the intensive manufacturing industry. 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

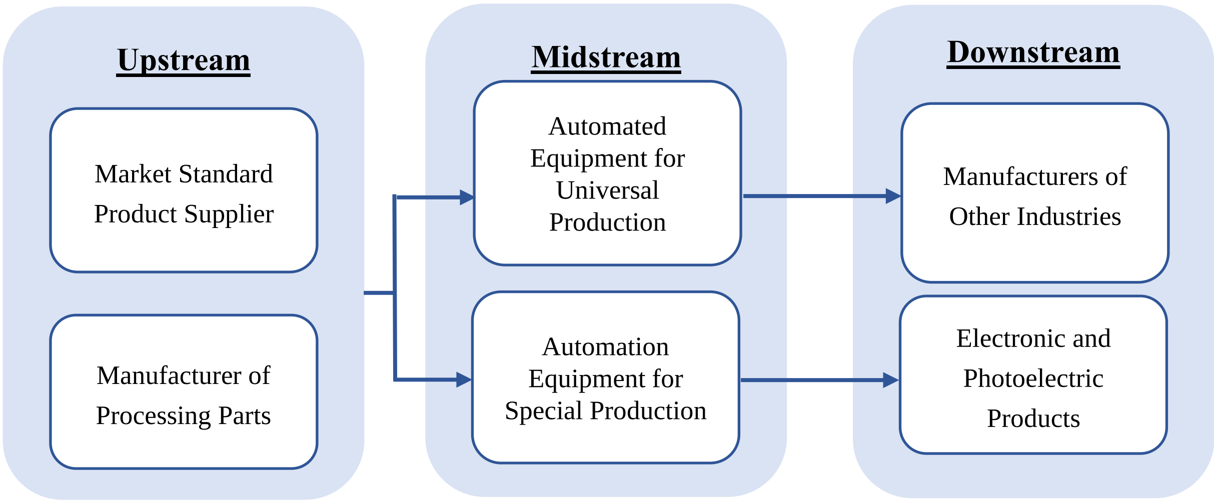
(1) Precision Metal Stamping




(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.

With growing demand of data center and brand server recently, all hard disk manufacturers contribute more development resources in Nearline such big capacity hard disk development and production.

a. Areal density technology

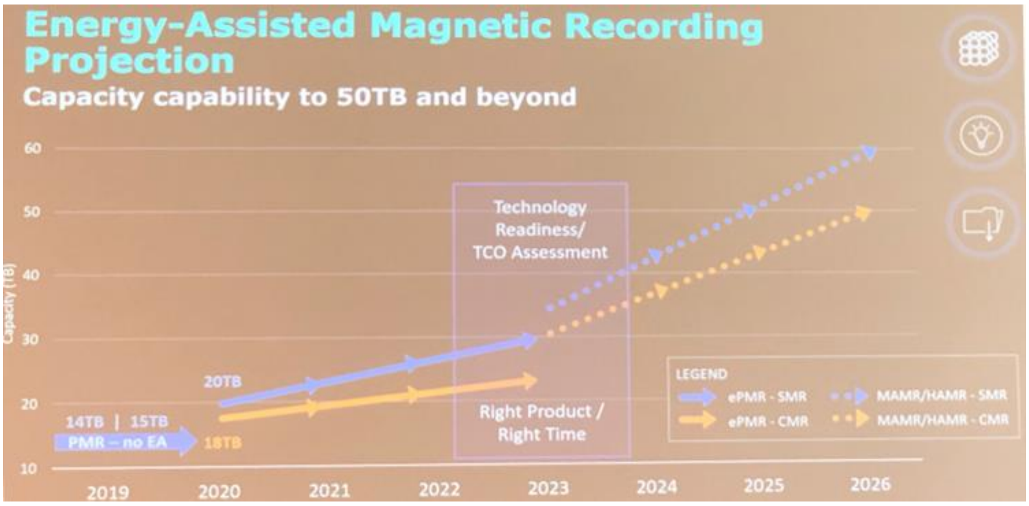
In the 1980s, the magnetic head technology developed from the Metal In Gap (MIG) magnetic head to the thin film head; and the Magneto Resistive (MR) head and the Giant Magneto Resistive (GMR) magnetic head played a dominant role in the 1990s. During the period of thin film technology, the areal density 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%. Hitachi Global Storage Technology(HGST) 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 Western Digital 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.

Western Digital、Seagate and Toshiba such three hard disk manufacturers have introduced helium-filled hard disk production and applied to business Nearline big capacity hard disk production. By the end of 2019, 185TB and 20TB ultra big capacity hard disks were introduced successively and the capacity of general 3.5” hard disk have been consecutively promoted from 9 disks to 10 disks. The technology will be further promoted the capacity of hard disk to 50TB and above.




Source: Western Digital

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 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 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. With changing market environment and increasing demand of data center, the design of top and bottom plate of voice coil motor tends to have thicker materials and complicated design, which have promoted the threshold and technology of component suppliers and correspondent orders will be centered on more competitive component suppliers.

(2) Medical consumable industry

A. Development trend of Medical consumable industry

The medical devices market is segmented by type of equipment into in-vitro diagnostics, dental equipment and supplies, ophthalmic devices, diagnostic imaging equipment, cardiovascular devices, hospital supplies, surgical equipment, orthopedic devices, patient monitoring devices, diabetes care devices, nephrology and urology devices, ENT devices, anesthesia and respiratory devices, neurology devices, and wound care devices. The cardiovascular devices market was the largest segment of the medical devices market, accounting for US$64.5 billion or 15.2% of the total in 2018. It was followed by in-vitro diagnostics, diagnostic imaging equipment and then other segments. Going forward, the fastest-growing segments in the medical devices market will be the patient monitoring devices and diabetes care devices segments, where growth will be at CAGRs of 8.2% and 7.6% respectively.

The medical devices market for the countries is segmented by type of expenditure into public expenditure and private expenditure. The USA was the largest country in terms of private expenditure on medical devices, accounting for US$88.98 billion in 2018. Going forward, the fastest-growing countries with private expenditure on medical devices will be India and the UK, where growth in expenditures will be at CAGRs of 11.39% and 11.03% respectively. The USA was also the largest country in terms of public expenditure on medical devices, accounting for US$76.92 billion in 2018. Going forward, the fastest-growing countries with public expenditure on medical devices will be China and India, where growth in expenditures will be at CAGRs of 12.12% and 8.85% respectively.

North America was the largest region in the global medical devices market, accounting for 42.6% of the total in 2018. It was followed by Western Europe, Asia-Pacific, and then the other regions. Going forward, the fastest growing regions in the medical devices market will be Asia-Pacific and South America, where growth will be at CAGRs of 7.07% and 6.53% respectively. These will be followed by Africa and the Middle East where the markets are expected to grow at CAGRs of 6.47% and 6.43% respectively.

The medical devices market is fairly concentrated, with a small number of large players constituting more than one-third of the market. The top ten competitors in the market made up to 35.8% in 2018. Major players in the market include Medtronic Inc., Johnson & Johnson, Abbott Laboratories, Becton Dickinson and Siemens Healthineers AG.

The top opportunities in the global healthcare market will arise in the cardiovascular devices segment which will gain US$16.17 billion of global annual sales by 2022. The medical devices market size will gain the most in the USA at US$35.33 billion. Market-trend-based strategies for the medical devices market include investing in the research and development of self-diagnosis devices, developing and deploying technologies to capture and analyze data from medical devices, and collaborating with technology companies to develop and market devices to monitor and track the health of individuals. Player-adopted strategies in the medical devices industry include innovating product portfolios through collaborations and partnerships and expanding operations geographically through mergers and acquisitions.

B. Competitive situation of Medical consumable industry

Becton Dickinson’s US$24 billion acquisition of C.R. Bard in 2017 is expected to catapult it up three spots by 2024—placing it within the top five largest companies by sales, as projected by market research firm Evaluate MedTech. That represents a major turnaround from the faltering revenue trajectory the company saw from 2016 to 2017, which had dropped 3.6% down to US$11 billion.

But over the next several years, BD is predicted to grow by 8.3% annually, eventually topping US$19.2 billion in worldwide sales—enough to take fifth place behind medtech fixtures Medtronic, Johnson & Johnson, Abbott Laboratories and Siemens Healthineers, respectively, which are all expected to maintain their positions with little drama despite eroding market shares. And although BD may leapfrog Philips, Stryker and Roche, those three are not far behind with creative deals of their own.

Roche complete its takeover of precision diagnostics player Foundation Medicine in 2018, as rumors floated of Stryker making a potentially blockbuster offer for its top-10 rival Boston Scientific. Philips, meanwhile, took stronger steps to transition itself to becoming an integrated healthcare solutions provider, with the diagnostic imaging market seeing sluggish growth.

Boston Scientific was the only other forward mover in the top 10 and is predicted to overtake General Electric's healthcare business with its strong appetite for M&A deals—most recently with its US$4.2 billion buyout of BTG, announced after Evaluate completed its report, which has the potential to transform Boston Scientific's oncology franchise from focusing on delivery and diagnostics to providing full interventions.

Taken together, the top 10 companies are set to represent just over a third of all sales in a global medtech market that is expected to reach nearly US$595 billion in sales in 2024.

(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.

In addition, according to the manufacturing layout of existing and new customers, the service area will also be extended to Asia Pacific region such as Singapore, India and other regions.

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

| Item \ Year | 2019 |
|---|---|
| A.R&D expense | 78,332 |
| B.Operating income | 1,797,291 |
| A/B | 4.36% |

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 |
|---|---|
| 2019 | 1. 3D vibration electric coating technology<br>2. Precise and macro electronic parts screen printing blocked coating technology<br>3. Application of new side stamping technology |
| 2020 | 1. Precision forging technology<br>2. Development of continuous automatic material moving equipment<br>3. Various unsymmetrical coating technology<br>4. 100% inspection and special package technology development |

(2) MAPP

| Year | R&D achievements |
|---|---|
| 2019 | 1. IV Cap<br>2. 2-piece filter for blood chamber |
| 2020 | 1. Vaginal Fluid Collection Swap<br>2. Micro-moulding<br>3. Plastic casing for defence industry |

(3) Suzhou Amould

| Year | R&D achievements |
|---|---|
| 2019 | 1. Development of high-speed visual inspection technology (in patent application)<br>2. Remote monitoring system of equipment (in patent application) |
| 2020 | 1. Detection of defects in plastic products<br>2. Detection of scattered non positioning black spots of plastic products |

| | |
|---|---|
| | 3. Synchronous mechanism of punch stroke and grabbing action<br>4. Automatic loading and unloading of whole line assembly |

### 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

Singapore will continue to be one of the fastest growing markets in developed Asia. Market growth will be supported by strong government financial backing for the healthcare sector, new healthcare development projects and a well-established medical tourism industry.

Medical device manufacturers will benefit from the signing of an EU-Singapore Free Trade Agreement (EUSFTA), which will improve market access from 2019. EUSFTA will provide a boost for Singapore’s medical device industry which has seen falling output in recent months.

MAPP will align resources and strategies to capitalize on this regional growth, both from MedTech companies in Singapore and developing econimes like Vietnam, India and Indonesia

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 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 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 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 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 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 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 shall implement these policies related to quality assurance, environmental protection, labor and safety, such as ISO 9001, ISO 14001, ISO 22301, OHSAS 18001, IATF16949 and RBA (EICC), Automobile quality management system certification, 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.

E. Operating scale:

a. Min Aik 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 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. To work with prestigious institues in Singapore in developing New Technologies in MedTech and industrial Automation

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

c. Sale of automation machine and provision of automated assembly services to existing customer and venture into new markets

d. Development of new products jointly with customer and startups

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, Precision Machining, Silicon Moulding 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 | | 2018 | | 2019 | |
|---|---|---|---|---|---|
| | | Sales volume | Proportion | Sales volume | Proportion |
| Sales in domestic market | | 249,185 | 12% | 243,639 | 14% |
| Export sales | Asia | 1,647,073 | 79% | 1,368,377 | 76% |
| | America | 166,057 | 8% | 171,061 | 9% |
| | Europe | 11,217 | 1% | 14,214 | 1% |
| | Subtotal | 1,824,347 | 88% | 1,553,652 | 86% |
| Total | | 2,073,532 | 100% | 1,797,291 | 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 2019, the stamping assembly of the hard disk drive, which was 81% of the total annual revenue of the company, was the main product 也 and provided to all global important hard disk assembly customers( WD, Seagate, Min Aik, MMI, ShinEtsu) as well. The global market share of our major product of the company VCM plate is about 19%.

Global market share of the company's main product in 2018 and 2019

VCM plate

Unit: Million sets

| Year | 2018 | 2019 |
|---|---|---|
| Shipment of the company (SET) | 79 | 60.7 |
| Shipment of the hard disk drive all over the world | 376 | 320 |
| Market share of Min Aik | 21% | 19% |

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 shipped to Europe, America, Japan, SEA, 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

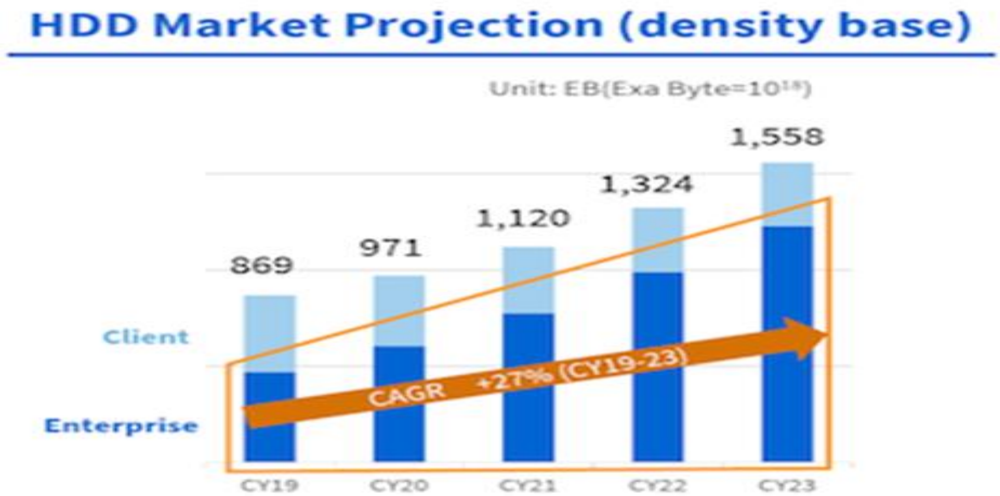
A. Supply and demand situations of the market

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 sales volume of personal computers are getting stabilized, the overall hard disk shipment is estimated lower than 290 million in 2020 due to operation of PC/server related supply chain and assembly affected by COVID-19, increasing SDD embedment rate and weakened macroeconomic. The COVID-19 is still spreading, market survey institution Canalys estimates that the overall PC shipment will be reduced more than 10% annually for 3030 Q1 and almost 9% annual decrease in Q2 and the rebound will not happen until the second half year with most optimistic estimate that the disease is being controlled. The market survey institution Digitimes Research also makes downward revise of global server shipment from increase to decrease, and almost 10% reduction a quarter. From perspective of working days in first quarter, it is originally reduced about 10% as comparing to 4th quarter last year. In addition, the operation schedule of foundry plants and suppliers is affected by disease, the working days are decreased more than two weeks. Furthermore, the work recovery rate and capacity utilization rate cannot be recovered to normal standard also cause obvious slowdown and deferred shipment in first quarter. Accordingly, Digitimes Research makes downward revise to global server shipment from quarterly increase to quarterly decrease 9.8% and the annual growth was reduced to 22.9%. However, to the outlook of server market, Digitimes Research still expect that the overall shipment will continuously grow with increasing demand of large data center and brand server operators. Among all hard disk products, the shipment of 3.5” hard disk for personal computer and 2.5” hard disk for notebook is estimated declined continuously. However, the sales volume of Nearline Storage hard disk will have chance to be kept or increased, which reflects the growth of personal and family NAS, small NAS market for small to medium size enterprises, continuous and stable demand of security surveillance, cloud storage and data center such hard disk applications. Three major hard disk manufacturers Western Digital, Seagate and Toshiba all continuously adjust their operation movement through solid labor structure, product structure, product line adjustment and expansion of Nearline hard disk productivity as corresponding with negative annual growth of PC industry that use most of hard disks. The control of inventory and productivity also allow stable increase of annual average price in market as a whole.

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 14TB, 16TB, 18TB and so on, and even have launched 20TB 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. Especially, the expected popularity of IoT technology brought by 5T era will lead significant growth of giant storage demand from AI application and big data analysis. According to market survey unit Techno System Research, the compound annual growth rate (CAGR) of business Nearline hard disk demand is estimated 27% in next few years.




Source: Techno Systerm Research January, 2020

Although the annual shipment and annual sales amount of hard disk (see table below) is decreasing, the annual average price and capacity of hard disk grow on contrary. The annual average price is expected US$69.3 in 2019 and US$75.1 in 2020, with growth 8.4%. As to the capacity, the average capacity of single hard disk is promoted from 2.2TB in 2018 to 2.8TB in 2019 and expected to reach 3.7TB in 2020, which is mainly for reasons of shipment growth of 14TB, 16TB, 18TB and 20TB such high capacity hard disks brought by strong demand of data center.

Shipment of hard disk drives from 2016 to 2020

Unit: Million sets

| Annual projection | 2016 (Actual) | 2017 (Actual) | 2018 (Actual) | 2019 (Actual) | 2020 (Forecast) |
|---|---|---|---|---|---|
| Total | 424 | 404 | 375 | 320 | 290 |

Source: The statistics and evaluation of Trendfocus and the company

a. Application to the field related to PC

According to the survey of Gartner, the global shipment of PC was more than 261 million sets in 2019, which was0.6% growth as comparing to 2018 and growth of PC market for the first time since 2011. It was mostly due to massive commercial demand from replacement with Window 10. Among them, US, EMEA (Europe, Africa and Middle East) and Japan are most obvious. Distinguished from weak consumer PC demand, commercial PC demand has promoted the unit shipment growth in five quarters among previous seven quarters. What is worthy to watch is that the CPU of Intel is constantly short since mid of 2019 and it has become the key of top three major PC manufacturers to the supply of business customers. From the perspective of suppliers, the growth speed of top three major suppliers exceeded the overall market, and the total market share was increased from 60.2% in 2018 to 63.1% in 2019. These suppliers focus on business market, while the CPU supply is restricted and big suppliers may get more resources and commercial PC is still the main shipment trend recently.

**Preliminary Worldwide PC Vendor Unit Shipment Estimates for 2019 (Thousands of Units)**

| Company | **2019 Shipments** | **2019 Market Share (%)** | **2018 Shipments** | **2018 Market Share (%)** | **2019-2018 Growth (%)** |
|---|---|---|---|---|---|
| Lenovo | 62,968 | 24.1% | 58,257 | 22.4 | 8.1% |
| HP Inc. | 57,922 | 22.2% | 56,252 | 21.7 | 3.0% |
| Dell | 43,956 | 16.8% | 41,790 | 16.1 | 5.2% |
| Apple | 18,350 | 7.0% | 18,522 | 7.1 | -0.9% |
| Acer Group | 14,762 | 5.7% | 15,729 | 6.1 | -6.1% |
| ASUS | 14,476 | 5.5% | 15,425 | 5.9 | -6.2% |
| Others | 48,804 | 18.7% | 53,788 | 20.7 | 0.6% |
| **Total** | **261,237** | **100.0** | **259,763** | **100.0** | **0.6** |

Source: Gartner January, 2020

However, with effects of COVID-19, the notebook supply chain faces delayed operation, labor shortage, material shortage and strict control of logistics such problems. TrendForce has expanded the downward revision of shipment estimate from original 35 million sets to 27.5 million sets, which is almost 35% a quarter and about 26% a year. The major reason is still the numerous and complicated parts as required by the notebook. Among them, PCB, battery, axle, polarizer, passive component, iron part are mainly supplied by China and it is hard to be replaced by other production place shortly. Even the electronic component plants recover the operation smoothly, the metal mine in most upstream supply is discontinued due to strict disease control measures of various provinces (seal of provinces, cities), affecting the component productivity and subsequently impacting the notebook production schedule. It is estimated that the shipment will be barely close to the same period last year until Q3. Following the slowdown of epidemic disease, turning smooth supply and incoming peak season, the shipment in 4th quarter may be expected to turn positive. However, the PC annual shipment projection is still decreased due to the effects of disease and end of Windows 10 upgrade.

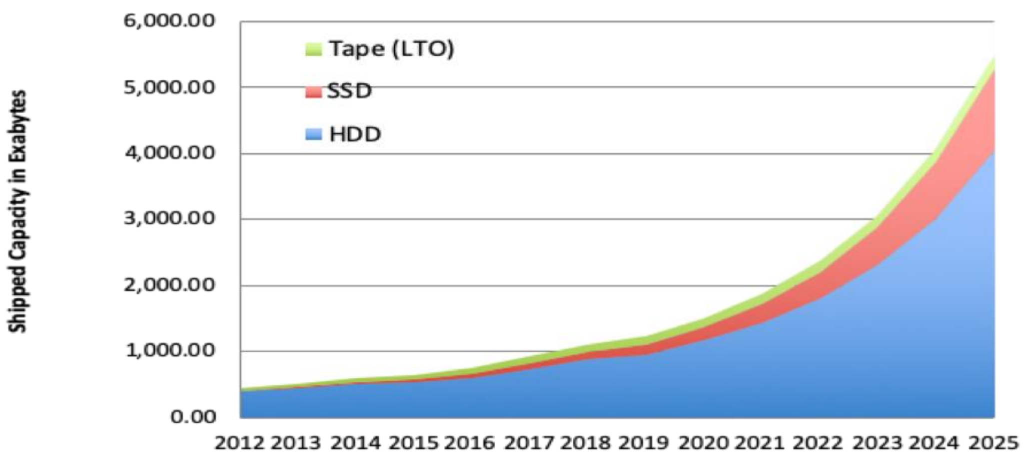
Unit: 100 million sets

| Annual projection | 2018 (Actual) | 2019 (Actual) | 2020 (Forecast) | 2021 (Forecast) | 2022 (Forecast) |
|---|---|---|---|---|---|
| PC shipment all over the world | 2.59 | 2.61 | 2.50 | 2.47 | 2.42 |

Source: Gartner January, 2020

b. Server product related fields

To correspond with progress of times and diversified demands of modern people toward surfing, recreation, audio, video, home appliance, automatic electronic, occupational safety, the demand of big capacity digital storage also lead all hard disk manufacturers heading toward 16~20TB storage capacity. Originally, it is expected that the hard disk and tape storage volume would be decreased when SSD data percentage is increasing, however, all three technologies continuously survive and grow altogether due to the demand of data storage is increasing. It is estimated that 90% cloud calculation is stored via hard disk or tape and only 10% via SSD in 2019. The cost of HDD and SSD per GB is US$1.8 and 13~15 cent respectively while the price difference between two technologies is 7~8 times. Form the long-term perspective, the advantage of HDD capacity will allow it be more important in term of data center application. Following the bigger storage capacity continuously provided by hard disk manufactures, the cost of cloud storage cost will be lower. The capacity, reliability and lower cost of HDD will have HDD continuously become the top choice for the storage of data center.




Source: Image from the Digital Storage Technology Newsletter

(2) 3C electronic products

A. Supply and demand situation of the market

According to the vice president Annette Zimmermann of Gartner, 2019 is a challenging year to smart phone manufacturers because the mid to high-end mobile phone market is getting matured and relevant equipment is over supplied and replacement cycle for overall consumer devices is getting longer. Due to more and more countries and areas start to introduce 5G coverage in 2020, the demand of 5G mobile phone is increased and the price of relevant equipment will be reduced accordingly. Therefore, the market demand for smart phone will be rebounded positively. However, the possibility is now affected by COVID-19, the delayed production is not the only threat to smart phone industry but China is the biggest market for smart phone worldwide. The smart phone suppliers, including Huawei, Mi, Oppo and Vivo will face double attacks by production and sales.

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

To correspond with 5G development aggressively promoted by all countries, smart phone manufacturers fight for the market and seek for the favor of consumers. The suppliers try best to promote function of mobile phones aiming at possible demands of consumers or introduce various fancy functions to attract consumers, allowing the products become eminent among competitors. There were already five lens mobile phone on the market (Nokia 9 PureView) in 2019 and most brands have at least three lens and are directed to high pixels and multiple lens. Meanwhile, the flip phones (Samsung Galaxy Fold, Huawei Mate X, Motorola Razr, Mi MIX Aplha) are also pleasant changes.

Gartner estimates that 5G models will occupy 12% of all mobile phone shipment in 2020 and it will reach 43% in 2022. The 5G mobile phone adoption rate will be increased along with decreasing product price, expansion of 5G service coverage and promotion of user experiences. The market will further grow in 2023 and the shipment of 5G mobile phone will account for more than half of overall mobile phone shipment.

Unit: Million sets

| Annual projection | 2018 (Actual) | 2019 (Actual) | 2020 (Forecast) | 2021 (Forecast) |
|---|---|---|---|---|
| Shipment of the smart phones | 1,555 | 1,540 | 1,571 | 1,589 |

(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.

The U.S.-China trade war is certainly affecting where U.S. medical device companies decide to make their products. But don't expect manufacturing to come back to the United States. With tariffs on both sides apparently here to stay, medical device customers are adjusting their supply chains, but it's more about shifting manufacturing to other low-labor-cost locations such as Malaysia, Thailand, Vietnam, Costa Rica or Mexico.

Three key uncertainties that Singapore faces: the US-China trade dispute, which has gone beyond retaliatory tariffs to other areas such as restrictions on technology access and sales; the uncertainty and the risk of a disorderly Brexit; and the political uncertainties of some regional economies.

(4) Automation Industry

A. For consumer products, the E-car industry, medical industry and traditional industry upgrading trend of increased automation equipment requirements, and the inevitable trend for the future industrial upgrading. Effected by the COVID - 19 plus major manufacturing areas of artificial increases year by year, so the demand of future automation dedicated machine equipment is short due to unstable demand influence customer's devotion to equipment will, but with a longer-term automation equipment requirements will be increased year by year 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. Memory

In recent years, the sales volume of domestic intelligent hardware industry has shown explosive growth. With the continuous development of Internet of things, cloud computing, artificial intelligence and other technologies, differentiated intelligent products emerge in an endless stream, and the functions are constantly upgraded and iterated quickly. The memory market still has broad application prospects in the future.

b. LED

With the continuous development and subdivision of the downstream application of LED, the market penetration has gradually increased. In consideration of efficiency, quality and cost, more and more led enterprises are bound to adopt automation equipment.

c. 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.

d. 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.

e. 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.

f. 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 IATF16949 and OHSAS 18001 Automatic quality management system certification, 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.

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 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. 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

Favorable Factors

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 TS16949 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.

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.

<u>Corresponding Strategies</u>

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 41% of the operating income of the whole Group in 2019. 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.

<u>Corresponding Strategies</u>

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. US China trade war makes major players such as Thermofisher to rethink their supply chain strategy. Lead to increasing manufacturing investment in Southeast Asia.

C. Labour crunch and Industrial 4.0 movement increasing demand for automation solutions in Southeast Asia.

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. 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 6% every year will inevitably lead to the rapid introduction of automation process to reduce the cost of human resources and also reduce manufacturing risk of chain-break due to uncontrollable factors(such as COVID-19)

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.

Set up automation R & D center in Taiwan to undertake customer demand assessment projects simultaneously, improve efficiency and human coordination flexibility.

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. Automatic stiffener: The major function is to reinforce the metal support as required by the electric circuit board and is made of a metal material for the local welding of parts or reinforcement to facilitate assembly

D. Heat spreader: The major function is to spread heat of high-end packages and semiconductor components. It equally diffuses several hot spots in the chip to the surface of the heat spreader to equally spread the heat source and achieve the heat dissipation effect.

(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.

D. Automation: Automated Optical Inspection, Automated product assembly and packaging

(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. Memory card test equipment: the main function is to achieve the memory module loading and unloading related path and test memory module related functions.

C. 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.

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

E. Medical product assembly and testing equipment: the main function is to assemble and test all parts of medical disposable products to achieve the output of finished products.

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 → Dimensional measurement → Surface treatment → Dimensional measurement → Appearance → Packing

■ Manufacturing process of the heat spreader

Precision stamping → Milling → Surface modificati → Electroplating → Dimensional measurement → Appearance → Packing

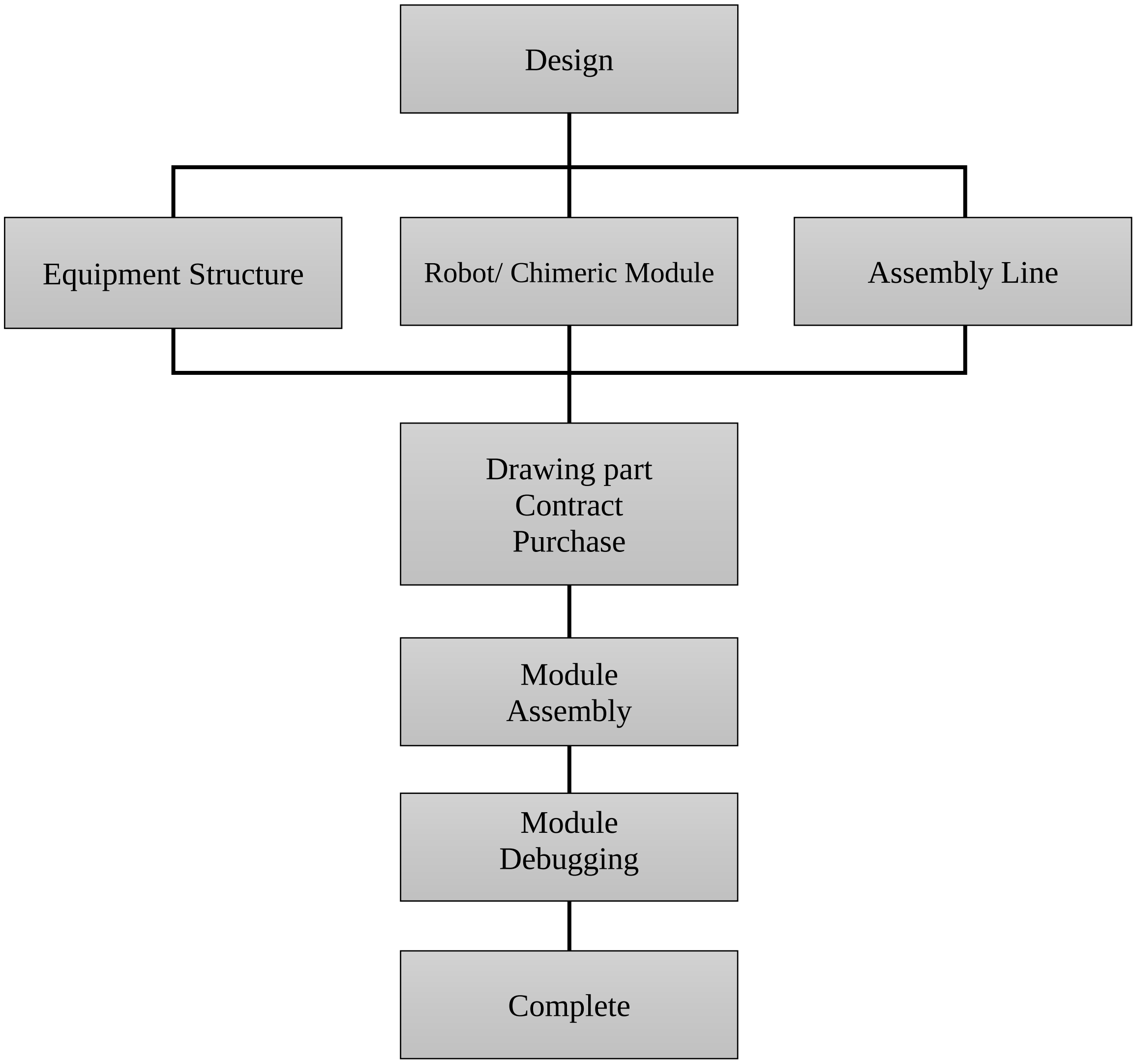
(2) MAPP

■ Manufacturing process of the medical plastic product

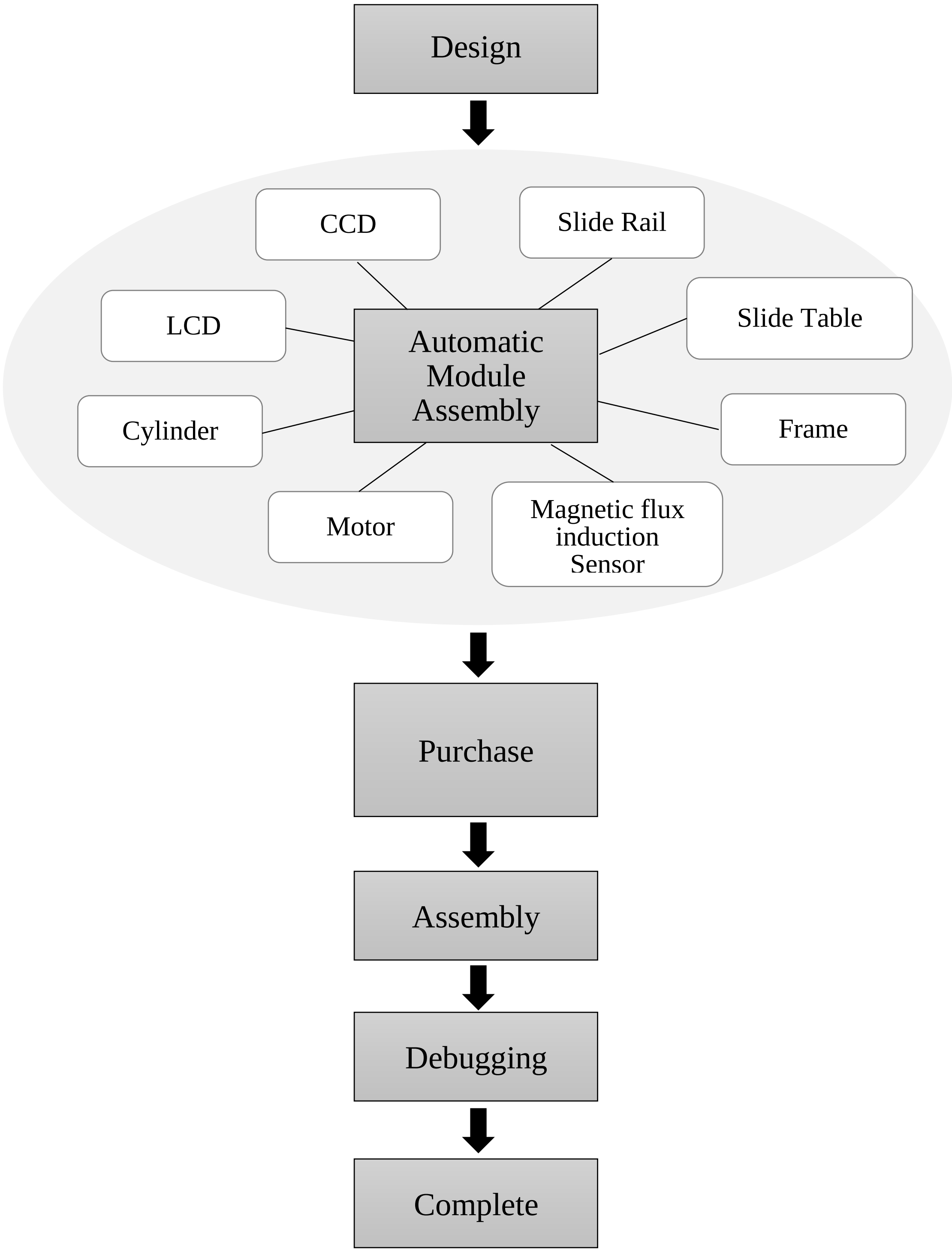
Confirmation of raw material specification → Mold fabrication → Functionality test and specification check → Appearance and other detections → Packaging for delivery

(3) Suzhou Amould

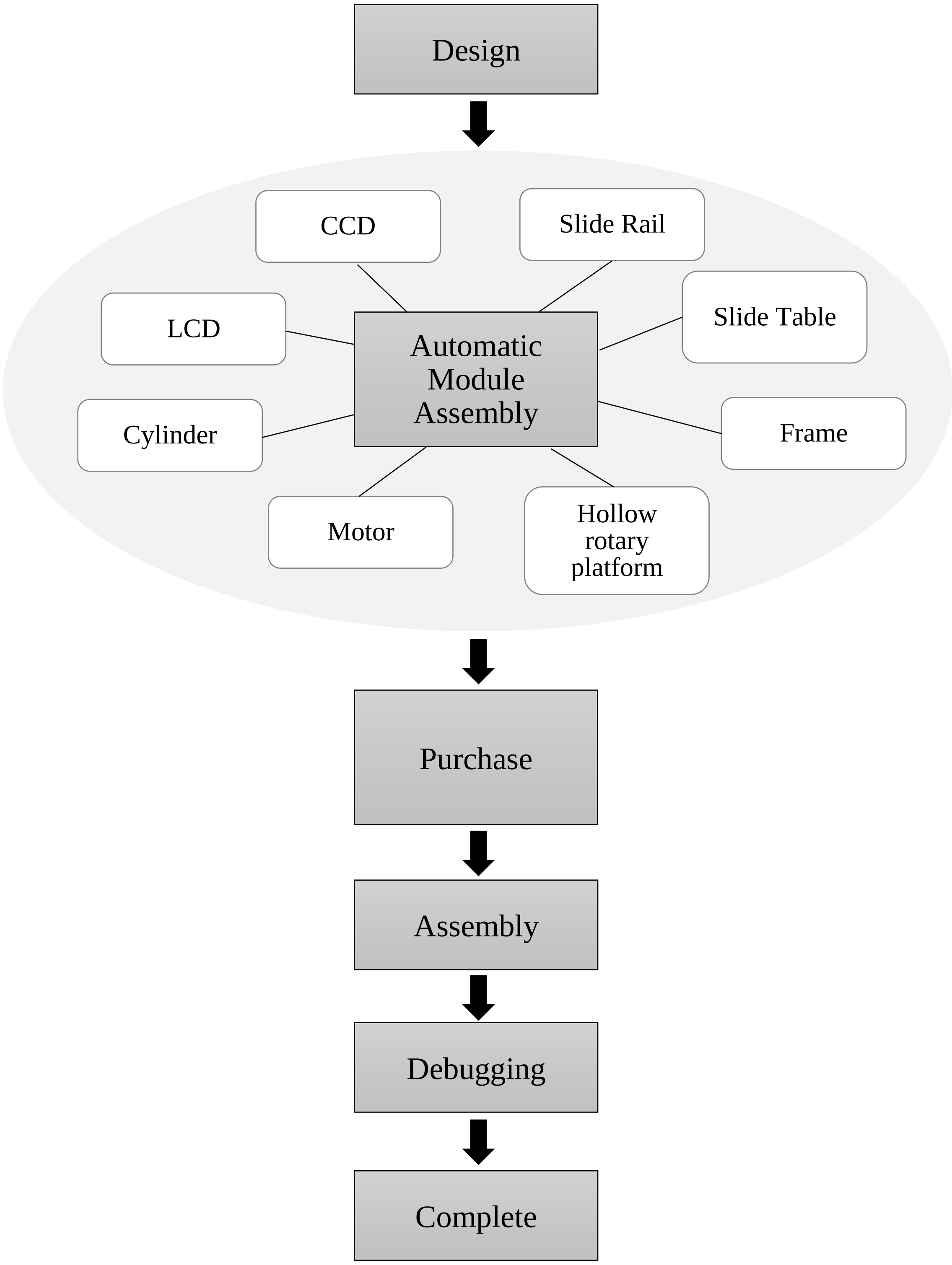
- Manufacturing process of SMT RF Test integration equipment/ Manufacturing process of SSD Testing equipment



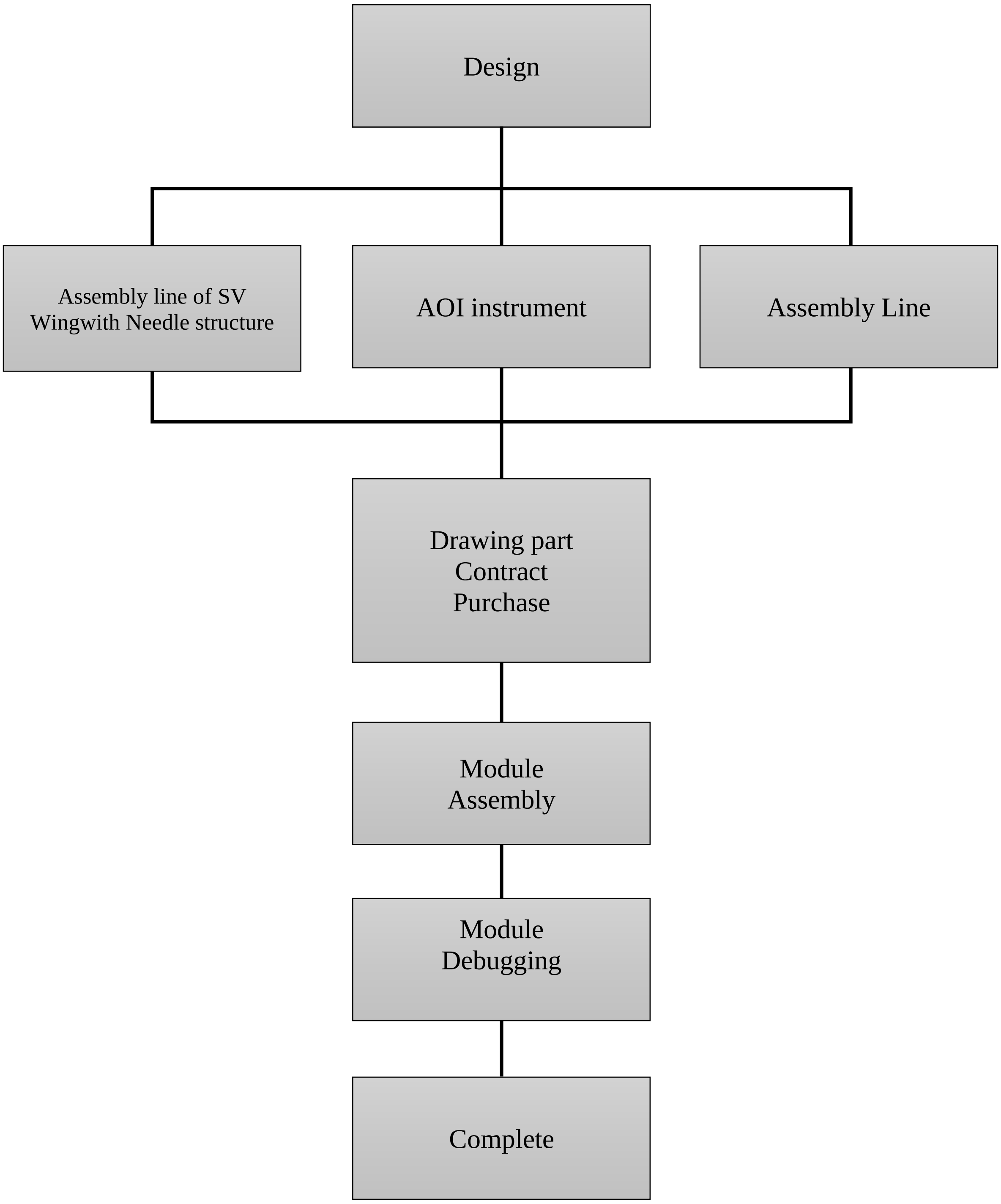
■ Manufacturing process of Magnetic flux measuring machine



■ Manufacturing process of Multiple Types of Mylar Mounter



■ Medical product assembly test equipment manufacturing process



### 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

| | 2018 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | As % of total net procurement | Relation to the Company | Name | Amount | As % of total net procurement | Relation to the Company |
| 1 | AB Company | 116,110 | 13.33 | None | AB Company | 74,926 | 10.20 | None |
| | Others | 754,818 | 86.67 | — | Others | 659,881 | 89.80 | — |
| | Total net procurement | 870,928 | 100.00 | — | Total net procurement | 734,807 | 100.00 | — |

Reasons for increase or decrease:

(1) AB Company is one of the company's major suppliers of iron materials. In 2019, 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

| | 2018 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | As % of total net Revenue | Relation to the Company | Name | Amount | As % of total net Revenue | Relation to the Company |
| 1 | Min Aik Group | 552,882 | 26.66% | related party | Min Aik Group | 481,813 | 26.81% | related party |
| 2 | J Company | 287,208 | 13.85% | None | J Company | 334,732 | 18.62% | None |
| 3 | S Group | 222,968 | 10.75% | None | S Group | 203,536 | 11.32% | None |
| | Others | 1,010,474 | 48.74% | — | Others | 777,210 | 43.25% | — |
| | Total net Revenue | 2,073,532 | 100.00% | — | Total net Revenue | 1,797,291 | 100.00% | — |

Reasons for increase or decrease:

(1) Min Aik Group: The small increase in sales in 2019 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 2019 production and sales mix and the increase in customer orders, the sales amount and proportion in 2019 have increased. ◦

(3) S Company: In 2019, as the end customer adjusted its supplier strategy and product structure, sales declined slightly. As the sales of other customers ’products declined, their 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) | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Capacity | Production | Value | Capacity | Production | Value |
| Hard Disk Drive stamping components (Note) | 352,256 | 188,037 | 719,619 | 433,210 | 137,324 | 544,012 |
| Other electronic stamping components (Note) | | 66,663 | 196,297 | | 37,033 | 128,756 |
| Plastic injection parts | 1,678,203 | 1,342,563 | 368,167 | 1,736,754 | 1,389,403 | 410,124 |
| Automated machine | 1.000 | 0.768 | 265,606 | 1.002 | 0.591 | 136,276 |
| Total | 2,030,460 | 1,597,264 | 1,549,689 | 2,169,965 | 1,563,761 | 1,219,168 |

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) | 2018 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic sales | | Export sales | | Domestic sales | | Export sales | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Hard Disk Drive stamping components | 37,603 | 154,916 | 147,428 | 691,580 | 28,140 | 142,111 | 114,768 | 586,056 |
| Other electronic stamping components | 19,353 | 89,506 | 35,656 | 90,356 | 14,973 | 89,711 | 31,968 | 74,596 |
| Plastic injection parts | 150 | 861 | 1,296,652 | 481,114 | 90 | 522 | 1,336,290 | 514,534 |
| Automated machine | 0.011 | 139 | 6 | 431,186 | 0.006 | 8,973 | 5 | 192,217 |
| Other (Note) | — | 3,764 | — | 130,110 | — | 2,322 | — | 186,249 |
| Total | 57,106 | 249,186 | 1,479,742 | 1,824,346 | 43,203 | 243,639 | 1,483,031 | 1,553,652 |

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 | | 2018 | 2019 | As of 2020/03/31 |
|---|---|---|---|---|
| Number of employees | | 1,120 | 879 | 888 |
| Average age | | 35 | 37 | 37 |
| Average years of service (year) | | 5 | 6 | 6 |
| Distribution of Educational Background | Ph.D. | 0% | 0% | 0% |
| | Master | 3% | 3% | 3% |
| | College | 42% | 42% | 42% |
| | High school and below | 55% | 55% | 55% |

## 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 |
| Loan contract | Hua Nan Bank | 2020.01.22 ~ 2022.01.21 | Medium and long-term loans | None |
| Loan contract | Hua Nan Bank | 2020.03.23 ~ 2022.03.23 | Medium and long-term loans | None |

(2) MAPP

| Contractual nature | Concerned Party | Contract Date | Main contents | Restrictive clause |
|---|---|---|---|---|
| Engineering contract | Presico Engineering Pte Ltd | 2019.12.13~ 2020.12.31 | Factory expansion project | 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) | | | | |
|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 |
| Current assets | | 1,979,841 | 2,331,564 | 2,176,754 | 1,900,436 | 1,578,814 |
| Investments accounted for using equity method | | 134,359 | 125,625 | 117,300 | 107,991 | 68,521 |
| Property, plant and equipment (Note 2) | | 591,271 | 472,021 | 457,365 | 1,098,142 | 1,074,668 |
| Intangible assets | | 0 | 0 | 0 | 0 | 0 |
| Other assets (Note 3) | | 52,175 | 32,680 | 51,503 | 51,152 | 230,537 |
| Total assets | | 2,757,646 | 2,961,890 | 2,802,922 | 3,157,721 | 2,952,540 |
| Current liabilities | Before distribution | 1,076,768 | 905,500 | 858,582 | 897,168 | 703,333 |
| | After distribution | 1,500,268 | 1,078,750 | 897,082 | 924,118 | Not Yet Distributed |
| Non-current liabilities | | 124,297 | 67,263 | 117,648 | 531,393 | 536,799 |
| Total liabilities | Before distribution | 1,201,065 | 972,763 | 976,230 | 1,428,561 | 1,240,132 |
| | After distribution | 1,624,565 | 1,146,013 | 1,014,730 | 1,455,511 | Not Yet Distributed |
| Equity attributable to owners of parent | | 1,556,581 | 1,989,127 | 1,826,692 | 1,729,160 | 1,712,408 |
| Capital stock (Note 4) | | 797,874 | 770,000 | 770,000 | 770,000 | 770,000 |
| Capital surplus | Before distribution | 51,084 | 758,285 | 758,285 | 731,335 | 704,385 |
| | After distribution | 51,084 | 758,285 | 731,335 | 704,385 | Not Yet Distributed |
| Retained earnings | Before distribution | 713,984 | 517,222 | 360,275 | 292,772 | 308,149 |
| | After distribution | 290,484 | 343,972 | 348,725 | 292,772 | Not Yet Distributed |
| Other equity interest | | (6,361) | (56,380) | (61,868) | (64,947) | (70,126) |
| Treasury stock | | 0 | 0 | 0 | 0 | 0 |
| Non-controlling interest | | 0 | 0 | 0 | 0 | 0 |
| Total equity | After distribution | 1,556,581 | 1,989,127 | 1,826,692 | 1,729,160 | 1,712,408 |
| | Before distribution | 1,133,081 | 1,815,877 | 1,788,192 | 1,702,210 | Not Yet Distributed |

Note 1: The financial statements had been duly certified by CPAs.

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

Note 3: Other assets including Non-current financial assets at amortized cost, right-of-use assets and other non-current assets.

Note 4: 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) | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Operating revenue | 3,322,622 | 2,632,106 | 2,469,384 | 2,073,532 | 1,797,291 |
| Gross profit from operations | 1,118,605 | 697,976 | 500,760 | 360,103 | 398,249 |
| Net operating Income | 565,512 | 273,402 | 110,993 | (53,333) | 47,780 |
| Non-operating income and expenses | 87,103 | 43,395 | (92,026) | 19,124 | (46,113) |
| Profit before income tax | 652,615 | 316,797 | 18,967 | (34,209) | 1,667 |
| Net Profit | 511,381 | 227,629 | 16,513 | (56,767) | 14,160 |
| Other comprehensive income (net of income tax) | (25,885) | (50,910) | (5,698) | (2,265) | (3,962) |
| Total comprehensive income | 485,496 | 176,719 | 10,815 | (59,032) | 10,198 |
| Net profit attributable to owners of parent | 511,381 | 227,629 | 16,513 | (56,767) | 14,160 |
| Total comprehensive income attributable to owners of parent | 485,496 | 176,719 | 10,815 | (59,032) | 10,198 |
| Earnings per share | 7.53 | 2.96 | 0.21 | (0.74) | 0.18 |

Note 1: The financial statements had been duly certified by CPAs.

**The Condensed Statement of Financial Position (IFRS)**

Unit: NT$ thousands

| Item \ Year | | Financial information for the past five years (Note 1) | | | | |
|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 |
| Current assets | | 1,113,796 | 1,439,506 | 1,249,258 | 854,232 | 699,062 |
| Investments accounted for using equity method | | 896,992 | 839,744 | 934,148 | 955,135 | 850,850 |
| Property, plant and equipment (Note 2) | | 305,329 | 266,267 | 258,313 | 914,946 | 850,111 |
| Intangible assets | | 0 | 0 | 0 | 0 | 0 |
| Other assets (Note 3) | | 27,382 | 25,257 | 38,212 | 39,073 | 140,337 |
| Total assets | | 2,343,499 | 2,570,774 | 2,479,931 | 2,763,386 | 2,580,360 |
| Current liabilities | Before distribution | 683,795 | 513,403 | 502,144 | 521,404 | 417,187 |
| | After distribution | 1,107,295 | 686,653 | 540,644 | 548,354 | Not Yet Distributed |
| Non-current liabilities | | 103,123 | 68,244 | 151,095 | 512,822 | 450,765 |
| Total liabilities | Before distribution | 786,918 | 581,647 | 653,239 | 1,034,226 | 867,952 |
| | After distribution | 1,210,418 | 754,897 | 691,739 | 1,061,176 | Not Yet Distributed |
| Equity attributable to owners of parent | | 1,556,581 | 1,989,127 | 1,826,692 | 1,729,160 | 1,712,408 |
| Capital stock (Note 4) | | 797,874 | 770,000 | 770,000 | 770,000 | 770,000 |
| Capital surplus | Before distribution | 51,084 | 758,285 | 758,285 | 731,335 | 704,385 |
| | After distribution | 51,084 | 758,285 | 731,335 | 704,385 | Not Yet Distributed |
| Retained earnings | Before distribution | 713,984 | 517,222 | 360,275 | 292,772 | 308,149 |
| | After distribution | 290,484 | 343,972 | 348,725 | 292,772 | Not Yet Distributed |
| Other equity interest | | (6,361) | (56,380) | (61,868) | (64,947) | (70,126) |
| Treasury stock | | 0 | 0 | 0 | 0 | 0 |
| Non-controlling interest | | 0 | 0 | 0 | 0 | 0 |
| Total equity | Before distribution | 1,556,581 | 1,989,127 | 1,826,692 | 1,729,160 | 1,712,408 |
| | After distribution | 1,133,081 | 1,815,877 | 1,788,192 | 1,702,210 | Not Yet Distributed |

Note 1: The financial statements had been duly certified by CPAs.

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

Note 3: Other assets including Non-current financial assets at amortized cost, right-of-use assets and other non-current assets.

Note 4: 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) | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Operating revenue | 2,302,045 | 1,283,207 | 1,209,983 | 1,032,296 | 903,555 |
| Gross profit from operations | 672,421 | 340,008 | 186,113 | 108,960 | 144,452 |
| Net operating Income | 388,107 | 144,514 | 8,302 | (68,498) | (14,598) |
| Non-operating income and expenses | 229,241 | 130,151 | (2,009) | 23,764 | (11,794) |
| Profit before income tax | 617,348 | 274,665 | 6,293 | (44,734) | (26,392) |
| Net profit | 511,381 | 227,629 | 16,513 | (56,767) | 14,160 |
| Other comprehensive income (net of income tax) | (25,885) | (50,910) | (5,698) | (2,265) | (3,962) |
| Total comprehensive income | 485,496 | 176,719 | 10,815 | (59,032) | 10,198 |
| Earnings per share | 7.53 | 2.96 | 0.21 | (0.74) | 0.18 |

Note 1: The financial statements 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 |
|---|---|---|
| 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 |
| 2019 | 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) | | | | |
|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 |
| Financial structure | Debt Ratio (%) | 43.55 | 32.84 | 34.83 | 45.24 | 42.00 |
| | Ratio of long-term capital to property, plant and equipment (%) | 284.28 | 435.66 | 425.12 | 205.85 | 209.29 |
| Solvency | Current ratio (%) | 183.87 | 257.49 | 253.53 | 211.83 | 224.48 |
| | Quick ratio (%) | 148.59 | 229.67 | 216.98 | 175.14 | 178.26 |
| | Interest Coverage Ratio | 164.85 | 116.87 | 5.44 | (2.89) | 1.12 |
| Operating ability | Accounts receivable turnover (times) | 4.75 | 3.70 | 3.18 | 3.13 | 3.73 |
| | Average collection days | 76.84 | 98.64 | 114.77 | 116.61 | 97.85 |
| | Inventory turnover (times) | 5.76 | 6.72 | 8.01 | 6.39 | 5.13 |
| | Accounts payable turnover (times) | 6.73 | 7.20 | 7.45 | 7.06 | 6.43 |
| | Average days in sales | 63.36 | 54.31 | 45.56 | 57.12 | 71.15 |
| | Property, plant and equipment turnover (times) | 6.23 | 4.95 | 5.31 | 2.67 | 1.65 |
| | Total assets turnover (times) | 1.25 | 0.92 | 0.86 | 0.70 | 0.59 |
| Profitability | Return on total assets (%) | 19.39 | 8.03 | 0.70 | (1.61) | 0.92 |
| | Return on stockholders' equity (%) | 35.47 | 12.84 | 0.87 | (3.19) | 0.82 |
| | Pre-tax income to paid-in capital (%) | 96.14 | 41.14 | 2.46 | (4.44) | 0.22 |
| | Profit ratio (%) | 15.39 | 8.65 | 0.67 | (2.74) | 0.79 |
| | Earnings per share (NT$) | 7.53 | 2.96 | 0.21 | (0.74) | 0.18 |
| Cash flow | Cash flow ratio (%) | 70.84 | 12.86 | 5.06 | 27.37 | 28.34 |
| | Cash flow adequacy ratio (%) | 87.89 | 85.14 | 101.01 | 68.67 | 63.46 |
| | Cash reinvestment ratio (%) | 14.80 | (Note 2) | (Note 2) | 6.16 | 5.30 |
| Leverage | Operating leverage | 1.75 | 2.51 | 4.35 | (6.22) | 8.19 |
| | Financial leverage | 1.01 | 1.01 | 1.04 | 0.86 | 1.42 |

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

1. The increase in the interest coverage ratio was due to increase in the profit before income tax.
2. In the current period, due to the decrease in operating costs compared with the previous period, resulted the inventory turnover rate decreased and the average days in sales days increased.
3. In the current period, due to the decrease in operating revenue compared with the previous period, resulted in the decrease in the property, plant and equipment turnover rate.

4. The increase in the profitability ratio is due to operating and profit net of income tax increased, 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 higher than the previous period.
5. The increase in operating leverage was due to the increase in operating profit.

(2) Financial analysis - Financial Statements (IFRS)

| Item | Year | Financial analysis for the past five years (Note 1) | | | | |
|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 |
| Financial structure | Debt Ratio (%) | 33.58 | 22.63 | 26.34 | 37.43 | 33.64 |
| | Ratio of long-term capital to property, plant and equipment (%) | 543.58 | 772.67 | 765.66 | 245.04 | 243.02 |
| Solvency | Current ratio (%) | 162.88 | 280.39 | 248.78 | 163.83 | 167.57 |
| | Quick ratio (%) | 141.70 | 259.72 | 218.49 | 131.83 | 134.62 |
| | Interest Coverage Ratio | 241.96 | 158.76 | 3.82 | (4.68) | (1.84) |
| Operating ability | Accounts receivable turnover (times) | 4.04 | 2.98 | 3.51 | 3.39 | 3.13 |
| | Average collection days | 90.34 | 122.48 | 103.98 | 107.66 | 116.61 |
| | Inventory turnover (times) | 10.83 | 8.19 | 9.36 | 7.28 | 7.60 |
| | Accounts payable turnover (times) | 6.29 | 4.69 | 6.82 | 6.41 | 6.03 |
| | Average days in sales | 33.70 | 44.56 | 38.99 | 50.13 | 48.02 |
| | Property, plant and equipment turnover (times) | 7.97 | 4.49 | 4.61 | 1.76 | 1.56 |
| | Total assets turnover (times) | 1.02 | 0.52 | 0.48 | 0.39 | 0.35 |
| Profitability | Return on total assets (%) | 22.81 | 9.32 | 0.89 | (1.78) | 0.34 |
| | Return on stockholders' equity (%) | 35.47 | 12.84 | 0.87 | (3.19) | 0.82 |
| | Pre-tax income to paid-in capital (%) | 90.95 | 35.67 | 0.82 | (5.81) | (3.43) |
| | Profit ratio (%) | 22.21 | 17.74 | 1.36 | (5.50) | 1.57 |
| | Earnings per share (NT$) | 7.53 | 2.96 | 0.21 | (0.74) | 0.18 |
| Cash flow | Cash flow ratio (%) | 66.70 | 63.27 | (14.53) | 5.54 | 39.15 |
| | Cash flow adequacy ratio (%) | 74.50 | 78.09 | 94.35 | 52.39 | 44.19 |
| | Cash reinvestment ratio (%) | 3.38 | (Note 2) | (Note 2) | (Note 2) | 4.81 |
| Leverage | Operating leverage | 1.53 | 2.41 | 22.36 | (1.53) | (10.07) |
| | Financial leverage | 1.01 | 1.01 | 1.37 | 0.90 | 0.61 |

| |
|---|
| Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)<br>1. The increase in the interest coverage ratio was due to the decrease in the loss before tax income.<br>2. The increase in the profitability ratio is due to profit net of income tax increased, 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 higher than the previous period.<br>3. The increase in cash flow ratio and cash reinvestment ratio was due to in the increase in net cash inflows from operating activities.<br>4. The decrease in operating leverage and financial leverage was due to the decrease in net operating losses during the current period. |

Note 1: The financial statements from 2015 to 2019 had been duly certified by CPAs.

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

Note 3: 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 from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities in the past five years / five years sum of (capital expenditures + inventory addition + cash dividends).

(3) Cash reinvestment ratio = (net cash flow from 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 2019

The individual financial report and consolidated financial report of 2019 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 earnings distribution proposal 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:
2020 Annual General Meeting of Min Aik Precision Industrial Co., Ltd.

Convener of Audit Committee: Liu, Chin-Tang

March 27, 2020

**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 | 2018 | | 2019 | | Difference | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| Current assets | 1,900,436 | 60% | 1,578,814 | 54% | (321,622) | (17%) |
| Investments accounted for using equity method | 107,991 | 3% | 68,521 | 2% | (39,470) | (37%) |
| Property, plant and equipment | 1,098,142 | 35% | 1,074,668 | 36% | (23,474) | (2%) |
| Other assets | 51,152 | 2% | 230,537 | 8% | 179,385 | 351% |
| Total assets | 3,157,721 | 100% | 2,952,540 | 100% | (205,181) | (6%) |
| Current liabilities | 897,168 | 28% | 703,333 | 23% | (193,835) | (22%) |
| Non-current liabilities | 531,393 | 17% | 536,799 | 18% | 5,406 | 1% |
| Total liabilities | 1,428,561 | 45% | 1,240,132 | 41% | (188,429) | (13%) |
| Capital stock | 770,000 | 25% | 770,000 | 26% | 0 | 0% |
| Capital surplus | 731,335 | 23% | 704,385 | 24% | (26,950) | (4%) |
| Retained earnings | 292,772 | 9% | 308,149 | 11% | 15,377 | 5% |
| Other equity interest | (64,947) | (2%) | (70,126) | (2%) | (5,179) | 8% |
| Total equity | 1,729,160 | 55% | 1,712,408 | 59% | (16,752) | (1%) |

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

1. Due to recognizing the loss on investments, the investments accounted for using equity method decreased by NT$39,470 thousand with a decrease of 37%.
2. Other assets including non-current financial assets at amortized cost、right-of-use assets and non-current assets. Due to the repatriated offshore funds and recognizing the right-of-use assets, other assets increased by NT$179,385 thousand with an increase of 351%.
3. Due to repayment of short-term borrowings and other non-current liabilities decreased, the non-current liabilities decreased by NT$193,835 thousand with a decrease of 22%.

## 7.2 Analysis of Financial Performance

(1) Analysis of changes in Financial Performance

Unit: NT$ thousands

| Item \ Year | 2018 Amount | 2019 Amount | Difference | (%) |
|---|---|---|---|---|
| Operating revenue | 2,073,532 | 1,797,291 | (276,241) | (13%) |
| Operating costs | 1,713,429 | 1,399,042 | (314,387) | (18%) |
| Gross profit | 360,103 | 398,249 | 38,146 | 11% |
| Operating expenses | 413,436 | 350,469 | (62,967) | (15%) |
| Operating Income | (53,333) | 47,780 | 101,113 | 190% |
| Non-operating income and expenses | 19,124 | (46,113) | (65,237) | (341%) |
| Profit before income tax | (34,209) | 1,667 | 35,876 | 105% |
| Minus: Income tax expense | 22,558 | (12,493) | (35,051) | (155%) |
| Net profit | (56,767) | 14,160 | 70,927 | 125% |
| Other comprehensive income (net of income tax) | (2,265) | (3,962) | (1,697) | (75%) |
| Total comprehensive income | (59,032) | 10,198 | 69,230 | 117% |

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

1. Operating Income increased by 101,113 thousand with an increase of 190%, mainly due to control the costs and expenses strictly as well as the increase of efficiency.

2. The current non-operating income and expenses decreased by NT$ 65,237 thousand with a decrease of 341%, which is mainly due to the increase in exchange losses caused by exchange rate volatility.

3. The current income tax expenses decreased by 35,051 thousand with a decrease of 155%, which is mainly due to tax incentive by IRS for the application of “The Management, Utilization and Taxation of Repatriated Offshore Funds Act”.

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

According to Digital Storage Technology Newsletter research report, the global sales of hard drives were approximately 320 million units in 2019 and is 15% lower than 2018.With the trade war between USA and China and the explosion of COVID-19, the hard disk market is expected to be affected dramatically. Take the voice coil motor top and bottom plates for example, the company is highly recognized and built a long-term relationship with its customers on manufacturing. Hence, the company will develop a balancing strategy, which is not only keeping maintaining the good relationship with customers, but also focusing on developing more new products to achieve higher market shares, so as not to being affected by the economic recession or market changes. On the other hand, in terms of smart phones, according to the report from TrendForce research, the shipment on 2019 was 1.54 billion, the estimated demand on Q1, 2020 was 270 million, which is 12% decreased compared to the same period of last year. Due to the influence of COVID-19, the shipments of this year are still under valuation, and the sales of high-end smartphone is estimated to decline. The overall shipping demand will rely on low-end smartphone. However, the smartphone components that the Company is manufacturing now is at the end of product cycle. It is not expected to generate more revenue in upcoming days. Hence, if there is an opportunity for the Company to re-enter the smartphone components market, it may contribute a relatively high benefits even though the high-end smartphone market is expected to recession. Every plans and projects should be relied on the market response of the clients’ end products. The company will try its best to achieve the goal and will keep focusing on raising the sales of automobile components and electronic components.

In the medical plastics field, the Company mainly focused on OEM for global medical device companies. With the rapid growth of the aging population and the increasing number of chronic diseases, the demand for health care products is increasing and the estimated growth will be 8% in 2020. The Company will seize the trend and opportunity to cooperate with clients more closely, shape its strategy and reallocate the resource via the current industry place that the Company owned in Singapore and other Asia countries, to attain a promising growth in the future.

To summarize, considering the pessimistic economic situation in 2020, the company will deploy the strategies of 2019, which is strictly maintaining the cost and expense structure, trying to locate itself in an invincible position, then seek to more competitive advantages and turning points by transforming and introducing new management system, trying to create a greater profit in the future.

## 7.3 Analysis of Cash Flow

(1) Cash Flow Analysis for the Current Year

| Year / Item | 2018 | 2019 | Variance (%) |
|---|---|---|---|
| Operating activities | 245,527 | 199,887 | (19%) |
| Investing activities | (778,924) | (161,153) | (79%) |
| Financing activities | 447,414 | (188,821) | (142%) |
| Total | (85,983) | (150,087) | (75%) |

Analysis of change in cash flow in the current year:

1. Operating activities: The Group’s advance receipts in 2018 were realized in 2019 and expenses payable decreased, resulting in a decrease in net cash inflows.
2. Investing activities: Cash outflow by acquisition of plant in 2018, and did not the situation in 2019.
3. Financing activities: Cash inflows by bank borrowings for acquisition of plant in 2018, and did not the situation in 2019.
4. In summary: the net cash outflow increased to NT$64,104 thousand in 2019, which is upper compared with 2018.

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

(3) Cash Flow Analysis for the Coming Year (2020)

Unit: NT$ thousands

| Cash and Cash Equivalents, Beginning of Year | Net Cash Flow from Operating Activities | Cash Outflow | Cash Surplus (Deficit) | Leverage of Cash Deficit | |
|---|---|---|---|---|---|
| | | | | Investment Plans | Financing Plans |
| 850,705 | 2,428,216 | 2,369,390 | 909,531 | - | - |

1. Cash Flow Analysis for the Coming Year:
   a. Operating activities: The cash inflow from operating activities is estimated at NT$355,111 thousand in 2020.
   b. Investing activities: Expected to acquisition of machinery and equipment and expansion of the factory, estimated cash outflows at NT$231,246 thousand in 2020.
   c. Financing activities: Repayments of bank borrowings and dividend distributions to shareholders by cash, estimated cash outflows at NT$65,039 thousand in 2020.
   d. In summary, the total cash surplus in 2020 is approximately NT$909,531 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:

Unit: NT$ thousands

| Project | Actual or Planned Source of Capital | Actual or Planned Date of Completion | Total Capital |
|---|---|---|---|
| Plant expansion (Min Aik Precision) | Own funds and bank | 109.08 | 43,000 |
| Plant expansion (MAPP) | Own funds and bank | 110.06 | 158,834 |

(2) Expected Benefits: In production space and equipment utilization rate are nearly full, the Group’s planned to expand the production capacity and increase the production scale in order to obtain business opportunities.

**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 2019, the Company recognized investment loss of NT$38,488 thousand by using the equity method of accounting, which was mainly due to reduced profits on reinvestment of overseas companies caused by decline in gross margin.

(3) Investment Plans for the Coming Year: In order to obtain business opportunities and product upgrades, the Company expects to expand the plant for the Company's long-term development.

## 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

   If the interest rate had increased or decreased by a quarter-point, the Company’s net income before tax would have increased or decreased by $596 thousands and $802 thousands for the year 2019 and 2018 with all variable factors remaining constant. This is mainly due to the Company’s financial liabilities in variable-rate bills. 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. A weakening or strengthening of 1% of the NTD against the foreign currency as of 31, December, 2019 and 2018 would have decreased or increased the net profit (loss) before tax by $7,241 thousand and $9,890 thousand, respectively.

   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 2020, 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 2020, 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, 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. Since 2009, has successively implemented ISO22301:2012, ISO9001:2015,

OHSAS18001:2007, ISO14001:2015, IATF16949:2016 and SA8000:2014. The Company has also implemented the EICC (currently named RBA Responsible Business Alliance Code of Conduct).

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:

In order to obtain business opportunities and product upgrades, the Company expects to expand the plant. and planned to expand the production capacity and increase the production scale in order to obtain business opportunities. The source of funds for the factory expansion plant is by Company’s own funds, so the risks are still limited.

(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

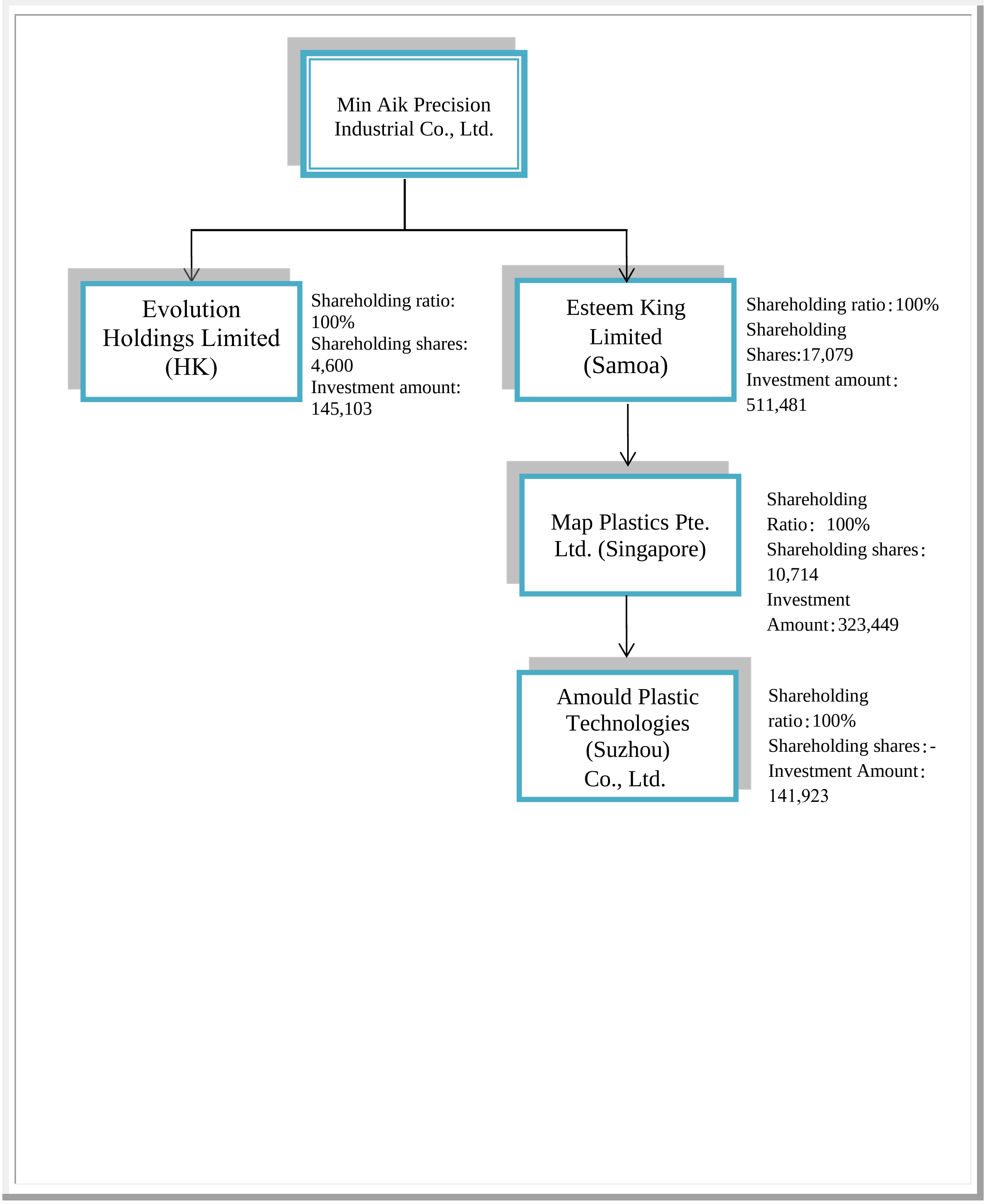
# VIII. Specially Noted Matters

## 8.1 Relevant information of Affiliated Enterprise

(1) Affiliates information

1. Organization chart of Affiliated Enterprise

2019/12/31; Unit: In Thousands



2. Basic information of affiliates

2019/12/31

| 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 |

3. Business Scope of the Company and Its Affiliated Companies

2019/12/31

| Industry | Affiliated Companies name | Affiliated with business operations of Affiliated companies |
|---|---|---|
| General investing | Esteem King Limited (Samoa)<br>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 |

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<br>Director | Fang, Kuang-Yi<br>Mong, Ching-Yu | 0<br>0 | -<br>- |
| Map Plastics Pte. Ltd. (Singapore) | Director<br>Director<br>Director | Jin, Bor-Shi<br>Loy Chit See<br>Mong, Ching-Yu | 0<br>0<br>0 | -<br>-<br>- |
| Amould Plastic Technologies (Suzhou) Co., Ltd. | Chairman<br>Director<br>Director<br>Supervisor<br>President | Fang, Kuang-Yi<br>Hsieh, Hsiu-Lan<br>Mong, Ching-Yu<br>Hsiao, Chia-Ling<br>Fang, Kuang-Yi | 0<br>0<br>0<br>0<br>0 | -<br>-<br>-<br>-<br>- |

6. Affiliates' Operating Results

2019/12/31; 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 | 1,218,077 | 377,459 | 840,618 | - | (43) | 8,745 | 0.51 |
| Evolution Holdings Limited (HK) | 145,103 | 10,302 | 70 | 10,232 | - | (139) | (7,218) | (1.57) |
| Map Plastic Pte. Ltd. (Singapore) | 325,392 | 1,058,130 | 377,459 | 680,672 | 627,327 | 134,431 | 49,241 | 4.60 |
| Amould Plastic Technologies (Suzhou) Co., Ltd. | 213,774 | 359,648 | 169,820 | 189,828 | 285,424 | (73,140) | (66,675) | - |
| Dongguan Yi Hong Precision Industrial Co., Ltd. (Note) | - | - | - | - | - | (289) | (265) | - |

Note: The Company completed the liquidation procedure of YHP and got payment of USD 265 thousand in December, 2019.

(2) Consolidated financial statements of affiliate companies: Please refer to Appendix 1.

(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: None.**

【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, 2019 and 2018**

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

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.

# 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, 2019 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 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:
Date: March 27, 2020

# 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 its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2019 and 2018, 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 at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 and 2018 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. The key audit matters that, in our professional judgement, should be communicated are as follow:

1. Inventory Valuation

   Please refer to Note 4(h) " Inventory" and 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 may be obsolescent or do not meet the market requirement due to new product release or market change. Besides, the automatic products are customized based on specific client's need. Thus, the cost of inventory may exceed its net realizable value. Moreover, the sales ability of products may affect the inventory valuation, which also need to be taken into serious consideration. Therefore, the inventory valuation is considered to be the key audit matters.

How the matter was addressed in our audit:

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**

Min Aik Precision Industrial Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified 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.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 auditor'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 27, 2020

**Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and 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' audit 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' audit 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, 2019 and 2018

## (Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note 6 (a)) | $ 850,705 | 29 | 1,000,649 | 32 |
| 1170 | Notes and accounts receivable, net (notes 6(c) and (p)) | 244,703 | 9 | 420,343 | 13 |
| 1181 | Accounts receivable from related parties (notes 6(c), (p) and 7) | 153,766 | 5 | 143,965 | 4 |
| 1310 | Inventories (note 6(d)) | 269,755 | 9 | 275,781 | 9 |
| 1479 | Other current assets (notes 7 and 8) | 59,885 | 2 | 59,698 | 2 |
| | | 1,578,814 | 54 | 1,900,436 | 60 |
| | **Non-current assets:** | | | | |
| 1536 | Non-current financial assets at amortized cost (note 6(b)) | 91,019 | 3 | - | - |
| 1551 | Investments accounted for using equity method (note 6(e)) | 68,521 | 2 | 107,991 | 3 |
| 1600 | Property, plant and equipment (notes 6(f) and 8) | 1,074,668 | 36 | 1,098,142 | 35 |
| 1755 | Right-of-use assets (note 6(g)) | 81,956 | 3 | - | - |
| 1995 | Other non-current assets (notes 6(l) and (m)) | 57,562 | 2 | 51,152 | 2 |
| | | 1,373,726 | 46 | 1,257,285 | 40 |
| | **Total assets** | $ 2,952,540 | 100 | 3,157,721 | 100 |

| | | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (note 6(h)) | $ 100,000 | 3 | 184,600 | 6 |
| 2170 | Accounts payable (note 7) | 210,096 | 7 | 224,852 | 7 |
| 2201 | Salary and wages payable | 110,029 | 4 | 113,320 | 3 |
| 2230 | Current income tax liabilities | 29,320 | 1 | 25,060 | 1 |
| 2280 | Current lease liabilities (note 6(j)) | 9,514 | - | - | - |
| 2300 | Other current liabilities (note 7) | 180,374 | 6 | 251,336 | 8 |
| 2322 | Long-term borrowings, current portion (note 6(i)) | 64,000 | 2 | 98,000 | 3 |
| | | 703,333 | 23 | 897,168 | 28 |
| | **Non-Current liabilities:** | | | | |
| 2541 | Long-term borrowings (note 6(i)) | 432,000 | 15 | 462,000 | 15 |
| 2570 | Deferred tax liabilities (note 6(m)) | 35,376 | 1 | 69,393 | 2 |
| 2580 | Non-current lease liabilities (note 6(i)) | 69,423 | 2 | - | - |
| | | 536,799 | 18 | 531,393 | 17 |
| | **Total liabilities** | 1,240,132 | 41 | 1,428,561 | 45 |
| | **Equity attributable to owners of parent (note 6(n)):** | | | | |
| 3110 | Ordinary share | 770,000 | 26 | 770,000 | 25 |
| 3200 | Capital surplus | 704,385 | 24 | 731,335 | 23 |
| 3310 | Legal reserve | 230,904 | 8 | 284,874 | 9 |
| 3320 | Special reserve | 61,868 | 2 | 61,868 | 2 |
| 3350 | Unappropriated retained earnings | 15,377 | 1 | (53,970) | (2) |
| 3410 | Exchange differences on translation of foreign financial statements | (70,126) | (2) | (64,947) | (2) |
| | **Total equity** | 1,712,408 | 59 | 1,729,160 | 55 |
| | **Total liabilities and equity** | $ 2,952,540 | 100 | 3,157,721 | 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, 2019 and 2018

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

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| 4111 | Operating revenue (notes 6(p) and 7) | $ 1,815,242 | 101 | 2,100,367 | 101 |
| 4170 | Less: Sales returns and allowances | 17,951 | 1 | 26,835 | 1 |
| | **Net operating revenue** | 1,797,291 | 100 | 2,073,532 | 100 |
| 5111 | Operating costs (notes 6(d), (j), (k), (l), 7 and 12) | 1,399,042 | 78 | 1,713,429 | 83 |
| | **Gross profit from operations** | 398,249 | 22 | 360,103 | 17 |
| | **Operating expenses (note 6(c), (j), (k), (l), 7 and 12):** | | | | |
| 6100 | Selling expenses | 89,234 | 5 | 104,141 | 5 |
| 6200 | Administrative expenses | 184,824 | 10 | 205,420 | 10 |
| 6300 | Research and development expenses | 78,332 | 4 | 102,233 | 5 |
| 6450 | Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9 | (1,921) | - | 1,642 | - |
| | **Total operating expenses** | 350,469 | 19 | 413,436 | 20 |
| | **Net operating income (losses)** | 47,780 | 3 | (53,333) | (3) |
| | **Non-operating income and expenses (notes 6(e), (f), (j), (r) and 7):** | | | | |
| 7010 | Other income | 42,697 | 2 | 45,435 | 2 |
| 7020 | Other gains and losses, net | (36,223) | (2) | (6,965) | - |
| 7060 | Share of loss of associates and joint ventures accounted for using equity method | (38,488) | (2) | (10,551) | (1) |
| 7050 | Finance costs | (14,099) | (1) | (8,795) | - |
| | | (46,113) | (3) | 19,124 | 1 |
| 7900 | **Profit (loss) before income tax** | 1,667 | - | (34,209) | (2) |
| 7951 | Less: Income tax expenses (income) (note 6(m)) | (12,493) | - | 22,558 | 1 |
| | **Net profit (loss)** | 14,160 | - | (56,767) | (3) |
| 8300 | **Other comprehensive income (loss):** | | | | |
| 8310 | **Item that may not be reclassified subsequently to profit or loss** | | | | |
| 8311 | Gains on remeasurements of defined benefit plans | 1,217 | - | 814 | - |
| | | 1,217 | - | 814 | - |
| 8360 | **Item that may be reclassified subsequently to profit or loss** | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (5,179) | - | (3,079) | - |
| | | (5,179) | - | (3,079) | - |
| 8300 | **Other comprehensive income (loss), net of income tax** | (3,962) | - | (2,265) | - |
| | **Total comprehensive income (loss)** | **$ 10,198** | **-** | **(59,032)** | **(3)** |
| | **Net profit (loss), attributable to:** | | | | |
| | Owners of parent | **$ 14,160** | **-** | **(56,767)** | **(3)** |
| | **Total comprehensive income (loss) attributable to:** | | | | |
| | Owners of parent | **$ 10,198** | **-** | **(59,032)** | **(3)** |
| | **Basic earnings (loss) per share (NT dollars) (note 6(o))** | **$** | **0.18** | | **(0.74)** |

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, 2019 and 2018**

**(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 | Exchange differences on translation of foreign financial statements | Total equity attributable to owners of parent | Total equity |
| **Balance at January 1, 2018** | $ 770,000 | 758,285 | 283,223 | 56,380 | 20,672 | (61,868) | 1,826,692 | 1,826,692 |
| Profit (loss) | - | - | - | - | (56,767) | - | (56,767) | (56,767) |
| Other comprehensive income (loss) | - | - | - | - | 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 of ordinary share | - | - | - | - | (11,550) | - | (11,550) | (11,550) |
| Cash dividends from capital surplus | - | (26,950) | - | - | - | - | (26,950) | (26,950) |
| **Balance at December 31, 2018** | 770,000 | 731,335 | 284,874 | 61,868 | (53,970) | (64,947) | 1,729,160 | 1,729,160 |
| Profit (loss) | - | - | - | - | 14,160 | - | 14,160 | 14,160 |
| Other comprehensive income (loss) | - | - | - | - | 1,217 | (5,179) | (3,962) | (3,962) |
| Total comprehensive income (loss) | - | - | - | - | 15,377 | (5,179) | 10,198 | 10,198 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve used to offset accumulated deficits | - | - | (53,970) | - | 53,970 | - | - | - |
| Cash dividends from capital surplus | - | (26,950) | - | - | - | - | (26,950) | (26,950) |
| **Balance at December 31, 2019** | **$ 770,000** | **704,385** | **230,904** | **61,868** | **15,377** | **(70,126)** | **1,712,408** | **1,712,408** |

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, 2019 and 2018

## (Expressed in Thousands of New Taiwan Dollars)

| | 2019 | 2018 |
|---|---|---|
| **Cash flows from (used in) operating activities:** | | |
| **Profit (loss) before income tax** | $ 1,667 | (34,209) |
| **Adjustments:** | | |
| **Adjustments to reconcile profit (loss):** | | |
| Depreciation and amortization expense | 121,932 | 116,469 |
| Expected credit loss (gain) | (1,921) | 1,642 |
| Interest expense | 14,099 | 8,795 |
| Interest income | (4,337) | (3,091) |
| Share of loss of associates and joint ventures accounted for using equity method | 38,488 | 10,551 |
| Loss (profit) on disposal of property, plant and equipment | (175) | 1,407 |
| Property, plant and equipment transferred to expenses | 2,173 | 7,510 |
| Impairment loss on non-financial assets | 1,185 | 12,444 |
| **Total adjustments to reconcile profit** | 171,444 | 155,727 |
| **Changes in operating assets and liabilities:** | | |
| **Changes in operating assets:** | | |
| Accounts receivable | 167,760 | 195,900 |
| Inventories | (8,067) | (26,157) |
| Other current assets | (5,429) | 2,037 |
| Other operating assets | (1,950) | (1,042) |
| **Total changes in operating assets** | 152,314 | 170,738 |
| **Changes in operating liabilities:** | | |
| Accounts payable | (14,756) | (35,425) |
| Other current liabilities | (73,481) | 10,079 |
| **Total changes in operating liabilities** | (88,237) | (25,346) |
| **Total changes in operating assets and liabilities** | 64,077 | 145,392 |
| **Total adjustments** | 235,521 | 301,119 |
| Cash inflow generated from operations | 237,188 | 266,910 |
| Interest received | 4,337 | 3,170 |
| Interest paid | (14,783) | (6,649) |
| Income taxes paid | (26,855) | (17,904) |
| **Net cash flows from operating activities** | 199,887 | 245,527 |
| **Cash flows from (used in) investing activities:** | | |
| Acquisition of financial assets at amortized cost | (91,019) | - |
| Acquisition of property, plant and equipment | (70,649) | (779,025) |
| Proceeds from disposal of property, plant and equipment | 155 | 1,531 |
| Decrease (increase) in refundable deposits | 360 | (366) |
| Increase in other non-current assets | - | (1,064) |
| **Net cash flows used in investing activities** | (161,153) | (778,924) |
| **Cash flows from (used in) financing activities:** | | |
| Decrease in short-term borrowing | (85,864) | (24,086) |
| Increase in long-term borrowing | - | 510,000 |
| Repayments of long-term borrowing | (64,000) | - |
| Payment of lease liabilities | (12,007) | - |
| Cash dividends paid | (26,950) | (38,500) |
| **Net cash flows from (used in) financing activities** | (188,821) | 447,414 |
| **Effect of exchange rate changes on cash and cash equivalents** | 143 | (5,795) |
| **Net decrease in cash and cash equivalents** | (149,944) | (91,778) |
| **Cash and cash equivalents at beginning of period** | 1,000,649 | 1,092,427 |
| **Cash and cash equivalents at end of period** | $ **850,705** | **1,000,649** |

See accompanying notes to consolidated financial statements.

(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 Group 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 Group 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 27, 2020.

**(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, 2019.

| 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.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(k).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of staff dorm, leases classified as operating leases under IAS 17.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

— their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or

— an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $98,068 thousands of right-of-use assets and $93,006 thousands of lease liabilities (deduct $5,062 thousands of prepayment). When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 5.27%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

| | January 1, 2019 |
|---|---|
| Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements | $ 165,701 |
| Recognition exemption for: | |
| short-term leases | (1,328) |
| Effect of exchange rate | 2,468 |
| | **$ 166,841** |
| Discounted using the incremental borrowing rate at January 1, 2019 | $ 98,068 |
| Prepaid rents | (5,062) |
| Lease liabilities recognized at January 1, 2019 | **$ 93,006** |

(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.

On transition, the Group estimated the application of the new standard will not affect the deferred tax liabilities and the retained earnings respectively.

(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, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

| 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 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform" | January 1, 2020 |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 |

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(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 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 "Classification of Liabilities as Current or Non-current" | January 1, 2022 |

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

(Continued)

**(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.

(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 at fair value through profit or loss are measured at fair value;

2) The defined benefit assets are measured at 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 its subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

(Continued)

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 difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

| Name of investor | Name of subsidiary | Main Activities and Location | Percentage of Ownership (%) December 31, 2019 | Percentage of Ownership (%) December 31, 2018 |
|---|---|---|---|---|
| The Company | Esteem King | Holding Company | 100 % | 100 % |
| The Company | Evolution | Holding Company | 100 % | 100 % |
| Esteem King | MAPP | Design, Manufacture and Sale of tooling and medical injection molding | 100 % | 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 (Note) | - % | 100 % |

Note: YHP has been liquidation in December, 2019.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

(f) Cash and cash equivalents

Cash comprise cash on hand and demand deposits. Cash equivalents is 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

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost 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, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other 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 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

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.

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

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months 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 ECL is the maximum contractual period over which the Group is exposed to credit risk

ECL 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). ECL 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 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 asset 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 120 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 gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written 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

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability 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 present 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 those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interest in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(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.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods 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

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Lease

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

— there is change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Applicable before January 1, 2019

(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 a leases expense, 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

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and the assets arising on employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount for 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.

(Continued)

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 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 pretax 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, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Site restoration

In accordance with the leases agreement , the Group's has the obligation to restore the leased facilities and the 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

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, plastic components and automated 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.

(Continued)

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.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, 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, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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.

(Continued)

(p) Share based payment

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

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the group and employees reach a consensus in the subscription price and number of shares.

(q) Income taxes

Income taxes comprise 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 comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

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) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Earnings per Share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as 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 potential dilutive ordinary shares. Such as employee bonuses not yet 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.

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.

(Continued)

There are no critical judgments made in applying accounting policies that have any significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon. Due to the rapid technological changes, there may be significant changes in the net realizable value of inventories. Please refer Note 6(d) for valuation of Inventory.

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(s) for assumptions used in measuring fair value.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Cash, petty cash, check and demand deposits | $ | 643,652 | 881,343 |
| Time deposits | | 207,053 | 119,306 |
| Cash and cash equivalents in the consolidated statement of cash flows | **$** | **850,705** | **1,000,649** |

Please refer to note 6(s) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

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

(b) Non-current financial assets at amortized cost

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Restricted bank deposits | $ 91,019 | - |

On December 5, 2019, the Group applied to IRS for the application of " The Management , Utilization and Taxation of Repatriated Offshore Funds Act" .The application had been approved and the dividend had been remitted back to the parent subsequently. According to the Act, the funds need to be deposited in a special-purpose account for five years and 5% of the funds can be used without restriction, 25% can be used on financial investment, and 70%, at least, can be used for the project investment plan approved by the Ministry of Economic Affairs. Otherwise, the funds can only be redeemed within 3 consecutive year on average after the five years maturity. The Group has applied to the Ministry of Economic Affairs for substantial investments that were expected to be used for plant expansion and capital expenditure.

Please refer to note 6(s) for the exchange rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

(c) Notes and accounts receivable (include related parties)

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Notes receivable from operating activities | $ 264 | - |
| Accounts receivable | 246,991 | 424,847 |
| Accounts receivable-related parties | 153,766 | 143,965 |
| Less: Loss allowance | (2,552) | (4,504) |
| | $ 398,469 | 564,308 |

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. To measure the expected credit losses, notes and 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 for notes and accounts receivables was determined as follows:

| | December 31, 2019 | | |
|---|---|---|---|
| Notes and Accounts Receivable -non related parties | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | $ 201,345 | 1% | 2,054 |
| Past due(days): | | | |
| 0 to 60 | 44,927 | 1% | 449 |
| 61 to 120 | 983 | 5% | 49 |
| 121 to 180 | - | 20% | - |
| 181 to 360 | - | 50% | - |
| More than 360 | - | 100% | - |
| | $ 247,255 | | 2,552 |

(Continued)

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

| | December 31, 2019 | | |
|---|---|---|---|
| **Accounts Receivable -related parties** | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 153,766 | 0% | - |
| Past due(days): | | | |
| 0 to 60 | - | 0% | - |
| 61 to 120 | - | 0% | - |
| 121 to 180 | - | 0% | - |
| 181 to 360 | - | 0% | - |
| More than 360 | - | 0% | - |
| | $ 153,766 | | - |

| | December 31, 2018 | | |
|---|---|---|---|
| **Accounts Receivable -non related parties** | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 281,619 | 1% | 2,878 |
| Past due(days): | | | |
| 0 to 60 | 138,391 | 1% | 1,384 |
| 61 to 120 | 4,837 | 5% | 242 |
| 121 to 180 | - | 20% | - |
| 181 to 360 | - | 50% | - |
| More than 360 | - | 100% | - |
| | $ 424,847 | | 4,504 |

| | December 31, 2018 | | |
|---|---|---|---|
| **Accounts Receivable -related parties** | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 143,965 | 0% | - |
| Past due(days): | | | |
| 0 to 60 | - | 0% | - |
| 61 to 120 | - | 0% | - |
| 121 to 180 | - | 0% | - |
| 181 to 360 | - | 0% | - |
| More than 360 | - | 0% | - |
| | $ 143,965 | | - |

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

The movement in the allowance for notes and accounts receivable was as follows:

| | 2019 | 2018 |
|---|---|---|
| Balance on January 1, 2019 and 2018 | $ 4,504 | 2,771 |
| Impairment losses recognized (Gain on reversal of impairment loss) | (1,921) | 1,642 |
| Foreign exchange gains/(losses) | (31) | 91 |
| Balance on December 31, 2019 and 2018 | **$ 2,552** | **4,504** |

As of December 31, 2019 and 2018, the Group did not provide any notes and accounts receivable as collateral for its loans.

Please refer to note(s) for other credit risk.

(d) Inventory

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Raw materials and consumables | $ 50,217 | 46,907 |
| Work in progress | 62,551 | 55,149 |
| Finished goods | 156,987 | 173,725 |
| | **$ 269,755** | **275,781** |

The details of the cost of sales was as follows:

| | 2019 | 2018 |
|---|---|---|
| Inventory that has been sold | $ 1,302,831 | 1,532,965 |
| Write-down of inventories (Reversal of write-downs) | 26,328 | 73,167 |
| Abnormal amounts of production costs of inventories | 52,303 | 28,888 |
| Product warranty costs | 15,470 | 75,959 |
| Inventory profit or losses and others | 2,110 | 2,450 |
| | **$ 1,399,042** | **1,713,429** |

As of December 31, 2019 and 2018, the Group did not provide any inventories as collateral for its loans.

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

(e) Investments accounted for using equity method

The Group's financial information for investments accounted for using the equity method that are 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, 2019 | December 31, 2018 |
|---|---|---|---|---|
| MATC Technology(M) Sdn. Bhd. | Production of hardware components | Malaysia | 20.00 % | 20.00 % |

The following consolidated financial information of significant affiliates has been adjusted according to individually prepared IFRS financial statements of these affiliates:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Carrying amount of individually insignificant associates' equity | $ 68,521 | 107,991 |

| | 2019 | 2018 |
|---|---|---|
| Attributable to the Group: | | |
| Loss from continuing operations | $ (38,488) | (10,551) |
| Other comprehensive income | (982) | 1,242 |
| Comprehensive income | $ (39,470) | (9,309) |

As of December 31, 2019 and 2018, the Group did not provide any investments accounted for using the equity method as collateral for its loans.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

| | Land | Buildings and construction | Machinery and equipment | Office and other facilities | Construction in progress and testing equipment | Total |
|---|---|---|---|---|---|---|
| Cost or deemed cost: | | | | | | |
| Balance on January 1, 2019 | $ 596,362 | 296,342 | 811,001 | 484,757 | 9,886 | 2,198,348 |
| Additions | - | - | 47,184 | 21,292 | 15,827 | 84,303 |
| Disposal | - | - | (15,353) | (3,501) | - | (18,854) |
| Transfer | - | - | 15,178 | 1,845 | (19,196) | (2,173) |
| Effect of movements in exchange rates | - | (1,263) | (2,882) | (4,024) | (20) | (8,189) |
| Balance on December 31, 2019 | $ 596,362 | 295,079 | 855,128 | 500,369 | 6,497 | 2,253,435 |

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

| | Land | Buildings and construction | Machinery and equipment | Office and other facilities | Construction in progress and testing equipment | Total |
|---|---|---|---|---|---|---|
| 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** |
| Depreciation and impairments loss: | | | | | | |
| Balance on January 1, 2019 | $ - | 64,547 | 658,255 | 377,404 | - | 1,100,206 |
| Depreciation | - | 6,442 | 58,608 | 36,707 | - | 101,757 |
| Disposal | - | - | (15,353) | (3,501) | - | (18,854) |
| Impairment loss | - | - | 1,185 | - | - | 1,185 |
| Effect of movements in exchange rates | - | (556) | (2,029) | (2,942) | - | (5,527) |
| Balance on December 31, 2019 | **$ -** | **70,433** | **700,666** | **407,668** | **-** | **1,178,767** |
| 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** |
| Carrying amounts: | | | | | | |
| Balance on December 31, 2019 | **$ 596,362** | **224,646** | **154,462** | **92,701** | **6,497** | **1,074,668** |
| Balance on January 1, 2018 | **$ 26,721** | **127,873** | **152,441** | **124,931** | **25,399** | **457,365** |
| Balance on December 31, 2018 | **$ 596,362** | **231,795** | **152,746** | **107,353** | **9,886** | **1,098,142** |

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., Taoyuan 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 asset has been transferred and registered 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(i) for details.

In 2019 and 2018, the Group concluded that some of the machinery and equipment are insufficient capacity utilization, and the future economic benefits may not be recovered after the Group’s assessment, leading to a recoverable amount wrote down to $0. Therefore, the Group recognized impairment loss amounting to $1,185 thousand and $12,444 thousand, which report as non-operating expense.

As of December 31, 2019 and 2018, for the Group pledged property, plant and equipment as collateral for long-term borrowings, please refer to Note 8.

(g) Right-of-use assets

The Group leases many assets including land, buildings and structures, and other equipment. Information about leases for which the Group as a lessee is presented below:

| | | Land | Buildings and structures | Office and other facilities | Total |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Balance at January 1, 2019 | $ | 63,441 | 29,732 | 4,895 | 98,068 |
| Additions | | - | 16 | 708 | 724 |
| Disposal | | - | - | (1,295) | (1,295) |
| Exchange on movements exchange rates | | (1,311) | (1,798) | (107) | (3,216) |
| Balance at December 31, 2019 | $ | **62,130** | **27,950** | **4,201** | **94,281** |
| **Accumulated depreciation and impairment losses:** | | | | | |
| Balance at January 1, 2019 | $ | - | - | - | - |
| Depreciation for the year | | 1,861 | 8,932 | 2,834 | 13,627 |
| Disposal | | - | - | (908) | (908) |
| Exchange on movements exchange rates | | (32) | (324) | (38) | (394) |
| Balance at December 31, 2019 | $ | **1,829** | **8,608** | **1,888** | **12,325** |
| **Carrying amount:** | | | | | |
| Balance at December 31, 2019 | $ | **60,301** | **19,342** | **2,313** | **81,956** |

The Group leases land, buildings and structures, office and other facilities under an operating lease for the year ended December 31, 2018, please refer to Note 6(k).

(h) Short-term borrowings

The short-term borrowings were summarized as follows:

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Unsecured bank loans | $ | **100,000** | **184,600** |
| Unused short-term credit lines | $ | **389,700** | **516,177** |
| Range of interest rates | | **1%** | **1%~5.655%** |

(i) Long-term borrowings

The long-term borrowings details were as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Secured bank loans | $ 50,000 | 50,000 |
| Unsecured bank loans | 446,000 | 510,000 |
| Less: expired in 1 year | (64,000) | (98,000) |
| Total | $ 432,000 | 462,000 |
| Unused long-term credit lines | $ 114,000 | 50,000 |
| Range of interest rates | 1.18%~1.518% | 1.18%~1.612% |

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(f) for details.

For the collateral for long-term borrowings, please refer to note 8.

(j) Lease liabilities

| | December 31, 2019 |
|---|---|
| Current | $ 9,514 |
| Non-current | $ 69,423 |

The amounts recognized in profit or loss were as follows:

| | 2019 |
|---|---|
| Interest expenses on lease liabilities | $ 4,122 |
| Expenses relating to short-term leases | $ 7,087 |

The amounts recognized in the statement of cash flows for the Group was as follows:

| | 2019 |
|---|---|
| Total cash outflow for leases | $ 23,216 |

(i) Real estate and buildings leases

As of December 31, 2019, the Group leases land and buildings for its offices and factories. The leases of offices typically run for a period of 2 to 5 years, and about 50 years for land. Some leases contain extension options exercisable up to the same period as original contracts before the end of the contract period.

(ii) Other leases

The Group leases staff dormitories, transportation equipment, and office facilities with lease terms of 2 to 5 years. Some lease contracts stipulate that upon the expiration of the lease period, which can extend to the same period as original contracts.

The Group also leases parts of the leases of staff dormitories and warehouse are with contract terms of one year. These leases are short-term. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(k) Operating lease

Non-cancellable operating lease rentals payable was as follows:

| | December 31, 2018 |
|---|---|
| Less than one year | $ 18,175 |
| Between one and five years | 38,614 |
| Over five years | 108,912 |
| | **$ 165,701** |

(i) The Group leases a number of lands, factory facilities and offices under operating lease with an
option to renew the lease after that date. During 2018, an amount of $25,507 thousand was recognized as an expense in profit or loss in respect of operating leases.

(ii) The Group has signed the leasing contract, due to the non-transfer of the ownership after expiration, and the Group has not assumed the remaining value at risk, thus evaluating it as operating lease.

(l) 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, 2019 | December 31, 2018 |
|---|---|---|
| Present value of the defined benefit obligations | $ (25,495) | (26,118) |
| Fair value of plan assets | 48,231 | 45,687 |
| Net defined benefit assets | **$ 22,736** | **19,569** |

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.

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

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 $48,231 thousand as of December 31, 2019. 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

| | 2019 | 2018 |
|---|---|---|
| Defined benefit obligations at January 1 | $ 26,118 | 25,339 |
| Current service costs and interest cost (income) | (681) | 408 |
| Remeasurements loss (gain): | | |
| －Return on plan assets excluding interest income | (1,050) | (223) |
| Actuarial loss (gain) arising from: | | |
| －demographic assumptions | 229 | 99 |
| －financial assumptions | 1,144 | 495 |
| Benefits planned to be paid | (265) | - |
| Defined benefit obligations at December 31 | **$ 25,495** | **26,118** |

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:

| | 2019 | 2018 |
|---|---|---|
| Fair value of plan assets at January 1 | $ 45,687 | 43,052 |
| Interest income | 519 | 545 |
| Remeasurements loss (gain): | | |
| －Return on plan assets excluding interest income | 1,540 | 1,184 |
| Benefits paid | 750 | 906 |
| Benefits planned has been paid | (265) | - |
| Fair value of plan assets at December 31 | **$ 48,231** | **45,687** |

(Continued)

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

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Current service costs | $ | (975) | 92 |
| Net interest of net liabilities (assets) for defined benefit obligations | | (225) | (228) |
| | **$** | **(1,200)** | **(136)** |
| Operating cost | **$** | **(1,200)** | **(136)** |

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

| | 2019.12.31 | 2018.12.31 |
|---|---|---|
| Discount rate | 0.800 % | 1.125 % |
| Future salary increase rate | 3.125 % | 3.125 % |

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 $750 thousands.

The weighted average lifetime of the defined benefits plans is 11 years.

6) 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 obligations | |
|---|---|---|
| **Original actuarial assumptions** | **Increased 0.5%** | **Decreased 0.5%** |
| December 31, 2019 | | |
| Discount rate 0.800% | 877 | (927) |
| Future salary increasing rate 3.125% | (876) | 839 |
| December 31, 2018 | | |
| Discount rate 1.125% | 983 | (1,042) |
| Future salary increasing rate 3.125% | (988) | 942 |

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 2019 and 2018.

(Continued)

(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 $39,417 thousands and $51,921 thousands for the years ended December 31, 2019 and 2018, respectively.

(m) Income taxes

(i) The components of income tax in the years 2019 and 2018 were as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Current tax | $ | 31,343 | 8,102 |
| Deferred tax | | (43,836) | 14,456 |
| Income tax expense (income) | $ | **(12,493)** | **22,558** |

(ii) The amount of income tax recognized directly in equity or other comprehensive income for 2019 and 2018 were both 0.

(iii) Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows :

| | | 2019 | 2018 |
|---|---|---|---|
| Profit and loss excluding income tax | $ | 1,667 | (34,209) |
| Income tax using the Company's domestic tax rate | | (2,086) | (2,627) |
| Adjustment in tax rate | | - | 6,038 |
| Tax incentive | | (11,892) | - |
| Change in provision in prior periods | | (1,148) | (11,841) |
| Change in unrecognized temporary differences and others | | 2,633 | 30,988 |
| | $ | **(12,493)** | **22,558** |

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2019 and 2018. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. In 2019, the unrecognized deferred tax liabilities amount was $26,090 thousand (2018: $13,595).

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

2) Unrecognized deferred tax assets

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Tax effect of deductible temporary Differences | $ | 22,883 | 16,592 |
| The carry forward of unused tax losses | | 20,301 | 25,399 |
| | $ | **43,184** | **41,991** |

The R.O.C. Income Tax Act 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, 2019, the information of the Group's tax losses are as follows, and the Group's unused tax losses for which no deferred tax assets were 117,827 thousand.

| Company name | Year o loss | | Unused tax loss | Expiry date |
|---|---|---|---|---|
| The Company | 2017 (Declaration) | $ | 11,205 | 2027 |
| The Company | 2018 (Filed) | | 68,134 | 2028 |
| The Company | 2019 (Estimation) | | 19,210 | 2029 |
| AMO | 2018 (Declaration) | | 46,307 | 2028 |
| AMO | 2019 (Estimation) | | 18,986 | 2029 |

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

| | | Unrealized exchange gain | Income from equity investments under the equity method | Fiscal and tax difference from Depreciation | Total |
|---|---|---|---|---|---|
| **Deferred Tax Liabilities:** | | | | | |
| Balance at January 1, 2019 | $ | 1,439 | 50,601 | 17,352 | 69,392 |
| Recognized in profit or loss | | (1,098) | (32,316) | (602) | (34,016) |
| Balance at December 31, 2019 | $ | **341** | **18,285** | **16,750** | **35,376** |
| 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** |

(Continued)

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

| | Unrealized exchange loss | Allowance to reduce inventory | Unused tax losses carry forwards | Others | Total |
|---|---|---|---|---|---|
| **Deferred Tax Assets:** | | | | | |
| Balance at January 1, 2019 | $ - | (8,910) | - | (1,304) | (10,214) |
| Recognized in profit or loss | (2,298) | 5,157 | (9,203) | (3,476) | (9,820) |
| Balance at December 31, 2019 | $ **(2,298)** | **(3,753)** | **(9,203)** | **(4,780)** | **(20,034)** |
| Balance at January 1, 2018 | (5,048) | (8,843) | - | - | (13,891) |
| Recognized in profit or loss | 5,048 | (67) | - | (1,304) | 3,677 |
| Balance at December 31, 2018 | $ - | **(8,910)** | - | **(1,304)** | **(10,214)** |

(v) Examination and Approval

The Company's tax returns for the years through 2017 were examined and approved by the Taipei National Tax Administration.

(n) Capital and other equity

For the years ended December 31, 2019 and 2018, the authorized capital of the Company consisted of both $1,000,000 thousand shares, with par value of $10 per share, and its outstanding capital consisted of both $770,000 thousand common shares of stock.

(i) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Issued share premium | $ 654,099 | 681,049 |
| Adjustment of re-segmentation | 42,439 | 42,439 |
| Employee share options | 7,847 | 7,847 |
| | $ **704,385** | **731,335** |

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.

In according to the company shareholder's meeting held on June 13, 2019 and June 15,2018, approved to distribute the cash dividend of $26,950 thousands, representing 0.35 New Taiwan dollars per share by using the issued share premium.

(ii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

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 aggregate dividends

1) Legal reserve

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.

3) Earnings distribution

The Company has accumulated deficits, so no earnings distribution in 2018. Earnings distribution for 2017 was decided by the resolution adopted, at the general meeting of shareholders held on Jane 15, 2018. The relevant dividend distributions to shareholders were as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Amount per share** | **Total amount** | **Amount per share** | **Total amount** |
| Dividends distributed to ordinary shareholders | | | | |
| Cash | $ - | - | 0.15 | **11,550** |

Earnings distributions for 2017 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.

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

(o) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2019 and 2018, was based on the profit(loss) attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, calculated as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| **Basic earnings (loss) per share** | | | |
| Profit(loss) attributable to ordinary shareholders of the company | $ | 14,160 | (56,767) |
| Weighted-average number of ordinary shares (thousand shares) | | 77,000 | 77,000 |
| Basic earnings(loss) per share | $ | 0.18 | (0.74) |

(ii) Diluted earnings per share

The Group does not have any dilutive ordinary shares in 2019 and 2018. Thus only basic earnings(loss) per share is disclosed.

(p) Revenue from contracts with customers

(i) Details of revenue

| | | 2019 | 2018 |
|---|---|---|---|
| Primary geographical markets | | | |
| Singapore | $ | 519,373 | 460,307 |
| Malaysia | | 431,037 | 521,022 |
| Taiwan | | 243,639 | 249,185 |
| China | | 187,833 | 458,481 |
| America | | 170,373 | 165,787 |
| Thailand | | 131,514 | 150,153 |
| Others | | 113,522 | 68,597 |
| | $ | 1,797,291 | 2,073,532 |
| Major products | | | |
| Hard disk drive stamping components | $ | 728,167 | 846,495 |
| Plastic injection | | 515,056 | 481,975 |
| Automatic machines | | 201,190 | 431,326 |
| Other electronic stamping components | | 164,307 | 179,862 |
| Others | | 188,571 | 133,874 |
| | $ | 1,797,291 | 2,073,532 |

(Continued)

(ii) Contract balances

| | December 31, 2019 | December 31, 2018 | January 1, 2018 |
|---|---|---|---|
| Accounts receivable | $ 401,021 | 568,812 | 764,620 |
| Less: allowance for impairment | (2,552) | (4,504) | (2,771) |
| Total | **$ 398,469** | **564,308** | **761,849** |

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

(q) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute between 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 remuneration and directors’ and supervisors’ remuneration due to loss before income tax for the year ended December 31, 2019 and 2018. 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. Related information would be available at the Market Observation Post System website.

(r) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

| | 2019 | 2018 |
|---|---|---|
| Interest income | $ 4,337 | 3,091 |
| Rent income | 3,052 | 3,839 |
| Other income | 35,308 | 38,505 |
| | **$ 42,697** | **45,435** |

(ii) Other gains and losses

The details of other gains and losses were as follows:

| | 2019 | 2018 |
|---|---|---|
| Foreign exchange gains (losses) | $ (22,745) | 35,681 |
| Gains (Losses) on disposals of property, plant and equipment | 175 | (1,407) |
| Loss on non-financial assets impairment | (1,185) | (12,444) |
| Others | (12,468) | (28,795) |
| | **$ (36,223)** | **(6,965)** |

(s) 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 arises from the Group' s accounts receivable.

1) Credit risk exposure

As at reporting date, the carrying amount of financial assets represents the maximum amount exposed to credit risk. For the year end in 2019 and 2018, the maximum amount was $1,344,771 thousand and $1,571,324 thousand, respectively. Implicit credit risk of the Group is inherent in its cash and accounts receivable. The cash is deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions and believes that cash do not have a significant credit risk concentration.

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, 2019 and 2018, 75% and 63%, respectively, of the Group's accounts receivable were concentrated on top five sales clients.

3) For the details of the accounts receivable aging and loss allowance, please refer to note 6 (c).

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

(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 | Less than 1 years | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| **December 31, 2019** | | | | | | |
| Non derivative financial liabilities | | | | | | |
| Bank loans | $ 596,000 | 621,310 | 172,435 | 119,273 | 201,875 | 127,727 |
| Accounts payable (including related parties) | 210,096 | 210,096 | 210,096 | - | - | - |
| Lease liabilities | 78,937 | 149,433 | 13,668 | 12,650 | 12,328 | 110,787 |
| Other financial liabilities | 143,698 | 143,698 | 143,698 | - | - | - |
| | **$ 1,028,731** | **1,124,537** | **539,897** | **131,923** | **214,203** | **238,514** |
| **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** |

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.

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

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 24,983 | 29.98 | 748,981 | 33,172 | 30.715 | 1,018,890 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 829 | 29.98 | 24,850 | 974 | 30.715 | 29,932 |

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, trade receivables, and trade payables that are denominated in foreign currency.

A weakening or strengthening of 1% of the NTD against the Foreign currency as of 31 December, 2019 and 2018 would have decreased or increased the net profit (loss) before tax by $7,241 thousand and $9,890 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 2018.

3) Foreign exchange gain and loss on monetary items

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 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(22,745) thousand and $35,681 thousand, respectively.

4) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial 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.

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

If the interest rate had increased or decreased by a quarter-point, the Group's net income before tax would have increased or decreased by $596 thousands and $802 thousands for the year ended 2019 and 2018 with all other variable factors remaining constant. This is mainly due to the Group's financial liabilities in variable-rate bills.

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 amount and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy were 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, disclosure of fair value information is not required:

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | **Book Value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | $ 850,705 | | | | |
| Accounts receivable | 244,703 | | | | |
| Accounts receivables – related party | 153,766 | | | | |
| Other financial assets | 95,597 | | | | |
| Subtotal | **$ 1,344,771** | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Long term and short term borrowings | $ 596,000 | | | | |
| Accounts payable (including related parties) | 210,096 | | | | |
| Lease liabilities | 78,937 | | | | |
| Other financial liabilities | 143,698 | | | | |
| Subtotal | **$ 1,028,731** | | | | |

**MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated 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 | $ 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 borrowings | $ 744,600 | | | | |
| Accounts payable (including related parties) | 224,852 | | | | |
| Other financial liabilities | 196,935 | | | | |
| Subtotal | $ 1,166,387 | | | | |

1) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

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 corporate 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 was no transfer between each fair value levels in 2019 and 2018.

(t) 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 following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to note 6 (s).

(u) Capital management

The Group's capital management policy is to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases and debt service requirements associated with its existing operations over the next 12 months. And also consider the debt ratio to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's capital management strategy is consistent with the prior year, and the debt ratio is 41% and 45% at December 31, 2019 and 2018.

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

(v) Investing and financing activities not affecting current cash flow

The Group’s investing and financing activities which did not affect the current cash flow in the years ended December 31, 2019 and 2018, were as follows:

(i) Obtain right-of assets by lease, please refer to notes 6(g).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

| | January 1, 2019 | Cash flows | Foreign exchange movement | December 31, 2019 |
|---|---|---|---|---|
| Long-term borrowings | $ 560,000 | (64,000) | - | 496,000 |
| Short-term borrowings | 184,600 | (85,864) | 1,264 | 100,000 |
| Lease liabilities | 93,006 | (12,007) | (2,062) | 78,937 |
| Total liabilities from financing activities | **$ 837,606** | **(161,871)** | **(798)** | **674,937** |

| | January 1, 2018 | Cash flows | Foreign exchange movement | December 31, 2018 |
|---|---|---|---|---|
| Long-term borrowings | $ 50,000 | 510,000 | - | 560,000 |
| Short-term borrowings | 209,818 | (24,086) | (1,132) | 184,600 |
| Total liabilities from financing activities | **$ 259,818** | **485,914** | **(1,132)** | **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 party (MAT's subsidiary) |
| MATC Technology (M) Sdn. Bhd. (MATC) | 〃 |
| Min Aik Technology (SuZhou) Co., Ltd. (MAY) | 〃 |
| key management personnel | The Group’s major management personnel |

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

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales and uncollected receivables by the Group to related parties were as follows:

| | Sales | | Related parties receivables | |
|---|---|---|---|---|
| | **2019** | **2018** | **December 31, 2019** | **December 31, 2018** |
| The entity with significant influence over the Group: | | | | |
| MAT | $ 143,450 | 156,565 | 69,989 | 47,347 |
| Other related parties: | | | | |
| MAM | 338,339 | 396,303 | 83,777 | 96,618 |
| Others | 24 | 14 | - | - |
| | $ 481,813 | 552,882 | 153,766 | 143,965 |

The payment term of the Group's sales to related parties is O/A 75~120 day 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

| | Purchases | | Related parties receivables | |
|---|---|---|---|---|
| | **2019** | **2018** | **December 31, 2019** | **December 31, 2018** |
| The entity with significant influence over the Group | $ 199 | 397 | - | - |
| Other related parties: | | | | |
| MAY | 54,535 | 26,194 | 7,672 | 8,080 |
| Others | 4,608 | - | 2,278 | - |
| | $ 59,342 | 26,591 | 9,950 | 8,080 |

1) The payment term of purchases from related parties was O/A 30 days, and which term may be changed depend on the Group' s operation. The purchase price from related parties was referred to the market price and negotiated by both parties

2) As of December 31, 2019 and 2018, the prepayment for material to other related parties were USD$167 thousands and USD$91 thousands, respectively.

(iii) Accepting service and payable amounts to Related Parties

| | Transaction amount | | | Other accounts payable – related parties | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | December 31, 2019 | December 31, 2018 |
| The entity with significant influence over the Group | $ | 2,644 | 5,674 | 1,267 | 1,978 |
| Other related parties | | 2,750 | 3,359 | 356 | 165 |
| | $ | 5,394 | 9,033 | 1,623 | 2,143 |

(iv) Rendering of services and receivable amounts from Related Parties

| | Transaction amount | | | Other accounts receivable – related parties | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | December 31, 2019 | December 31, 2018 |
| The entity with significant influence over the Group | $ | - | 1,019 | - | 2 |
| Other related parties | | 2,124 | 2,269 | 331 | 326 |
| | $ | 2,124 | 3,288 | 331 | 328 |

(c) Key management personnel compensation

| | | 2019 | 2018 |
|---|---|---|---|
| Short-term employee benefits | $ | 15,894 | 14,422 |
| Post-employment benefits | | 290 | 268 |
| Termination benefits | | - | - |
| Other long-term benefits | | - | - |
| Share-based payments | | - | - |
| | $ | 16,184 | 14,690 |

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

| Pledged assets | Object | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| Restricted cash in banks | Guarantee for letter of credit | $ | - | 690 |
| Land and buildings | Long-term borrowings | | 674,593 | 676,768 |
| Non-current financial assets | Bank deposits for restricted purpose, due to offshore funds repatriated (tax preference) | | 91,019 | - |
| | | $ | 765,612 | 677,458 |

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

**(9) Commitments and contingencies:**

(a) The Group's unrecognized contractual commitments are as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Purchase commitment | $ 61,815 | 68,958 |
| Acquisition of property, plant and equipment | $ 69,868 | 22,698 |

(b) The guarantee notes issued by the Group for obtaining the bank loan amount and the guarantees provided to the bank for the financing demand are as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Issued guarantee notes | $ 989,680 | 1,139,658 |
| Endorsements and guarantees | $ 119,920 | 167,460 |

(c) The Group has signed an irrevocable lease contract, for details please refer to note 6(k).

**(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 | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 367,813 | 176,996 | 544,809 | 459,166 | 197,259 | 656,425 |
| Labor and health insurance | 28,268 | 14,109 | 42,377 | 40,263 | 15,751 | 56,014 |
| Pension | 23,445 | 14,772 | 38,217 | 30,446 | 21,339 | 51,785 |
| Others | 34,744 | 8,725 | 43,469 | 36,195 | 8,985 | 45,180 |
| Depreciation and amortization | 90,807 | 31,125 | 121,932 | 88,849 | 27,620 | 116,469 |

(Continued)

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

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is 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, 2019:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

| No. | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2) | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship with the Company | | | | | | | | | | |
| 0 | The Company | Esteem King | 4 | 1,712,408 | 126,400 | 119,920 | - | - | 7.00 % | 1,712,408 | Y | No | No |
| 0 | The Company | Amould(SUZHOU) | 4 | 1,712,408 | 46,091 | - | - | - | - % | 1,712,408 | 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, 2019 (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

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: 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) | 338,339 | (37) % | Note 1 | - | normally two to three months | 83,777 | 35% | |
| The company | Min Aik Technology Co., Ltd. (MAT) | 〃 | (Sale) | 143,450 | (16) % | Note 1 | - | 〃 | 69,989 | 29% | |

Note 1：Payment term is 75~120 days; any further adjustment on the term will have to be agreed by both parties.

(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

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

(x) Business relationships and significant intercompany transactions (only disclose transactions with amounts exceeding NT$10,000 thousands):

(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 | AMOULD(SUZHOU) | MAPP | 3 | Sales | 16,605 | Note 3 | 0.90% |

Note 1: fill in of numbers :

1. 0 represents the parent company

2. The subsidiaries start with number 1.

Note 2: Relationship with counterparty are represented below :

1. Transactions from parent company to subsidiary

2. Transactions from subsidiary to parent company

3. Transactions between subsidiaries

Note 3: The purchase price is decided by the Company. However, the netting off on accounts receivable and payable is agreed upon by both parties. Payment term given to related parties is 90 days; any further adjustment on the term will have to be agreed by both parties.

Note 4: The transactions were eliminated in the preparation of consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years 2019 (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: December 31, 2019 | Original investment amount: December 31, 2018 | Balance as of December 31, 2019: Shares (thousands) | Percentage of ownership | Carrying value | Net income (loss) of investee | Share of profits /losses of investee | Highest Percentage of ownership | Highest Percentage of ownership | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The company | Esteem King | Samoa | Investment holding | 511,481 | 511,481 | 17,079 | 100.00 % | 840,618 | 8,745 | 8,745 | 17,079 | 100.00 % | Note 1 |
| The company | Evolution | Hong Kong | Investment holding | 145,103 | 145,103 | 4,600 | 100.00 % | 10,232 | (7,218) | (7,218) | 4,600 | 100.00 % | Note 1 |
| Esteem King | MATC | Malaysia | Manufacture and selling hard disk components | 127,726 | 127,726 | 10,527 | 20.00 % | 68,521 | (192,442) | (38,488) | 10,527 | 20.00 % | |
| Esteem King | MAPP | Singapore | Manufacture and sale medical injection molding | 323,449 | 323,449 | 10,714 | 100.00 % | 680,672 | 49,241 | 49,241 | 10,714 | 100.00 % | Note 1 |

Note 1: The aforementioned investments have been eliminated from the consolidated 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, 2019 | Investment flows: Outflow | Investment flows: Inflow | Accumulated outflow of investment from Taiwan as of December 31, 2019 | Net income (losses) of the investee (Note 2) | Percentage of ownership | Investment income (losses) | Book value | Accumulated remittance of earnings in current period | Highest balance during the year: Shares/ Units (thousands) | Highest balance during the year: percentage of ownership |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AMOULD(SUZHOU) | Design and manufacture automatic machines | 213,774 | Note1 | 141,923 | - | - | 141,923 | (66,675) | 100% | (66,675) | 189,828 | - | - | 100% |
| Dongguan Yi Hong (Note 3) | Manufacture metal products and mold | 135,947 | Note1 | 135,947 | - | (7,948) | 127,999 | (265) | 100% | (265) | - | - | - | 100% |

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2019 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---|
| 269,999 | 277,947 | 1,027,445 |

(Continued)

Note 1: Through setting up company in the third area, the Company then invest in the investee in Mainland China.

Note 2: Financial statements, which base on the audited and attested by R.O.C. parent Company's CPA.

Note 3: The Company invested in Dongguan Yi Hong Precision Industrial Co., LTD. (YHP) with USD 4,400 thousand indirectly. The Company completed the liquidation procedure of YHP and got payment of USD 265 thousand in December, 2019.As of December 31, 2019, the Company has reported to the Investment board, Ministry of Economic Affairs for cancellation. The investment amount will be remitted back to deduct the approval amount from the mainland China.

Note 4: The transactions were eliminated in the preparation of 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"

**(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(p) 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:

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **The Company** | **MAPP** | **Amould Suzhou** | **Other segment** | **Reconciliation and elimination** | **Total** |
| Revenue | | | | | | |
| Revenue from external customers | $ 903,555 | 627,327 | 266,409 | - | - | 1,797,291 |
| Intersegment revenues | - | - | 19,015 | - | (19,015) | - |
| Total revenue | **$ 903,555** | **627,327** | **285,424** | **-** | **(19,015)** | **1,797,291** |
| Reportable segment profit or loss | **$ (14,598)** | **134,431** | **(73,140)** | **(472)** | **1,559** | **47,780** |

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

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | The Company | MAPP | Amould Suzhou | 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) |

(b) Corporate information

(i) Product information: Please refer to note 6(p).

(ii) Geographic information: Please refer to note 6 (p).

(iii) Major customers

For the years ended 2019 and 2018, the amounts of Sales to clients representing 10% of net operating revenue were as follows:

| | 2019 | |
|---|---|---|
| Customer | Amount | % |
| Min Aik Technology Co., Ltd. Group | $ 481,813 | 27 |
| J Company | 334,732 | 19 |
| S Company | 203,536 | 11 |
| | $ 1,020,081 | 57 |

| | 2018 | |
|---|---|---|
| Customer | Amount | % |
| Min Aik Technology Co., Ltd. Group | $ 552,882 | 27 |
| J Company | 287,208 | 14 |
| S Company | 222,968 | 11 |
| | $ 1,063,058 | 52 |

【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, 2019 and 2018**

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

# 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, 2019 and 2018, the parent company only statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2019 and 2018, 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, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the year ended December 31, 2019 and 2018 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. The key audit matters that, in our professional judgement, should be communicated are as follow:

## 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 5(a) 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 requirement due to new product release or market change. Thus, the cost of inventory may exceed its net realizable value. Moreover, the sales ability of products may affect the inventory valuation, which also need to be taken into serious consideration. 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, or reviewing the subsequent sales of the inventories 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:

The subsidiaries that accounted for using equity method, inventory valuation is material to the parent company only financial statements. The abovementioned valuation may have significant impact to the Company’s operating results. Therefore, the inventory of the subsidiaries 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 subsidiaries’s policies of inventory valuation to assess the appropriateness of its inventory valuation; testing, on a sampling basis, the subsidiary’ 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.

**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 27, 2020

**Notes to Readers**

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and 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' audit 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' audit 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 Balance Sheets

## December 31, 2019 and 2018

## (Expressed in Thousands of New Taiwan Dollars)

| | Assets | December 31, 2019 Amount | % | December 31, 2018 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (notes 6(a)) | $ 317,854 | 12 | 417,477 | 15 |
| 1170 | Notes and accounts receivable, net (notes 6(c) and (p)) | 83,536 | 3 | 116,414 | 4 |
| 1181 | Accounts receivable from related parties (notes 6(c) and 7) | 153,766 | 6 | 143,965 | 5 |
| 130X | Inventories (notes 6(d)) | 99,603 | 4 | 135,286 | 5 |
| 1479 | Other current assets (notes 7 and 8) | 44,303 | 2 | 41,090 | 1 |
| | | 699,062 | 27 | 854,232 | 30 |
| | **Non-current assets:** | | | | |
| 1536 | Non-current financial assets at amortized cost (note 6(b)) | 91,019 | 4 | - | - |
| 1551 | Investments accounted for using equity method (note 6(e)) | 850,850 | 33 | 955,135 | 35 |
| 1600 | Property, plant and equipment (notes 6(f), 7 and 8) | 890,111 | 34 | 914,946 | 33 |
| 1755 | Right-of-use assets (note 6(g)) | 1,100 | - | - | - |
| 1995 | Other non-current assets (notes 6(l) and (m)) | 48,218 | 2 | 39,073 | 2 |
| | | 1,881,298 | 73 | 1,909,154 | 70 |
| | **Total assets** | **$ 2,580,360** | **100** | **2,763,386** | **100** |

| | Liabilities and Equity | December 31, 2019 Amount | % | December 31, 2018 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (note 6(h)) | $ 100,000 | 4 | 140,000 | 5 |
| 2170 | Accounts payable | 113,105 | 4 | 126,820 | 5 |
| 2201 | Salaries and wages payable | 52,030 | 2 | 59,498 | 2 |
| 2300 | Other current liabilities (note 7) | 87,426 | 4 | 97,086 | 3 |
| 2280 | Current lease liabilities (note 6(j)) | 626 | - | - | - |
| 2322 | Long-term borrowings, current portion (note 6(i)) | 64,000 | 2 | 98,000 | 4 |
| | | 417,187 | 16 | 521,404 | 19 |
| | **Non-Current liabilities:** | | | | |
| 2541 | Long-term borrowings (note 6(i)) | 432,000 | 17 | 462,000 | 17 |
| 2570 | Deferred tax liabilities (note 6(m)) | 18,285 | 1 | 50,822 | 2 |
| 2580 | Non-current lease liabilities (note 6(j)) | 480 | - | - | - |
| | | 450,765 | 18 | 512,822 | 19 |
| | **Total liabilities** | 867,952 | 34 | 1,034,226 | 38 |
| | **Equity attributable to owners of parent (note 6(n)):** | | | | |
| 3110 | Ordinary share | 770,000 | 30 | 770,000 | 28 |
| 3200 | Capital surplus | 704,385 | 27 | 731,335 | 26 |
| 3310 | Legal reserve | 230,904 | 9 | 284,874 | 10 |
| 3320 | Special reserve | 61,868 | 2 | 61,868 | 2 |
| 3350 | Unappropriated retained earnings | 15,377 | 1 | (53,970) | (2) |
| 3412 | Exchange differences on translation of foreign financial statements | (70,126) | (3) | (64,947) | (2) |
| | **Total equity** | 1,712,408 | 66 | 1,729,160 | 62 |
| | **Total liabilities and equity** | **$ 2,580,360** | **100** | **2,763,386** | **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 Statements of Comprehensive Income

## For the years ended December 31, 2019 and 2018

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

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | | **Amount** | **%** | **Amount** | **%** |
| 4111 | Operating revenue (notes 6(p) and 7) | $ 917,843 | 102 | 1,053,656 | 102 |
| 4170 | Less: Sales returns and allowances | 14,288 | 2 | 21,360 | 2 |
| | **Net operating revenue** | 903,555 | 100 | 1,032,296 | 100 |
| 5111 | Operating costs (notes 6(d), (j), (k), (l), 7 and 12) | 759,103 | 84 | 923,336 | 89 |
| | **Gross profit from operations** | 144,452 | 16 | 108,960 | 11 |
| | **Operating expenses (notes 6(c), (j), (k), (l), 7 and 12):** | | | | |
| 6100 | Selling expenses | 29,544 | 3 | 36,660 | 4 |
| 6200 | Administrative expenses | 95,647 | 11 | 106,460 | 10 |
| 6300 | Research and development expenses | 34,190 | 3 | 33,460 | 3 |
| 6450 | Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9 | (331) | - | 878 | - |
| | **Total operating expenses** | 159,050 | 17 | 177,458 | 17 |
| | **Net operating losses** | (14,598) | (1) | (68,498) | (6) |
| | **Non-operating income and expenses (notes 6(e), (f), (r) and 7):** | | | | |
| 7010 | Other income | 9,611 | 1 | 12,293 | 1 |
| 7020 | Other gains and losses, net | (13,654) | (2) | 11,356 | 1 |
| 7375 | Share of profit of associates and joint ventures accounted for using equity method | 1,527 | - | 7,995 | 1 |
| 7050 | Finance costs | (9,278) | (1) | (7,880) | (1) |
| | | (11,794) | (2) | 23,764 | 2 |
| 7900 | **Loss before tax income** | (26,392) | (3) | (44,734) | (4) |
| 7950 | Less: Income tax expenses (income) (note 6(m)) | (40,552) | (5) | 12,033 | 1 |
| | **Net profit (loss)** | 14,160 | 2 | (56,767) | (5) |
| 8300 | **Other comprehensive income (loss):** | | | | |
| 8310 | **Item that may not be reclassified subsequently to profit or loss** | | | | |
| 8311 | Gains on remeasurements of defined benefit plans | 1,217 | - | 814 | - |
| | | 1,217 | - | 814 | - |
| 8360 | **Item that may be reclassified subsequently to profit or loss** | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (5,179) | (1) | (3,079) | - |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | (5,179) | (1) | (3,079) | - |
| 8300 | **Other comprehensive income (loss), net of income tax** | (3,962) | (1) | (2,265) | - |
| | **Total comprehensive income (loss)** | **$ 10,198** | **1** | **(59,032)** | **(5)** |
| 9750 | **Basic earnings (loss) per share (NT dollars) (note 6(o))** | **$** | **0.18** | | **(0.74)** |

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 Statements of Changes in Equity**

**For the years ended December 31, 2019 and 2018**

**(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 | Exchange differences on translation of foreign financial statements | Total equity |
| **Balance on January 1, 2018** | $ 770,000 | 758,285 | 283,223 | 56,380 | 20,672 | (61,868) | 1,826,692 |
| Profit (loss) | - | - | - | - | (56,767) | - | (56,767) |
| Other comprehensive income | - | - | - | - | 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 |
| Profit (loss) | - | - | - | - | 14,160 | - | 14,160 |
| Other comprehensive income | - | - | - | - | 1,217 | (5,179) | (3,962) |
| Total comprehensive income (loss) | - | - | - | - | 15,377 | (5,179) | 10,198 |
| Appropriation and distribution of retained earnings: | | | | | | | |
| Legal reserve used to offset accumulated deficits | - | - | (53,970) | - | 53,970 | - | - |
| Cash dividends from capital surplus | - | (26,950) | - | - | - | - | (26,950) |
| **Balance on December 31, 2019** | **$ 770,000** | **704,385** | **230,904** | **61,868** | **15,377** | **(70,126)** | **1,712,408** |

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 Statements of Cash Flows

## For the years ended December 31, 2019 and 2018

## (Expressed in Thousands of New Taiwan Dollars)

| | | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from (used in) operating activities:** | | | |
| **Loss before income tax** | $ | (26,392) | (44,734) |
| **Adjustments:** | | | |
| **Adjustments to reconcile profit (loss):** | | | |
| Depreciation and amortization expense | | 73,708 | 79,104 |
| Expected credit loss (gain) | | (331) | 878 |
| Interest expense | | 9,278 | 7,880 |
| Interest income | | (1,235) | (1,148) |
| Share of profit of subsidiaries, associates and joint ventures accounted for using equity method | | (1,527) | (7,995) |
| Loss (profit) on disposal or retirement of property, plant and equipment | | (38) | 325 |
| Impairment loss on non-financial assets | | 1,185 | 12,444 |
| **Total adjustments to reconcile profit** | | 81,040 | 91,488 |
| **Changes in operating assets and liabilities:** | | | |
| **Changes in operating assets:** | | | |
| Accounts receivable | | 23,408 | 87,113 |
| Inventories | | 35,355 | (26,534) |
| Other current assets | | (3,776) | 2,832 |
| Other operating assets | | (1,951) | (1,042) |
| **Total changes in operating assets** | | 53,036 | 62,369 |
| **Changes in operating liabilities:** | | | |
| Accounts payable | | (13,715) | (34,407) |
| Other current liabilities | | (12,807) | (38,169) |
| **Total changes in operating liabilities** | | (26,522) | (72,576) |
| **Total changes in operating assets and liabilities** | | 26,514 | (10,207) |
| **Total adjustments** | | 107,554 | 81,281 |
| Cash inflow generated from operations | | 81,162 | 36,547 |
| Interest received | | 1,235 | 1,229 |
| Interest paid | | (9,594) | (6,157) |
| Income taxes paid | | (10,725) | (2,723) |
| **Net cash flows from operating activities** | | 62,078 | 28,896 |
| **Cash flows from (used in) investing activities:** | | | |
| Acquisition of financial assets at amortized cost | | (91,019) | - |
| Acquisition of investments accounted for using equity method | | - | (66,479) |
| Cash dividends from investment accounted for using equity method | | 100,633 | - |
| Acquisition of property, plant and equipment | | (41,559) | (742,607) |
| Proceeds from disposal of property, plant and equipment | | 38 | 7 |
| Decrease (increase) in refundable deposits | | 3,175 | (1,017) |
| Increase in other financial assets | | - | (730) |
| **Net cash flows used in investing activities** | | (28,732) | (810,826) |
| **Cash flows from (used in) financing activities:** | | | |
| Decrease in short-term borrowing | | (40,000) | (10,000) |
| Increase in long-term borrowing | | - | 510,000 |
| Repayments of long-term borrowing | | (64,000) | - |
| Payment of lease liabilities | | (2,019) | - |
| Cash dividends paid | | (26,950) | (38,500) |
| **Net cash flows from (used in) financing activities** | | (132,969) | 461,500 |
| **Net decrease in cash and cash equivalents** | | (99,623) | (320,430) |
| **Cash and cash equivalents at beginning of period** | | 417,477 | 737,907 |
| **Cash and cash equivalents at end of period** | $ | **317,854** | **417,477** |

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, 2019 and 2018**

**(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 27, 2020.

**(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, 2019.

| 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 Company believes that the adoption of the above IFRSs would not have any material impact on its 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.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(j).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of staff dorm, leases classified as operating leases under IAS 17.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(Continued)

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional \$3,649 thousands of right-of-use assets and \$3,316 thousands of lease liabilities (deduct \$333 thousands of prepayment). When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.18%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

| | January 1, 2019 |
|---|---|
| Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements | $ 3,415 |
| Other adjustment | 393 |
| | **$ 3,808** |
| Discounted using the incremental borrowing rate at January 1, 2019 | $ 3,649 |
| Prepaid rents | (333) |
| Lease liabilities recognized at January 1, 2019 | $ 3,316 |

(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.

On transition, the Company estimated the application of the new standard will not affect the deferred tax liabilities and the retained earnings respectively.

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(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, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

| 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 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform" | January 1, 2020 |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 |

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

(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 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 "Classification of Liabilities as Current or Non-current" | January 1, 2022 |

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. 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.

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(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 at fair value through profit or loss are measured at fair value;

2) The defined benefit assets are measured at 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.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into New Taiwan Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan Dollars at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

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 Company 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 Company 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.

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.

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other 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 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.

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.

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 months 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 Company is exposed to credit risk.

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 have occurred. Evidence that a financial asset 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 120 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 gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written 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.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability 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 present 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.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(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.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods 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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(j) Lease

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Company has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Applicable before January 1, 2019

(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

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and the assets arising on employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized 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.

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present 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.

(m) Revenue recognized

(i) Revenue from contracts with customers

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.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, 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, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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 equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the Company and employees reach a consensus in the subscription price and number of shares.

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(p) Income taxes

Income taxes comprise 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 comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

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) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

Deferred tax assets are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as 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 potential dilutive ordinary shares. Such as employee bonuses not yet 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.

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.

There are no critical judgments made in applying accounting policies that have any significant effects on the amounts recognized in the Company's financial statements.

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(d) for further description of the valuation of inventories.

(b) Inventory valuation of subsidiary which accounted for using the equity method.

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(s) for assumptions used in measuring fair value.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Cash in hand, check, and demand deposits | $ 317,854 | 417,477 |
| Cash and cash equivalents in the statement of cash flows | **$ 317,854** | **417,477** |

Please refer to note 6(s) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Non-current financial assets at amortized cost

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Restricted bank deposits | **$ 91,019** | **-** |

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

On December 5, 2019, the Company applied to IRS for the application of “The Management , Utilization and Taxation of Repatriated Offshore Funds Act” .The application had been approved and the dividend had been remitted back to the parent subsequently. According to the Act, the funds need to be deposited in a special-purpose account for five years and 5% of the funds can be used without restriction, 25% can be used on financial investment, and 70%, at least, can be used for the project investment plan approved by the Ministry of Economic Affairs. Otherwise, the funds can only be redeemed within 3 consecutive year on average after the five years maturity. The Company has applied to the Ministry of Economic Affairs for substantial investments that were expected to be used for plant expansion and capital expenditure.

For credit risk, please refer to note 6(s).

(c) Notes and Accounts receivable (include related parties)

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Notes receivable from operating activities | $ 264 | - |
| Accounts receivable | 84,129 | 117,602 |
| Accounts receivable from related parties | 153,766 | 143,965 |
| Less: Loss allowance | (857) | (1,188) |
| | $ 237,302 | 260,379 |

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. To measure the expected credit losses, notes and 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 for notes and accounts receivables was determined as follows:

| | December 31, 2019 | | |
|---|---|---|---|
| **Notes and Accounts receivable -non-related parties** | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 82,742 | 1% | 840 |
| Past due (days): | | | |
| 0 to 60 | 1,651 | 1% | 17 |
| 61 to 120 | - | 5% | - |
| 121 to 180 | - | 20% | - |
| 181 to 360 | - | 50% | - |
| More than 360 | - | 100% | - |
| | $ 84,393 | | 857 |

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

| Accounts receivable -related parties | December 31, 2019 Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
|---|---|---|---|
| Current | $ 153,766 | 0% | - |
| Past due (days): | | | |
| 0 to 60 | - | 0% | - |
| 61 to 120 | - | 0% | - |
| 121 to 180 | - | 0% | - |
| 181 to 360 | - | 0% | - |
| More than 360 | - | 0% | - |
| | **$ 153,766** | | **-** |

| Accounts receivable -non-related parties | December 31, 2018 Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
|---|---|---|---|
| Current | $ 109,867 | 1% | 1,111 |
| Past due (days): | | | |
| 0 to 60 | 7,735 | 1% | 77 |
| 61 to 120 | - | 5% | - |
| 121 to 180 | - | 20% | - |
| 181 to 360 | - | 50% | - |
| More than 360 | - | 100% | - |
| | **$ 117,602** | | **1,188** |

| Accounts receivable -related parties | December 31, 2018 Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
|---|---|---|---|
| Current | $ 143,965 | 0% | - |
| Past due (days): | | | |
| 0 to 60 | - | 0% | - |
| 61 to 120 | - | 0% | - |
| 121 to 180 | - | 0% | - |
| 181 to 360 | - | 0% | - |
| More than 360 | - | 0% | - |
| | **$ 143,965** | | **-** |

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

The movement in the allowance for accounts receivable was as follows:

| | 2019 | 2018 |
|---|---|---|
| Balance on January 1, 2019 and 2018 | $ 1,188 | 310 |
| Impairment losses recognized (Gain on reversal of impairment loss) | (331) | 878 |
| Balance on December 31, 2019, and 2018 | **$ 857** | **1,188** |

As of December 31, 2019 and 2018, the Company did not provide any notes and accounts receivable as collateral for its loans.

Please refer to note(s) for other credit risk.

(d) Inventories

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Raw materials and supplies | $ 22,990 | 19,810 |
| Work in progress | 23,272 | 20,550 |
| Finished goods | 53,341 | 94,926 |
| | **$ 99,603** | **135,286** |

The detail of the cost of sales were as follows:

| | 2019 | 2018 |
|---|---|---|
| Inventory that has been sold | 703,265 | 879,670 |
| Write down of inventories | 1,486 | 12,434 |
| Abnormal amounts of production cost of inventories | 52,303 | 28,888 |
| Others | 2,049 | 2,344 |
| | **759,103** | **923,336** |

As of December 31, 2019, and 2018, the Company did not provide any inventories as collateral for its loans.

(e) 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, 2019 | December 31, 2018 |
|---|---|---|
| Esteem King Limited (Esteem King) | $ 840,618 | 944,079 |
| Evolution Holdings Limited (Evolution) | 10,232 | 11,056 |
| | **$ 850,850** | **955,135** |

(Continued)

# MIN AIK PRECISION INDUSTRIAL CO., LTD.
## Notes to the Parent Company Only Financial Statements

| | 2019 | 2018 |
|---|---|---|
| Attributable to the Company: | | |
| Profit for the year | $ 1,527 | 7,995 |

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.

As of December 31, 2019 and 2018, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018, were as follows:

| | Land | Buildings and structures | Machinery and equipment | Office and other facilities | Construction in progress and testing equipment | Total |
|---|---|---|---|---|---|---|
| Cost or deemed cost: | | | | | | |
| Balance on January 1, 2019 | $ 596,362 | 154,333 | 616,197 | 244,102 | 9,832 | 1,620,826 |
| Additions | - | - | 19,554 | 19,821 | 2,028 | 41,403 |
| Disposal | - | - | (8,554) | (1,660) | - | (10,214) |
| Transfer | - | - | 7,684 | 1,845 | (9,529) | - |
| Balance on December 31, 2019 | $ 596,362 | 154,333 | 634,881 | 264,108 | 2,331 | 1,652,015 |
| 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 |
| Depreciation and impairments loss: | | | | | | |
| Balance on January 1, 2019 | $ - | 7,005 | 499,631 | 199,244 | - | 705,880 |
| Depreciation | - | 3,824 | 41,262 | 19,967 | - | 65,053 |
| Disposal | - | - | (8,554) | (1,660) | - | (10,214) |
| Impairment loss | - | - | 1,185 | - | - | 1,185 |
| Balance on December 31, 2019 | $ - | 10,829 | 533,524 | 217,551 | - | 761,904 |
| 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 |
| Carrying amounts: | | | | | | |
| Balance on December 31, 2019 | $ 596,362 | 143,504 | 101,357 | 46,557 | 2,331 | 890,111 |
| Balance on January 1, 2018 | $ 26,721 | 41,662 | 112,002 | 50,151 | 27,777 | 258,313 |
| Balance on December 31, 2018 | $ 596,362 | 147,328 | 116,566 | 44,858 | 9,832 | 914,946 |

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

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., Taoyuan 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(i) for details.

In 2019 and 2018, the Company concluded that some of the machinery and equipment are in an insufficient capacity utilization, and the future economic benefits may not be recovered after the Company's assessment, leading to a recoverable amount wrote down to $0. Therefore, the Company recognized impairment loss amounting to $1,185 thousand and $12,444 thousand, which report as non-operating expense, respectively.

As of December 31, 2019 and 2018, for the Company pledged property, plant and equipment as collateral for long-term borrowings, please refer to Note 8.

(g) Right-of-use assets

The Company leases many assets including buildings and structures, office and other facilities. Information about leases for which the Company as a lessee is presented below:

| | Buildings and structures | Office and other facilities | Total |
|---|---|---|---|
| **Cost:** | | | |
| Balance of January 1, 2019 | $ 726 | 2,923 | 3,649 |
| Additions | - | 197 | 197 |
| Disposal | - | (1,295) | (1,295) |
| Balance on December 31, 2019 | **$ 726** | **1,825** | **2,551** |
| **Accumulated depreciation and impairment losses:** | | | |
| Balance of January 1, 2019 | $ - | - | - |
| Depreciation | 670 | 1,689 | 2,359 |
| Disposal | - | (908) | (908) |
| Balance on December 31, 2019 | **$ 670** | **781** | **1,451** |
| **Carrying amount:** | | | |
| Balance on December 31, 2019 | **$ 56** | **1,044** | **1,100** |

The Company leases buildings and structures, office and other facilities under an operating lease for the year ended December 31, 2018, please refer to note 6(k).

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(h) Short-term borrowings

The short-term borrowings were summarized as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Unsecured bank loans | $ 100,000 | 140,000 |
| Unused short-term credit lines | $ 389,700 | 516,177 |
| Range of interest rates | 1% | 1% |

(i) Long-term borrowings

The details were as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Unsecured bank loans | $ 50,000 | 50,000 |
| Secured bank loans | 446,000 | 510,000 |
| Less: current portion | (64,000) | (98,000) |
| Total | $ 432,000 | 462,000 |
| Unused long-term credit lines | $ 114,000 | 50,000 |
| Range of interest rates | 1.18%~1.518% | 1.18%~1.612% |

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(f) for details.

For the collateral for long-term borrowings, please refer to note 8.

(j) Lease Liabilities

The details were as follows:

| | December 31, 2019 |
|---|---|
| Current | $ 626 |
| Non-current | $ 480 |

The amounts recognized in profit or loss were as follows:

| | 2019 |
|---|---|
| Interest on lease liabilities | $ 25 |
| Expenses relating to short-term leases | $ 635 |

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

The amounts recognized in the statement of cash flows was as follows:

| | 2019 |
|---|---|
| Total cash outflow for leases | $ 2,679 |

(i) Buildings and structures leases

As of December 31, 2019, the Company leases buildings and structures for its offices. The leases of them typically run for a period of 2 to 5 years. Some leases contain extension options exercisable up to the same period as original contract before the end of the contract period.

(ii) Other leases

The Company leases offices and transportation equipment, with lease terms of 2 to 5 years. Some leases contain extension options exercisable up to the same period as original contract before the end of the contract period.

(k) Operating lease

Non-cancellable operating lease rentals payable was as follows:

| | December 31, 2018 |
|---|---|
| Less than one year | $ 2,596 |
| Between one and five years | 819 |
| | $ 3,415 |

The Company leases a number of transportation equipment and offices under operating lease with an option to renew the lease after that date.

(l) 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, 2019 | December 31, 2018 |
|---|---|---|
| Present value of the defined benefit obligations | $ (25,495) | (26,118) |
| Fair value of plan assets | 48,231 | 45,687 |
| Net defined benefit assets | $ 22,736 | 19,569 |

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.

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

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 $48,231 thousand as of December 31, 2019. 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

| | 2019 | 2018 |
|---|---|---|
| Defined benefit obligations at January 1 | $ 26,118 | 25,339 |
| Current service costs and interest cost (income) | (681) | 408 |
| Remeasurements loss (gain): | | |
| －Return on plan assets excluding interest income | (1,050) | (223) |
| －Actuarial loss (gain) arising from: | | |
| -demographic assumptions | 229 | 99 |
| -financial assumptions | 1,144 | 495 |
| Benefits planned to be paid | (265) | - |
| Defined benefit obligations at December 31 | **$ 25,495** | **26,118** |

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:

| | 2019 | 2018 |
|---|---|---|
| Fair value of plan assets at January 1 | $ 45,687 | 43,052 |
| Interest income | 519 | 545 |
| Remeasurements loss (gain): | | |
| －Return on plan assets excluding interest income | 1,540 | 1,184 |
| Benefits paid | 750 | 906 |
| Benefits planned has been paid | (265) | - |
| Fair value of plan assets at December 31 | **$ 48,231** | **45,687** |

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Current service costs | $ | (975) | 92 |
| Net interest of net liabilities (assets) for defined benefit obligations and plan assets | | (225) | (228) |
| | **$** | **(1,200)** | **(136)** |
| Operating cost | **$** | **(1,200)** | **(136)** |

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

| | 2019.12.31 | 2018.12.31 |
|---|---|---|
| Discount rate | 0.800 % | 1.125 % |
| Future salary increase rate | 3.125 % | 3.125 % |

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 $750 thousand.

The weighted average lifetime of the defined benefits plans is 11 years.

6) 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, 2019 | | |
| Discount rate 0.800% | 877 | (927) |
| Future salary increasing rate 3.125% | (876) | 839 |
| December 31, 2018 | | |
| Discount rate 1.125% | 983 | (1,042) |
| Future salary increasing rate 3.125% | (988) | 942 |

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 2019 and 2018.

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(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 $10,113 thousands and $13,378 thousands for the years ended December 31, 2019 and 2018, respectively.

(m) Income taxes

(i) The components of income tax in the years 2019 and 2018 were as follows:

| | 2019 | 2018 |
|---|---|---|
| Current tax | $ 7,103 | - |
| Deferred tax | (47,655) | 12,033 |
| Income tax expense (income) | **$ (40,552)** | **12,033** |

(ii) The amount of income tax recognized directly in equity or other comprehensive income for 2019 and 2018 was 0.

(iii) Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Loss excluding income tax | $ (26,392) | (44,734) |
| Income tax using the Company's domestic tax rate | (5,278) | (8,947) |
| Overstated or underestimate | (1,148) | - |
| Tax incentives | (11,892) | - |
| Adjustment in tax rate | - | 6,038 |
| None-deduct expenses | 322 | 445 |
| Change in unrecognized temporary differences | (22,556) | 14,497 |
| | **$ (40,552)** | **12,033** |

(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, 2019 and 2018, the unrecognized deferred tax liabilities amount was $26,090 thousand and $13,595 thousand, respectively.

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

2) Unrecognized deferred tax assets

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Tax effect of deductible temporary differences | $ - | 3,396 |
| The carry forward of unused tax losses | 10,507 | 17,504 |
| | **$ 10,507** | **20,900** |

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, 2019, the information of the Company's tax losses are as follows, and the Company' s unused tax losses for which no deferred tax assets were 52,534 thousand.

| Year of loss | Unused tax loss | Expiry date |
|---|---|---|
| 2017 (Approved) | $ 11,205 | 2027 |
| 2018 (Filed) | 68,134 | 2028 |
| 2019 (Estimation) | 19,210 | 2029 |

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

| | Unrealized exchange gain | Gain on foreign investments under the equity method | Total |
|---|---|---|---|
| **Deferred Tax Liabilities:** | | | |
| Balance at January 1, 2019 | $ 221 | 50,601 | 50,822 |
| Recognized in profit or loss | (221) | (32,316) | (32,537) |
| Balance at December 31, 2019 | **$ -** | **18,285** | **18,285** |
| 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** |

(Continued)

# MIN AIK PRECISION INDUSTRIAL CO., LTD.
## Notes to the Parent Company Only Financial Statements

| | Unrealized exchange loss | Unused tax losses carry forwards | Unrealized inventory loss | Others | Total |
|---|---|---|---|---|---|
| **Deferred Tax Assets:** | | | | | |
| Balance at January 1, 2019 | $ - | - | (3,271) | (1,304) | (4,575) |
| Recognized in profit or loss | (1,958) | (9,203) | (482) | (3,475) | (15,118) |
| Balance at December 31, 2019 | $ **(1,958)** | **(9,203)** | **(3,753)** | **(4,779)** | **(19,693)** |
| 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)** |

(v) Examination and Approval

The Company's tax returns for the years through 2017 were examined and approved by the Taipei National Tax Administration.

(n) Capital and other equity

As of December 31, 2019 and 2018, 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, 2019 and 2018, were as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Share premium | $ 654,099 | 681,049 |
| Reorganization | 42,439 | 42,439 |
| Employee share options | 7,847 | 7,847 |
| | $ **704,385** | **731,335** |

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 13, 2019 and 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.

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(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

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.

3) Earnings distribution

The Company has accumulated deficits, so no earnings distribution in 2018. Earnings distribution for 2017 was decided via the general meeting of shareholders held on Jane 15, 2018. The relevant dividend distributions to shareholders were as follows:

| | **2018** | | **2017** | |
|---|---|---|---|---|
| | **Amount per share** | **Total amount** | **Amount per share** | **Total amount** |
| Dividends distributed to ordinary shareholders | | | | |
| Cash | $ - | - | 0.15 | **11,550** |

Earnings distributions for 2017 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.

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(o) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2019 and 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:

| | | 2019 | 2018 |
|---|---|---|---|
| **Basic earnings (loss) per share** | | | |
| Profit (loss) attributable to ordinary shareholders of the Company | $ | 14,160 | (56,767) |
| Weighted-average number of ordinary shares (thousand shares) | | 77,000 | 77,000 |
| Basic earnings (loss) per share | $ | 0.18 | (0.74) |

(ii) Diluted earnings per share

The Company does not have any dilutive potential ordinary shares in 2019 and 2018. Thus, only basic earnings per share is disclosed.

(p) Revenue from contracts with customers

(i) Details of revenue

| | | 2019 | 2018 |
|---|---|---|---|
| Primary geographical markets | | | |
| Malaysia | $ | 417,596 | 505,704 |
| Taiwan | | 234,144 | 248,185 |
| Thailand | | 131,514 | 150,153 |
| China | | 36,827 | 80,149 |
| Others | | 83,474 | 48,105 |
| | $ | 903,555 | 1,032,296 |

(ii) Contract balances

| | | December 31, 2019 | December 31, 2018 | January 1, 2018 |
|---|---|---|---|---|
| Accounts receivable | $ | 238,159 | 261,567 | 348,680 |
| Less: allowance for impairment | | (857) | (1,188) | (310) |
| Total | $ | 237,302 | 260,379 | 348,370 |

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(q) 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, 2019 and December 31, 2018. 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 this period. Related information would be available at the Market Observation Post System website.

(r) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Interest income | $ | 1,235 | 1,148 |
| Rent income | | 3,052 | 3,839 |
| Other income | | 5,324 | 7,306 |
| | **$** | **9,611** | **12,293** |

(ii) Other gains and losses

The details of other gains and losses were as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Foreign exchange gains (losses), net | $ | (12,507) | 18,090 |
| Gain (Losses) on disposals of property, plant and equipment, net | | 38 | (325) |
| Loss on non-financial assets impairment | | (1,185) | (12,444) |
| Others | | - | 6,035 |
| | **$** | **(13,654)** | **11,356** |

(Continued)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

(s) 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, 2019 and 2018, the maximum amounts that exposed to credit risk were $652,644 thousand and $687,355 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, 2019 and 2018, 94% and 91%, respectively, of the Company's accounts receivable were concentrated on top five sales clients.

3) Please refer to note 6(c) 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, 2019** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Bank loans | $ 596,000 | 621,310 | 172,435 | 119,273 | 201,875 | 127,727 |
| Accounts payable (including related parties) | 113,105 | 113,105 | 113,105 | - | - | - |
| Lease liabilities | 1,106 | 1,121 | 635 | 287 | 199 | - |
| Other financial liabilities | 83,965 | 83,965 | 83,965 | - | - | - |
| | **$ 794,176** | **819,501** | **370,140** | **119,560** | **202,074** | **127,727** |
| **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** |

(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, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 16,713 | 29.98 | 501,053 | 16,481 | 30.715 | 506,200 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 301 | 29.98 | 9,013 | 367 | 30.715 | 11,261 |

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 weakening or strengthening of 1% of the NTD against the abovementioned foreign currency as of 31 December, 2019 and 2018 would have decreased or increased the net profit (loss) before tax by $4,920 thousand and $4,949 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 is performed on the same basis for 2018.

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:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Exchange gain or loss | Average exchange rate | Exchange gain or loss | Average exchange rate |
| NTD | $ (12,507) | 1 | 18,090 | 1 |

4) Interest rate analysis

Please refer to the notes on liquidity risk management for the 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 or decreased by a quarter-point, the Company's profit (loss) before income tax would have decreased or increased by $(218) thousand and $357 thousand for the year ended 2019 and 2018 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 disclosure of fair value information is not required:

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | **Book Value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | $ 317,854 | | | | |
| Accounts receivable | 83,536 | | | | |
| Accounts receivables – related party | 153,766 | | | | |
| Other financial assets | 97,488 | | | | |
| Subtotal | **$ 652,644** | | | | |

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | **Book Value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial liabilities measured at amortized cost | | | | | |
| Long term and short term borrowing | $ 596,000 | | | | |
| Accounts payable (including related parties) | 113,105 | | | | |
| Lease liabilities | 1,106 | | | | |
| Other financial liabilities | 83,965 | | | | |
| Subtotal | **$ 794,176** | | | | |

| | 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 receivable – related party | 143,965 | | | | |
| Other financial assets | 9,499 | | | | |
| Subtotal | **$ 687,355** | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Long term and short term borrowing | $ 700,000 | | | | |
| Accounts Payables (including related parties) | 126,820 | | | | |
| Other financial liabilities | 89,684 | | | | |
| Subtotal | **$ 916,504** | | | | |

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 2019 and 2018.

(t) 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 Company’s objectives, policies and processes for measuring and managing the above mentioned risks, and more disclosures about the quantitative effects of these risks exposures, please refer to note 6(s).

(u) 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 34% and 38% as of December 31, 2019 and 2018, respectively.

(v) Financing activities

Reconciliation of liabilities arising from financing activities were as follows:

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2019 and 2018, were as follows:

(i) Adoption lease for right-of-use assets, please refer to note 6(g).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

| | January 1, 2019 | Cash flows | Other | December 31, 2019 |
|---|---|---|---|---|
| Long-term borrowings | $ 560,000 | (64,000) | - | 496,000 |
| Short-term borrowings | 140,000 | (40,000) | - | 100,000 |
| Lease liabilities | 3,316 | (2,019) | (191) | 1,106 |
| Total liabilities from financing activity | **$ 703,316** | **(106,019)** | **(191)** | **597,106** |

| | January 1, 2018 | Cash flows | December 31, 2018 |
|---|---|---|---|
| Long-term borrowings | $ 50,000 | 510,000 | 560,000 |
| Short-term borrowings | 150,000 | (10,000) | 140,000 |
| Total liabilities from financing activity | **$ 200,000** | **500,000** | **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 party (MAT's subsidiary) |
| MATC Technology (M) Sdn. Bhd. (MATC) | 〃 |
| Min Aik Technology (Suzhou) Co., Ltd. (MAY) | 〃 |
| MAP Technology Holdings Limited (MAPT) | 〃 |

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

| Name of related party | Relationship with the Group |
|---|---|
| Evolution Holdings Limited. (Evolution) | Subsidiaries or indirect-holding subsidiaries |
| 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 |

(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 | |
|---|---|---|---|---|
| | **2019** | **2018** | **December 31, 2019** | **December 31, 2018** |
| Subsidiaries | $ - | 15 | - | - |
| The entity with significant influence over the Company: | | | | |
| MAT | 143,450 | 156,565 | 69,989 | 47,347 |
| Other related parties: | | | | |
| MAM | 338,339 | 396,303 | 83,777 | 96,618 |
| Others | 24 | 14 | - | - |
| | $ 481,813 | 552,897 | 153,766 | 143,965 |

The payment term of sales to related parties was O/A 75-120 days, which may be changed depending on the Company's operation. The payment term 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 Company purchased the machines from the subsidiary to satisfy sales demand in 2019. As of December 31, 2019, USD62 thousand was prepaid in accordance with the contract, recognized as Prepayments.

# 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 | |
|---|---|---|---|---|
| | 2019 | 2018 | December 31, 2019 | December 31, 2018 |
| Subsidiaries | $ 68 | 67 | - | 52 |
| The entity with significant influence over the Company | $ 2,644 | 5,674 | 1,267 | 1,978 |
| Other related parties | 2,750 | 3,322 | 356 | 165 |
| | $ 5,462 | 9,063 | 1,623 | 2,195 |

(iv) Rendering services to and other accounts receivable from related parties

| | Transaction amount | | Other accounts receivable from related parties | |
|---|---|---|---|---|
| | 2019 | 2018 | December 31, 2019 | December 31, 2018 |
| Subsidiaries | $ 9,051 | 14,196 | 2,545 | 3,783 |
| The entity with significant influence over the Company | - | 1,019 | - | 2 |
| Other related parties | 2,124 | 2,268 | 331 | 325 |
| | $ 11,175 | 17,483 | 2,876 | 4,110 |

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 | |
|---|---|---|---|---|
| | 2018 | 2018 | December 31, 2019 | December 31, 2018 |
| Subsidiaries | $ 2,446 | 19,224 | 911 | - |

2) For the years ended December 31, 2019 and 2018, the Company purchased machines from subsidiaries for its operating demand amounting to $2,446 thousand and $8,898 thousand, respectively.

(vi) Guarantee

As of December 31, 2019 and 2018, the Company's guarantees for subsidiaries' bank loan were $119,920 thousand and $167,460 thousand, respectively, and actually drawdown amounts were $0 thousand and $44,600 thousand, respectively.

(d) Key management personnel compensation

| | 2019 | 2018 |
|---|---|---|
| Short-term employee benefits | $ 14,663 | 12,008 |
| Post-employment benefits | 290 | 268 |
| Termination benefits | - | - |
| Other long-term benefits | - | - |
| Share-based payments | - | - |
| Total | $ 14,953 | 12,276 |

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

| Pledged assets | Object | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Restricted bank deposits | Guarantee for letter of credit | $ - | 690 |
| Land and buildings | Long-term borrowings | 674,593 | 676,768 |
| Non-current financial assets | Bank deposits for restricted purposes, due to offshore funds repatriated (tax preference) | 91,019 | - |
| | | $ 765,612 | 677,458 |

**(9) Significant contingent liabilities and unrecognized commitment:**

(a) The Company's unrecognized contractual commitments were as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Purchase commitment | $ 61,815 | 68,958 |
| Acquisition of property, plant and equipment | $ 1,877 | 16,980 |

(b) The guarantee notes issued by the Company for the line of credit and for the financing were as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Issued guarantee notes | $ 989,680 | 1,139,658 |

(c) Please refer to note 7 for the Company provided an endorsements and guarantees for subsidiaries' bank loan.

(d) Please refer to note 6(k) for the irrevocable lease contracts entered into by the Company.

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**
**Notes to the Parent Company Only Financial Statements**

**(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 | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 177,629 | 73,914 | 251,543 | 249,121 | 77,554 | 326,675 |
| Labor and health insurance | 19,903 | 5,874 | 25,777 | 25,533 | 5,609 | 31,142 |
| Pension | 7,078 | 1,835 | 8,913 | 10,349 | 2,893 | 13,242 |
| Remuneration of directors | - | 3,717 | 3,717 | - | 988 | 988 |
| Others | 6,118 | 1,882 | 8,000 | 8,811 | 1,927 | 10,738 |
| Depreciation | 52,712 | 14,700 | 67,412 | 55,791 | 13,652 | 69,443 |
| Amortization | 6,296 | - | 6,296 | 9,661 | - | 9,661 |

For the year ended 2019 and 2018, additional information about the number of employees and employee benefits are as follows:

| | 2019 | 2018 |
|---|---|---|
| Average number of employees | 483 | 607 |
| Number of directors, not in concurrent employment | 6 | 6 |
| Average employee benefits | $ 617 | 635 |
| Average salaries | $ 527 | 544 |
| Average salaries adjustments | (3.13)% | |

# 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, 2019:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

| No. | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2) | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship with the Company | | | | | | | | | | |
| 0 | The Company | Esteem King | 4 | 1,712,408 | 126,400 | 119,920 | - | - | 7.00 % | 1,712,408 | Y | No | No |
| 0 | The Company | Amould (SUZHOU) | 4 | 1,712,408 | 46,091 | - | - | - | - % | 1,712,408 | 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, 2019 (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

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: 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) | 338,339 | (37) % | Note 1 | - | normally two to three months | 83,777 | 35% | |
| The company | Min Aik Technology Co., Ltd. (MAT) | 〃 | (Sale) | 143,450 | (16) % | Note 1 | - | 〃 | 69,989 | 29% | |

Note 1：The payment is O/A 75~120 days. However, it can be changed via negotiation.

(Continued)

# MIN AIK PRECISION INDUSTRIAL CO., LTD.
## Notes to the Parent Company Only Financial Statements

(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 2019 (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, 2019 | | | Net income (losses) of the investee | Investment income (losses) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2019 | December 31, 2018 | Shares (thousands) | Percentage of ownership | Carrying value | Carrying value | | |
| The Company | Esteem King | Samoa | Investment holding | 511,481 | 511,481 | 17,079 | 100.00 % | 840,618 | 8,745 | 8,745 | |
| The Company | Evolution | Hong Kong | Investment holding | 145,103 | 145,103 | 4,600 | 100.00 % | 10,232 | (7,218) | (7,218) | |
| Esteem King | MATC | Malaysia | Manufacture and selling hard disk components | 127,726 | 127,726 | 10,527 | 20.00 % | 68,521 | (192,442) | (38,488) | |
| Esteem King | MAPP | Singapore | Manufacture and selling medical injection and molding | 323,449 | 323,449 | 10,714 | 100.00 % | 680,672 | 49,241 | 49,241 | |

(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, 2019 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2019 | 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 | | | | | | |
| Amould (SUZHOU) | Design and manufacture automatic machines | 213,774 | Note1 | 141,923 | - | - | 141,923 | (66,675) | 100% | (66,675) | 189,828 | - |
| Dongguan Yi Hong (Note 3) | Manufacture metal products and molding | 135,947 | Note1 | 135,947 | - | (7,948) | 127,999 | (265) | 100% | (265) | - | - |

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2019 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---|
| 269,999 | 277,947 | 1,027,445 |

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 Company invested in Dongguan Yi Hong Precision Industrial Co., LTD. (YHP) with USD4,400 thousand indirectly. The Company completed the liquidation procedure of YHP and got payment of USD 265 thousand in December, 2019.As of December 31, 2019, the Company has reported to the Investment board, Ministry of Economic Affairs for cancellation. The investment amount will be remitted back to deduct the approval amount from the mainland China.

(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, 2019.

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Statement of cash and cash equivalents**

**December 31, 2019**

**(Expressed in thousands of New Taiwan Dollars)**

| Item | Foreign amount | Exchange rate | Amount |
|---|---|---|---|
| Cash on hand and petty cash | | | $ 191 |
| Cash in banks: | | | |
| Check deposits | | | 151 |
| Demand deposits | | | 123,566 |
| Foreign currency deposits: | | | |
| USD | $ 6,468 thousand | 29.98 | 193,906 |
| SGD | 2 thousand | 22.28 | 40 |
| | | | **$ 317,854** |

**Statement of notes and accounts receivable**

| Customer Name | Description | Amount |
|---|---|---|
| Notes and accounts receivable from non-related parties | | |
| Corporation SE(T) | Operating revenues | $ 28,090 |
| Corporation AM | 〃 | 15,096 |
| Corporation MI | 〃 | 7,068 |
| Corporation AMP | 〃 | 6,965 |
| Corporation CS | 〃 | 6,223 |
| Corporation SE | 〃 | 5,705 |
| Others (less than 5% for each customer) | 〃 | 15,246 |
| Total | | 84,393 |
| Less: Loss allowance | | (857) |
| Total | | **$ 83,536** |

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Statement of inventories**

**December 31, 2019**

**(Expressed in thousands of New Taiwan Dollars)**

| Item | Amount | |
|---|---|---|
| | Cost | Net realizable value |
| Finished goods | $ 63,851 | 74,936 |
| Work in process | 27,198 | 25,993 |
| Raw materials | 24,966 | 23,325 |
| Subtotal | 116,015 | **124,254** |
| Less: Allowance for inventory valuation and obsolescence | (16,412) | |
| Net inventory | **$ 99,603** | |

**Statement of other current assets**

| Item | Description | Amount |
|---|---|---|
| Prepaid pension | The refundable value-add tax and income tax | $ 27,774 |
| Prepaid expenses | Prepaid insurance, tax, operation expenses, and so on | 7,221 |
| Other receivables-other | Receivables from sales of scrap | 3,592 |
| Other receivables from related parties | Service income from related parties | 2,877 |
| Others (less than 5% for each item) | | 2,839 |
| Total | | **$ 44,303** |

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Statement of changes in property, plant and equipment**

**December 31, 2019**

**(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(e) to this parent company only financial statement for details.

**Statement of other non-current assets**

| Item | Amount |
|---|---|
| Prepaid pension | $ 22,736 |
| Deferred income tax assets | 19,693 |
| Refundable deposits | 5,745 |
| Others (less than 5% for each item) | 44 |
| | **$ 48,218** |

# MIN AIK PRECISION INDUSTRIAL CO., LTD.

## Statement of changes in investments accounted for using the equity method

## December 31, 2019

## (Expressed in thousands of New Taiwan Dollars)

| Investee Name | Beginning balance Shares | Beginning balance Amount | Addition Shares | Addition Amount | Decrease Shares | Decrease Amount | Others adjustments Shares | Others adjustments Amount | Ending balance Shares | Ending balance % of Ownership | Ending balance Amount | Market value or net asset value | Guarantee or pledged |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Valued with equity method: | | | | | | | | | | | | | |
| Esteem King Limited | 17,079 | $ 944,079 | - | - | - | - | - | (103,461)(note 1) | 17,079 | 100.00 % | 840,618 | 840,618 | none |
| Evolution Holdings Limited | 4,600 | 11,056 | - | - | - | - | - | (824)(note 2) | 4,600 | 100.00 % | 10,232 | 10,232 | none |
| | | $ 955,135 | | - | | - | | (104,285) | | | 850,850 | 850,850 | |

Note 1: Including gain on investments accounted for using equity method amounting to $8,745, dividend paid by subsidiary $100,633 and exchange difference on translation of foreign financial statements amounting to $(11,573) thousand.

Note 2: Including loss on investments accounted for using equity method amounting to $7,218 thousand and exchange difference on translation of foreign financial statements amounting to $6,394 thousand.

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Statement of short-term borrowings**

**December 31, 2019**

**(Expressed in thousands of New Taiwan Dollars)**

| Creditor | Description | Ending balance | Contract period | Range of interest rate | Loan commitment | Guarantee or pledged |
|---|---|---|---|---|---|---|
| Fubon Bank | Unsecured bank loans | $ 30,000 | Within one year | 1% | 200,000 | None |
| DBS Bank | 〃 | 70,000 | 〃 | 1% | 100,000 | 〃 |
| | | $ 100,000 | | | | |

**Statement of notes payable**

| Item | Description | Amount |
|---|---|---|
| Company SY | Generated from operation | $ 21,906 |
| Company SC | 〃 | 16,083 |
| Company YHH | 〃 | 11,024 |
| Company SSR | 〃 | 9,946 |
| Company WS | 〃 | 8,848 |
| Company YF | 〃 | 6,568 |
| Others (less than 5% for each item) | 〃 | 38,730 |
| Total | | $ 113,105 |

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Statement of long-term borrowings**

**December 31, 2019**

**(Expressed in thousands of New Taiwan Dollars)**

| Creditor | Loan commitment | Amount: More than one year | Amount: With one year | Contract period | Interest rate | Guarantee or pledged |
|---|---|---|---|---|---|---|
| Hua Nan Commercial Bank | $ 100,000 | $ - | 50,000 | 108.1.25~110.1.25 | 1.18% | None |
| Cathay United Bank | 510,000 | 64,000 | 382,000 | 107.4.16~116.4.16 | 1.518% | Land and buildings |
| | **$ 610,000** | **$ 64,000** | **432,000** | | | |

**Statement of other current liabilities**

| Item | Description | Amount |
|---|---|---|
| Other accrued expenses | Payables to service, fuel and daily expenditures | $ 26,370 |
| Mould payables | Material for mould and processing expenses | 16,380 |
| Equipment payables | Acquisition of equipment | 10,854 |
| Employment payables | Salaries and wages, social security expenses and pension cost | 8,270 |
| Maintenance payables | Repair and maintenance for plants and staff housing | 6,704 |
| Export payables | Expenses paid for export sales | 5,674 |
| Inspection payables | Inspection cost for purchases and sales | 7,179 |
| Others (less than 5% for each item) | Trade promotion service charges, foreign warehouse, supplies and others | 5,995 |
| Total | | **$ 87,426** |

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Statement of operating revenue**

**December 31, 2019**

**(Expressed in thousands of New Taiwan Dollars)**

| Item | PCS | Amount |
|---|---|---|
| Hard disk drive stamping components | 142,908 thousand | $ 728,167 |
| Other electronic stamping components | 46,941 thousand | 164,307 |
| Others | 24 thousand | 11,081 |
| Total | | **$ 903,555** |

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Statement of operating costs**

**For the year ended December 31, 2019**

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

| Item | Amount |
|---|---|
| Merchandising: | |
| Merchandise, beginning of year | $ - |
| Add: Purchases | 70 |
| Less: Transferred | - |
| Cost of goods sold | 70 |
| Manufacturing: | |
| Raw materials used: | |
| Raw materials, beginning of year | 21,947 |
| Add: Purchases (excluding sales of scrap $39,272 thousands) | 304,993 |
| Less: Raw materials, end of year | 24,966 |
| Transferred | 11,157 |
| Subtotal | 290,817 |
| Direct labor | 125,920 |
| Manufacturing expenses | 250,997 |
| Manufacturing cost | 667,734 |
| Add: Work in process, beginning of year | 24,680 |
| Less: Work in process, end of year | 27,198 |
| Transferred | 11,626 |
| Cost of finished goods | 653,590 |
| Add: Finished goods, beginning of year | 108,432 |
| Less: Finished goods, end of year | 63,851 |
| Transferred | 6,583 |
| Cost of goods sold | 691,588 |
| Add: Unallocated fixed overheads due to idle capacity | 52,303 |
| Cost of raw materials and work in process sold | 11,607 |
| Loss on inventory impairment and obsolescence | 1,486 |
| Gain on physical inventory and other operating cost | 2,049 |
| Operating costs | **$ 759,103** |

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Summary statement of current period employee benefits, depreciation, depletion and amortization expenses by function**

**For the year ended December 31, 2019**

**(Expressed in thousands of New Taiwan Dollars)**

| Item | Selling expenses | Administrative expenses | Research and development Expenses |
|---|---|---|---|
| Salary expenses | $ 8,330 | 52,054 | 26,838 |
| Export expenses | 17,020 | - | 1 |
| Freight expense | 1,502 | 33 | 103 |
| Depreciation expenses | - | 12,948 | 1,753 |
| Service charges | - | 7,704 | 235 |
| Others (note) | 2,692 | 22,908 | 5,260 |
| Total | **$ 29,544** | **95,647** | **34,190** |

Note: less than 5% for each item

Min Aik Precision Industrial Co., Ltd.

Chairman: Jin, Bor-Shi