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Stock Code: 1589

Yeong Guan Energy Technology Group Co., Ltd.

2019

ANNUAL REPORT

Taiwan Stock Exchange Market Observation System **http://mops.twse.com.tw/**
This annual report is available at **http://www.ygget.com/**

Printed on May 15, 2020

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I. Spokesperson and Deputy Spokesperson:

Spokesperson	Deputy Spokesperson
Name: Tsai, Shu-Ken	Name: Chen, Yen-Shuo
Title: Vice Chairman	Title: Manager of Finical Division
Tel: (86)574-8622-8866	Tel: (886) 2-2791-7198
E-mail address: andy@nbys.com.cn	E-mail address: morris.chen@nbys.com.cn

II. Headquarters and branches (contact information)

(a) Company information:

Name: Yeong Guan Energy Technology Group Co., Ltd. Tel: (86)574-8622-8866
Address: Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands
4F, No.93, Xinhu 1st Rd., Neihu Dist., Taipei City Tel: (886)2-2791-7198

(b) Corporate HQ:

Address: No.95, Huanghai Rd., Beilun Dist., Ningbo City, Zhejiang Province, China
Tel: (86)574-8622-8866

(c) Subsidiaries:

1. BVI Subsidiary
   Name: Yeong Guan Energy Holdings Co., Ltd. Tel: (86)574-8622-8866
   Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands
   Taiwan Branch
   Address: 4F, No. 93, Xinhu 1st Rd., Neihu Dist., Taipei City Tel: (886)2-2791-7198
   Name: Shin Shang Trade Co., Ltd. Tel: (86)574-8622-8866
   Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands
   Taiwan Branch
   Address: 4F, No.93, Xinhu 1st Rd., Neihu Dist., Taipei City Tel: (886)2-2791-7198
2. Taiwan Subsidiary
   Name: Yeong Chen Asia Pacific Co., Ltd. Tel: (886)3-483-9216
   Address: No.502, Chenggong 1st Rd. Guanyin Township, Taoyuan County
   Name: Yeong Chen Asia Pacific Co., Ltd., Taichung Branch Tel: (886)3-483-9216
   Address: 2F, No. 288, Zhonger Rd., Wuqi District, Taichung City
3. Hong Kong Subsidiary
   Name: Yeong Guan Energy International Co., Ltd. Tel: (86)574-8622-8866
   Address: 1501 Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong
4. Mainland China Subsidiaries
   Name: Dongguan Yeong Guan Mould Factory Co., Ltd. Tel: (86)769-8773-9480
   Address: Yinquan Industrial Zone, Qingxi Town, Dongguan City, Guangdong Province, China
   Name: Ningbo Yeong Shang Casting Iron Co., Ltd. Tel: (86)574-8622-9800
   Address: No. 1, Gangkou Rd., Beilun Dist., Ningbo City, Zhejiang Province, China
   Name: Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Tel: (86)574-8627-5777
   Address: No. 28, Dinghai Rd., Economic and Technology Development Zone, Zhenhai Dist., Ningbo City, Zhejiang Province, China
   Name: Ningbo Yeong Chia Mei Trade Co., Ltd. Tel: (86)574-8622-8866
   Address: No.95, Huanghai Rd., Beilun Dist., Ningbo City, Zhejiang Province, China
   Name: Jiangsu Bright Steel Fine Machinery Co., Ltd. Tel: (86)519-8089-5588
   Address: No.9, Yueming Rd., Tianmuhu Industrial Zone, Liyang City, Jiangsu Province, China
   Name: Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.
   Tel: (86)512-8287-0666
   Address: No.999 Laixiu Road, Fen Lake Economic Development Zone, Fenhu, Suzhou City, Jiangsu Province, China

Name: Qing Dao Rui Yao Building Material Co., Ltd.
Tel: (86)574-8622-8866
Address: No. 6, Fenghe Rd., Jiaozhou Economic and Technology Development Zone, Qingdao City, Shangdong Province, China
Name: Jiangsu Yeong Ming Heavy Industry Co., Ltd.
Tel: (86)574-8622-8866
Address: North side of Wei 2nd Road, east side of Jinhai Avenue, Lingang Industrial Area, Sheyang County, Yancheng City, Jiangsu Province, China.

5. Thailand Subsidiary
Name: Yeong Guan Heavy Industry (Thailand) Co., Ltd. Tel: (81)2-437-9337
Address: No.622/15, Rama2 Road, Samae Dum Sub-District, Bangkhuntian District, Bangkok Metropolis.

III. Contact information of Litigation/Non-litigation Agent in the Republic of China:
Name: Chang, Hsien-Ming
Title: Chairman
Tel: (886)2-2791-7198
E-mail address: ygg@nbys.com.cn

IV. Stock Transfer Agent:
Name: Capital Securities Corp., Registrar Agency Department
Tel: (886)2-2702-3999
Address: B2, No.97, Sec. 2, Dunhua South Rd., Daan Dist., Taipei City
Website: http://agency.capital.com.tw

V. Contact information of CPA for the latest Annual Financial Report:
Accountant name: Chen, Chih-Yuan and Chang, Ching-Ren
Name of Accounting Firm: Deloitte & Touche
Tel: (886)2-2725-9988
Address: 20F, No.100, Songren Rd., Xinyi District, Taipei City
Website: http://www.deloitte.com.tw

VI. Overseas Securities Exchange Name and Query Method: NA

VII. Corporate Website: http://www.ygget.com/

VIII. List of board members:

May 15, 2020

Title	Name	Nationality	Professional Background
Chairman of the board	Chang, Hsien-Ming	ROC	Chairman of Yeong Guan Energy Technology Group Co., Ltd.
Vice Chairman	Tsai, Shu-Ken	ROC	Vice Chairman of Yeong Guan Energy Technology Group Co., Ltd.
Board director	Huang, Wen-Hung	ROC	Executive Vice President of Yeong Guan Energy Technology Group Co., Ltd.
Board director	Hsu, Ching-Hsiung	ROC	Executive Vice President of Yeong Guan Energy Technology Group Co., Ltd.
Board director	Tsai, Chang-Hung	ROC	Chairman of Jiangsu Bright Steel Fine Machinery Co., Ltd.
Board director	Li, Yi-Tsang	ROC	Chief Strategy Officer of Yeong Guan Energy Technology Group Co., Ltd.
Board director	Chang, Chun-Chi	ROC	President of Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd.
Independent director	Chang, Cheng-Lung	ROC	Financial consultant of Taipei Rapid Transit Corporation.
Independent director	Chen, Tian-Wen	ROC	Chairman of Chia Shih Construction Co., Ltd.
Independent director	Wei, Chia-Min	ROC	Vice CEO of Metal Industries Research & Development Centre

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I、Letter to Shareholders

1. 2019 Business Conditions

(1) Business plan implementation results:

Yeong Guan Group's 2019 consolidate revenue is NT$7.9 billion, 28% higher than last year. Shipments reached 164,117 tons which are 23% higher than last year. As for profit, 2019 gross profit rate and operation net profit rate are 17% and 3% respectively; 2018 gross profit rate and operation net loss rate are 13% and 4% respectively. The consolidated net profit after tax amounted to NT$163,526,000, while profits increased by NT$437,599,000 compared to the previous year, EPS reached NT$1.54, an increase of NT$4.02 compared to the previous year.

(2) Budget implementation conditions:

Not applicable since 2019 financial forecasts were not made public.

(3) Revenues, expenditures, and profitability analysis: Please refer to the consolidated income statement.

(4) R&D conditions:

R&D expenses accounted for 2.8% of the net operating revenue in 2019. The Group will continue its research efforts and implement updates of its production technologies. The goal lies in the acceleration of new product development schedules and reduction of defect rates as well as the gradual enhancement of product development capabilities and technologies.

2. Business Plan Overview

Yeong Guan Group is a major global supplier of castings for wind turbines, plastic injection molding machinery, and industrial machinery. The Group possesses advanced process technologies and metallurgical engineering technologies with high technology content. It provides premium product quality coupled with stable delivery times and has therefore earned the trust and loyalty of its clients. The Group's core competitiveness lies in its industry-leading production scale, detail-oriented foundry technologies, and vertical integration capabilities.

Group Development Strategy:

(1) Short-term goals (1~2 years)

The shipment target for 2020 has been set at 196,000 tons in consideration of various factors including the global economic climate, the changing industry environment, market competition and supply and demand conditions, business

development progress of new and existing customers worldwide, and the Group's own production capacities.

In view of new growth trends generated by offshore wind power installations worldwide, the Taichung Harbor production base will be the key development project of the Group. In addition to the production of castings for large-scale offshore wind power installations, production capacities for injection molding and industrial machinery castings will also be increased. The Taichung Harbor project will initiate in 2020 and relevant facilities are projected to be put into operation in 2022. Furthermore, planning and plant construction at the production base in Thailand will be expedited to facilitate the development of new markets and take advantage of the recently adopted official policy to attract investors to Thailand through preferential terms. Plant construction will be initiated in 2021 and is expected to last around two years.

(2) Mid-term goals (3~5 years)

Upon putting into operation of the completed plants in the Taichung Harbor area and in Thailand, a gradual transition to stable mass production will be expected. The global demand for offshore wind power is gradually rising. The Group is therefore steadily enhancing the production capacities and efficiency of its operations at Taichung Harbor coupled with a decrease of production costs to take maximum advantage of opportunities generated by a brisk demand for offshore wind turbine castings.

Production capacities at the production base in Thailand will be expanded to meet international market developments and customer demands. Emerging economies in Southeast Asia create competitive advantages in the field of population structure (a large percentage of young adults), low labor costs, and strategic location. In addition, the European, American, and Japanese customers of the Group have expressed a strong intention to expand their supply chain deployment to minimize risks in the wake of the Sino-American trade war that erupted last year and the coronavirus pandemic this year. This represents a prime opportunity for Yeong Guan to provide globalized services for its customers and ensure stable long-term growth of its production capacities.

(3) Long-term goals (5~10 years)

The following planning initiatives have been adopted to enhance group

competitiveness, fulfill the group's corporate social responsibility, and achieve the goal of sustainable operations:

Continued establishment of an EHS (environmental protection, occupational health, and industrial safety) system

Substantial progress has been achieved in the fields of employee participation, production safety, operating environment improvements, product quality enhancements, delivery time and idle working hour reductions, and employee compensation and benefit enhancements. The implementation of the EHS system helps strengthen plant staff cohesion, optimize internal management of the plant, enhance the group's corporate image, and generate economic and social benefits. In the future, the Group will continue to improve work environments and labor conditions to safeguard the lawful rights and interests of its employees.

Promotion of green supply chain innovation

GSI (Green Supplier Initiative) is implemented in cooperation with General Electric to promote green supply chain innovation. The Group continues to replace outdated noise, dust, atmospheric, water treatment systems, lighting devices, excess heat recovery equipment and electric furnaces, digital management systems, and renewable energy equipment in a determined effort to promote green factories, advance toward the goal of energy conservation and carbon reduction, and turn into an eco-friendly company.

Digitized production management

MES (Manufacturing Execution System) is implemented to enhance the digitization standard of production management and lay the foundation for digital factories. The goal is to fully utilize the advanced management experiences of the Group in the casting industry to satisfy relevant requirements in the fields of planning, production, quality and equipment, realize transparency of production data and management, and achieve further enhancements in the field of accurate management.

Implementation of lean production management

The implementation framework of the EHS project and launch of MES and GSI projects is inextricably intertwined with on-site data optimization. Involved departments include production, technology, logistics, warehousing, planning,

and quality. Lean production is based on system structure, staff organization, operation methods, and supply/demand considerations and is promoted in coordination with MES items. The goal is to ensure the capability of the production system to accommodate user needs in a rapid manner, streamline production processes by eliminating all unnecessary or superfluous elements, and strengthen production management models.

Promotion of talent training and inheritance

The Group designs relevant training programs to develop the capabilities of executives at all levels to solve problems in a proactive manner. Training contents are arranged in accordance with individual characteristics and work attributes to cultivate and stock up on outstanding management and technology talent and lay a solid foundation for Group sustainability.

In the future, the Group will continue to optimize its organizational management models in accordance with business policy planning. The goal is to gain a better understanding of customer needs, ensure a focus on customer values, upgrade the management and production capabilities of the organizational team, and implement ESG principles in an effort to perfect corporate governance. The Group aims to fulfill its CSR (corporate social responsibility) and maximize values with sustainability as the key objective.

We would like to avail ourselves of this opportunity to express our gratitude for your feedback and suggestions and look forward to your continued support and encouragement.

We wish all shareholders good health and success!

Chairman: President: Chief accountant:

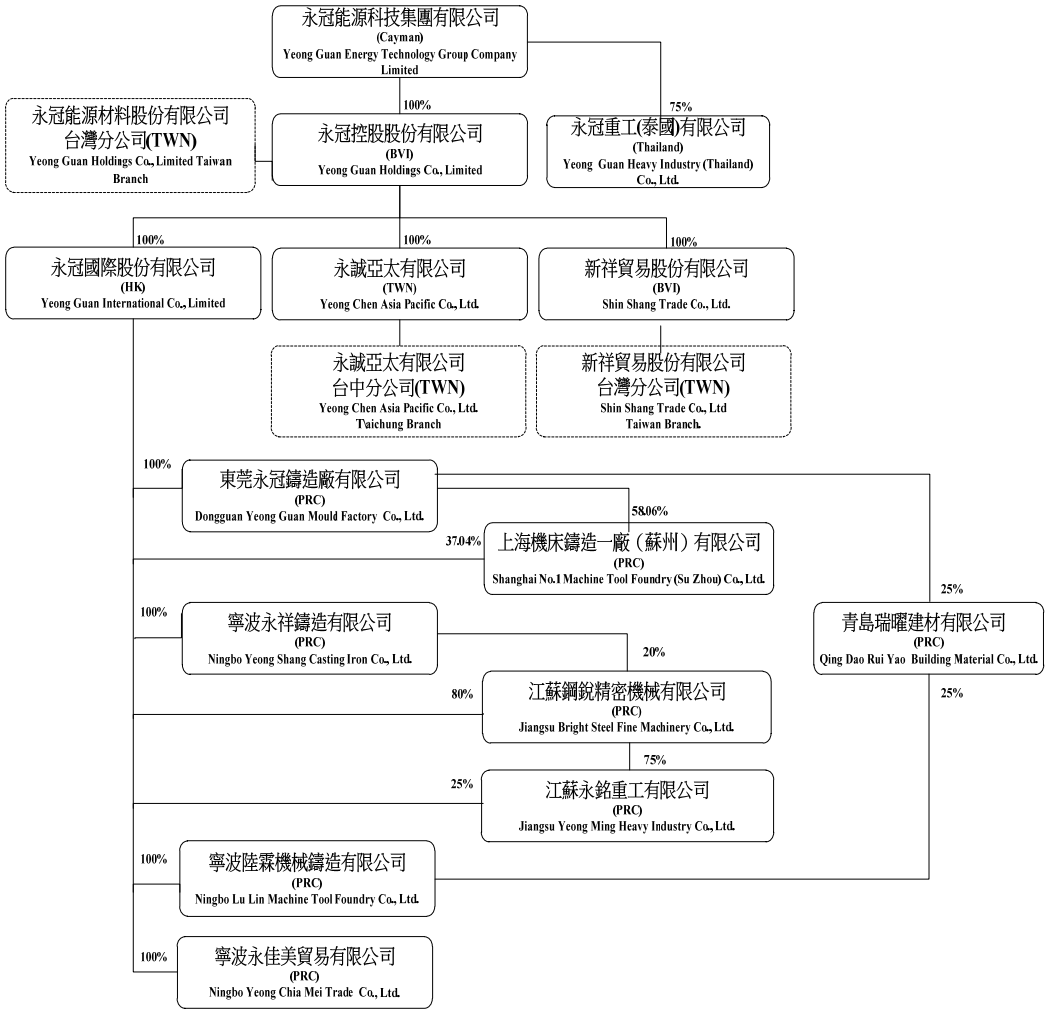
II. Company Profile

1. Company and Group Profile

(a) Date of incorporation and group profile

Yeong Guan Energy Technology Group Co., Ltd. (hereinafter referred to as "the company" or "Yeong Guan Group") was registered and incorporated on the Cayman Islands on January 22, 2008. The group's operations mainly focus on the manufacture and sale of spheroidal graphite cast iron and gray cast iron including hubs and bases for wind turbines, thermal power generation exhaust hoods, injection molding machine components, and castings for machine tools and other industrial machinery.

(b) Organizational framework of the group (May 15, 2020)



2. Company history

Date	Milestones
June 1995	Establishment of Dongguan Yeong Guan Mould Factory Co., Ltd.
January 1998	Establishment of Shin Shang Trade Co., Ltd.
December 2000	Establishment of Ningbo Yeong Shang Casting Iron Co., Ltd.
October 2001	Establishment of Ningbo Yeong He Xing Machinery Industry Co., Ltd.
July 2002	Establishment of Yeong Fa Trade Co., Ltd.
September 2007	Investment in Jiangsu Bright Steel Fine Machinery Co., Ltd.
November 2007	Establishment of Yeong Guan International Co., Ltd. and Yeong Guan Holdings Co., Ltd.
December 2007	Incorporation of Yeong Fa Trade Co., Ltd. into the group
January 2008	Establishment of Yeong Guan Group
February 2008	Investment in Ningbo Lu Lin Machine Tool Foundry Co., Ltd.
February 2008	Investment in Ningbo Youtian Renewable Resources Co., Ltd.
February 2008	Incorporation of Ningbo Lu Lin Machine Tool Foundry Co., Ltd. and Ningbo Youtian Renewable Resources Co., Ltd. into the group
March 2008	Incorporation of Ningbo Yeong Shang Casting Iron Co., Ltd. and Ningbo Yeong He Xing Machinery Industry Co., Ltd. into the group
April 2008	Incorporation of Jiangsu Bright Steel Fine Machinery Co., Ltd. and Shin Shang Trade Co., Ltd. into the group
April 2008	Acquisition and incorporation of Ningbo Yeong Guan Heavy Industrial Machinery Co., Ltd.

May 2008	Incorporation of Dongguan Yeong Guan Mould Factory Co., Ltd. into the group
June 2008	Establishment and incorporation of Yeong Chen Asia Pacific Co., Ltd. into the group
October 2008	Reorganization of the group completed
May 2009	First cash capital increase by a total of US$ 16.23 million
August 2009	Second cash capital increase and investments by external investors of US$ 30 million
November 2009	Establishment and incorporation of Ningbo Yeong Chia Mei Trade Co., Ltd. into the group
March 2010	Disposal of Ningbo Yeong Guan Heavy Industrial Machinery Co., Ltd. complete
August 2011	Yeong Chen Asia Pacific Co., Ltd. acquires a portion of the assets and operating rights of Taiwan Yeong Guan Mould Factory Co, Ltd.
April 2012	First listing of stocks on TWSE
April 2012	Third cash capital increase by a total of NT$ 471.177 million
September 2012	Capitalization of earnings (NT$ 120 million)
November 2013	Merger of Shin Shang Trade Co., Ltd. (continues to exist) and Yeong Fa Trade Co., Ltd.
April 2014	Merger of Ningbo Yeong Shang Casting Iron Co., Ltd. (continues to exist) and Ningbo Yeong He Xing Machinery Industry Co., Ltd.
June 2014	First issuance of convertible corporate bonds in the Republic of China (a total of NT$ 1.5 billion raised)
July 2014	Investment in Yeong Guan Heavy Industry (Thailand) Co., Ltd.
August 2014	Fourth cash capital increase by a total of NT$ 472 million
September 2014	Ningbo Lu Lin Machine Tool Foundry Co., Ltd. (continues to exist) absorbs Ningbo Youtian Renewable Resources Co., Ltd.

December 2014	Yeong Guan Holdings Co., Ltd. establishes a branch in Taiwan named Yeong Guan Holdings Co., Limited Taiwan Branch
April 2015	Shin Shang Trade Co., Ltd. establishes a branch in Taiwan named Shin Shang Trade Co., Ltd. Taiwan Branch
July 2015	Yeong Guan Holdings Co., Limited Taiwan Branch signs lease for land in the Taichung Harbor area
August 2015	Second issuance of convertible corporate bonds in the Republic of China (a total of NT$ 2.5 billion raised)
October 2015	Fifth cash capital increase by a total of NT$ 840 million
January 2016	Investment in Shanghai No. Machine Tool Foundry (Su Zhou) Co., Ltd. Investment in New Power Team Technology Co., Ltd.
May 2016	Yeong Chen Asia Pacific Co., Ltd. establishes a branch in Taichung
July 2016	Lizhan Limited invests in Ningbo New Power Team Technology Co., Ltd.
December 2016	Yeong Guan Holding Co., Limited Taiwan Branch completes contract exchange for land lease in the Taichung Harbo area
September 2017	Sale of the equity stake in Shanghai No. 1 Machine Tool & Marketing Company
January 2018	Repurchase of 7,200,000 treasury shares by board resolution
March 2018	Writing-off of first repurchase of 7,200,000 treasury shares
April 2018	Writing-off of New Power Team Technology Co., Ltd.
June 2018	Writing-off of LIZHAN LIMITED
December 2018	Repurchase of 6,000,000 treasury shares by board resolution
January 2019	Sale of the equity stake in New Power Team Technology Co., Ltd.

March 2019	Writing-off of second repurchase of 6,000,000 treasury shares
June 2019	Maturity payment for the first unsecured convertible bond in the Republic of China and termination of being listed in Over-The-Counter market
December 2019	Establishment of Jiangsu Yeong Ming Heavy Industry Co., Ltd.
March 2020	Changes of the issuing plan of the Company's 2015 capital increase by cash and the 2nd Domestic Unsecured Convertible Bonds

3. Risk: Please refer to VII.6 "Risk Analysis and Assessment"

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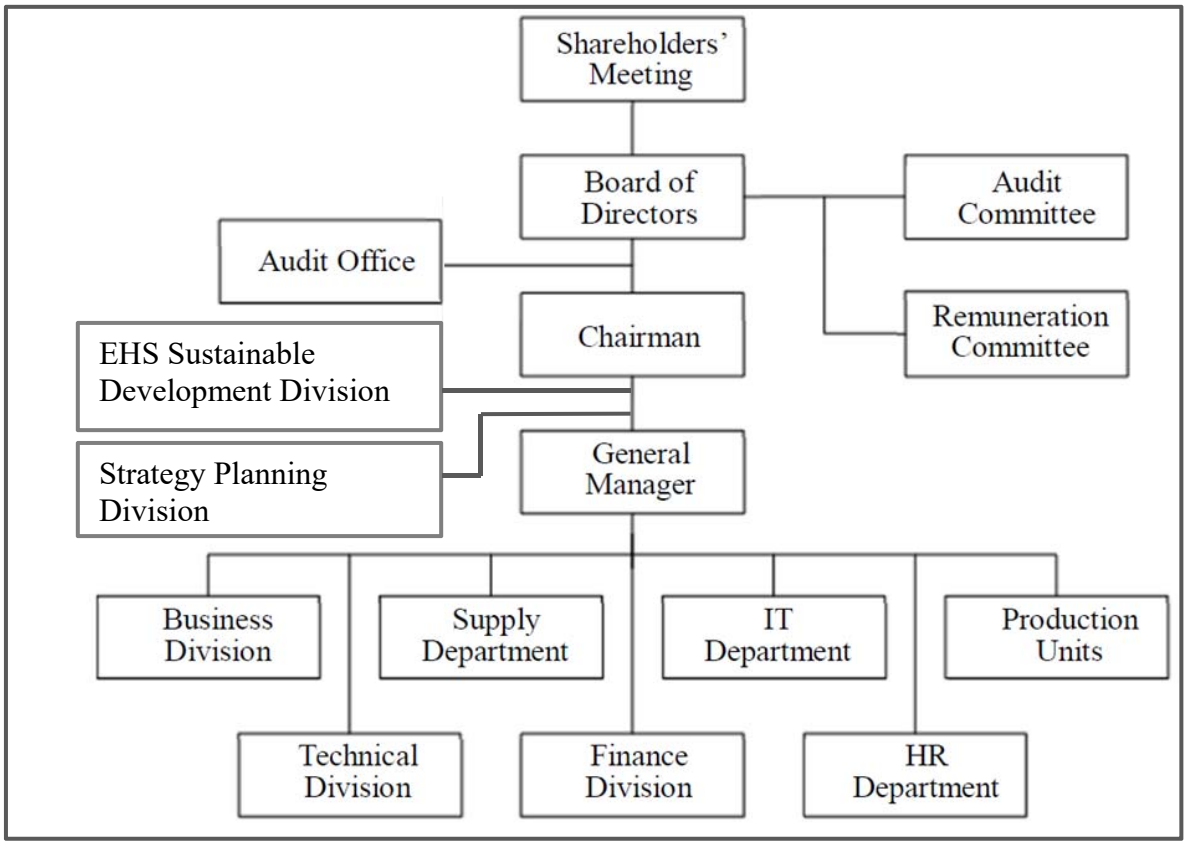
III. Corporate Governance Report

1. Organization

(a) Organization Chart



(b) Major Corporate Functions

Department	Functions
President's Office	Comprehensive strategic planning and supervision and authorization of operations
Production units	Carrying out of production tasks upon receipt of internal orders by the business division as well as quality assurance, prototype development, inventory management, health and safety controls, maintenance of plants and facilities, internal HR, general affairs, and occupational safety
HR Department	Overall management of HR, documents, general affairs, legal matters, public relations, and health and safety related matters for the whole

	group
Technical Division	Overall management of production program controls, prototype process monitoring, production program and product data safekeeping and records, external communications with regard to production technologies for the whole group
Sales Division	Planning and implementation of product, price, market, and sales channel strategies; compilation and analysis of customer and market data; formulation and implementation of business goals; market and customer development , sales, and services; building and maintenance of customer relationships and strategic partnerships; firm grasp of customer dynamics; guarantee of order sources and accounts receivable; establishment of sales channels and understanding of customer demands; effective customer services; determination and coordination of prices and delivery times of sold products
Finance Division	Overall management of accounting and tax affairs, financial budgets, capital movements, and cashier related matters
Purchasing Department	Overall management of raw material and equipment procurement, maintenance project price inquiries and negotiations and procurement for the whole group
IT Department	Overall management of information system planning, establishment, and maintenance for the whole group
Audit Office	Overall management and establishment of internal audit, control, and other management systems, execution of internal audits and tracking of improvements for the whole group
Strategy Planning Division	Assistance to the board of directors/chairperson of the group in the formulation and implementation of corporate strategies, business plans, and other policies and strategic directions to realize the business management and development goals of the Company.
EHS Sustainable Development Division	Planning of EHS related policies of the Group (environment, occupational health, and safety) to ensure that all affiliates (plants) of the group enhance their production efficiency and product quality within an EHS compliance framework and thereby strengthen their competitiveness and realize sustainable development goals.

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2. Data on directors, supervisors, presidents, vice presidents, associate general managers, and executives of all departments and branch organizations.

(a) Directors and supervisors (the company has not established supervisor positions)

1. Director data

April 21, 2020; Unit: Shares

Title	Nationality or domicile	Name	Gender	Election date	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at this or other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Chairman	ROC	Chang, Hsien-Ming	Male	2019.06.20	4	2008.01.22	13,693,540	12.97%	13,693,540	12.97%	3,120	0.00%	6,241,000	5.91%	Graduation from Xihu High School of Industry and Commerce, Electronics Department Chairman, Yeong Guan Mould Factory Co., Ltd. President, Yeong Guan Mould Factory Co., Ltd. Chairman, Shin Shang Special Industry Co., Ltd. President, Shin Shang Special Industry Co., Ltd. Sales Manager, Shin Shang Special Industry Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Chairman & President, Yeong Chen Asia Pacific Co., Ltd. Supervisor of Taipin Corporation Ltd. Chairman, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Qing Dao Rui Yao Building Material Co., Ltd.	-	-	-

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Title	Nationality or domicile	Name	Gender	Election date	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at this or other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Vice Chairman	ROC	Tsai, Shu-Ken	Male	2019.06.20	4	2009.05.29	847,156	0.80%	837,156	0.79%	-	-	-	-	EMBA, National Taiwan University of Science and Technology Senior Engineer and Director, Metal Industries R&D Center President, Shieh Yih Machinery Industry Co., Ltd.	Spokesperson, Yeong Guan Energy Technology Group Company Limited. Director, Yeong Guan Heavy Industry (Thailand) Director, Qing Dao Rui Yao Building Material Co., Ltd.	-	-	-
Director	ROC	Huang, Wen-Hung	Male	2019.06.20	2	2016.06.07	20,000	0.02%	20,000	0.02%	-	-	-	-	Master of Business Administraion in ExecutiveManagement Royal Roads University Master, Department of Industrial and Business Management, China Industrial & Commercial Research Institute COO, Taiwan Express Co., LTD. President, Chimei Logistics Vice Director, Marketing & Sales Department, Chi Mei Optoelectronics Corporation and Director of Global Sales Support Service Department	Executive Vice President, Yeong Guan Energy Technology Group Co., Ltd. Chairman, Qing Dao Rui Yao Building Material Co., Ltd.	-	-	-

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							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director	ROC	Hsu, Ching-Hsiung	Male	2019.06.20	2	2018.06.05	-	-	-	-	-	-	-	-	Accounting Department of Yu Da High School of Commerce and Home Economics Vice president, CHEN HSING INDUSTRIAL CO., LTD. President, Weimao Co., Ltd.	Executive Vice President, Yeong Guan Energy Technology Group Co., Ltd. Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd. Chairman, Ningbo Yong Shang Casting Iron Co., Ltd. Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Ningbo Yeong Chia Mei Trade Co., Ltd. Supervisor, Jiangsu Bright Steel Fine Machinery Co., Ltd. Supervisor, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd.	-	-	-

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							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director	ROC	Tsai, Chang-Hung	Male	2019.06.20	1	2019.06.20	-	-	-	-	-	-	-	-	Department of Industrial Engineering and Management, Ching Yun Institute of technology	Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Chairman, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. Chairman, Jiangsu Yeong Ming Heavy Industry Co., Ltd. Supervisor, Dongguan Yeong Guan Mould Factory Co., Ltd. Supervisor, Ningbo Yeong Shang Casting Iron Co., Ltd. Supervisor, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Supervisor, Ningbo Yeong Chia Mei Trade Co., Ltd.	-	-	-
Director	ROC	Tsai, Ching-Wu	Male	2019.06.20	1	2019.06.20	1,000	0.00%	-	-	-	-	-	-	Department of Accounting, National Chengchi University Financial Manager, Zhenxin Company Ernst & Young	Director, Audit Office of Yeong Guan Energy Technology Group Company Limited.			

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							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director	ROC	Li, Yi-Tsang	Male	2019.06.20	1	2019.06.20	15,000	0.01%	15,000	0.01%	-	-	-	-	School of Business, University of British Columbia	Chief Strategy Officer of Yeong Guan Energy Technology Group Co., Ltd. Director, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. Director, Juangsu Yeong Ming Heavy Industry Co., Ltd.	-	-	-
Director	ROC	Chang, Chun-Chi	Male	2019.06.20	1	2019.06.20	33,000	0.03%	46,000	0.04%	-	-	-	-	Takming University of Science and Technology .	Director, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director & President, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. Director, Juangsu Yeong Ming Heavy Industry Co., Ltd.	-	-	-
Independent director	ROC	Chang, Cheng-Lung	Male	2019.06.20	4	2010.03.19	-	-	-	-	-	-	-	-	BA in Commerce, Tamkang University Mini MBA, Stanford University	-	-	-	-

Title	Nationality or domicile	Name	Gender	Election date	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at this or other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Independent director	ROC	Wei, Chia-Min	Male	2019.06.20	3	2013.06.17	-	-	-	-	-	-	-	-	PhD, Graduate Institute of Resource Engineering, National Cheng Kung University Deputy CEO, Metal Industries R&D Center Managing Director, Taiwan Wind Industry Association Managing Supervisor, Taiwan Wind Industry Association Director, SAE International Taipei Section Chairman, Taiwan Foundry Society Committee member, Taiwan Steel & Iron Industries Association. Director, Taiwan Wind Energy Association	Deputy CEO, Metal Industries R&D Center Supervisor, Honley Auto Parts Co., Ltd. Independent director, CVC Technologies Inc.	-	-	-
Independent director	ROC	Chen, Tien-Wen	Male	2019.06.20	1	2013.06.17	-	-	-	-	-	-	-	-	Founder and Chairman, Capital Securities Corp. Vice President, Merrill Lynch Manager, Chase Bank	Chairman of Chia Shih Construction Co., Ltd.	-	-	-

Note: Director Tsai, Ching-Wu resigned in July 2019.

2. Supervisors: The Company established an audit committee on March 19, 2010 but has not established any supervisor positions.

3. Main shareholders of juridical person directors: All directors of the company are natural persons. No juridical person directors have been elected.

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

4. Professional qualifications and independence analysis of directors:

Criteria / Name	Meet One of the Following Professional Qualification Requirements in addition to at Least Five Years Work Experience			Independence criteria (Note 1)												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	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	
Chang, Hsien-Ming			✓					✓				✓	✓	✓	✓	0
Tsai, Shu-Ken			✓			✓	✓	✓				✓	✓	✓	✓	0
Huang, Wen-Hung			✓			✓	✓	✓		✓		✓	✓	✓	✓	0
Hsu, Ching-Hsiung			✓			✓	✓	✓				✓	✓	✓	✓	0
Tsai, Chang-Hung			✓			✓	✓	✓				✓	✓	✓	✓	0
Tsai, Ching-Wu			✓		✓	✓	✓	✓		✓		✓	✓	✓	✓	0
Li, Yi-Tsang			✓			✓	✓	✓				✓	✓	✓	✓	0
Chang, Chun-Chi			✓			✓		✓				✓	✓	✓	✓	0
Chang, Cheng-Lung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wei, Chia-Min			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chen, Tien-Wen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: 1 Director Tsai, Ching-Wu resigned in July 2019

2. If directors and supervisors meet one or several of the following criteria within two years before election or during their terms of office, please place a check in the column with the corresponding number

(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. (The same does not apply， however， in cases where the person is an independent director of the Company， its parent company， or any subsidiary in which the Company holds in accordance with domestic or local regulations.)

(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 the managers as item 1 or a spouse， relative within the second degree of kinship， or lineal relative within the third degree of kinship of the person as item 2 &3.

(5) Directors， supervisors， or legal shareholders who are not directly holding more than 5% of the company's total

issued shares， holding the top five shares， or appointing representatives as company directors or supervisors in accordance with Article 27， paragraph 1 or 2 of the Company Law Employee (but if the independent directors established by the company and its parent company， subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other， it is not limited to this)

(6) More than half of the shares that are not on the board of directors of the company or have voting rights are the directors， supervisors or employees of other companies controlled by the same person (but if it is the company or its parent company， subsidiary or subsidiary of the same parent company (The independent directors established by the laws or local laws and regulations of the country serve concurrently with each other， this is not the case)

(7) Directors (directors)， supervisors (supervisors) or servants of other companies or organizations who are not the same person or spouse with each other and are the same person or spouse (Or independent directors set up by subsidiaries of the same parent company in accordance with this law or local national laws and regulations serve concurrently， not subject to this limit)

(8) Directors (directors)， supervisors (supervisors)， managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds 20% of the company's total issued shares Above， not more than 50%， and the independent directors established by the company and its parent company， subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other， not limited to this)

(9) Professionals， sole proprietorships， partnerships， business owners of companies or institutions that do not provide audits for companies or related companies or business、legal、financial、 accounting and other related services that have not received more than NT$ 500，000 in cumulative compensation in the past two years Partners， directors (directors)， supervisors (supervisors)， managers and their spouses. However， members of the Compensation Committee， Public Takeovers Review Committee， or M&A Special Committee performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M&A Act are not limited to this.

(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.

(b) Data on supervisors, presidents, vice presidents, associate general managers, and executives of all departments and branch organizations

April 21, 2020; Unit: Shares

Title	Nationality or Domicile	Name	Gender	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Chairman and President	ROC	Chang, Hsien-Ming	Male	2008.01.22	13,693,540	12.97%	3,120	0.00%	6,241,000	5.91%	Graduation from Xihu High School of Industry and Commerce, Electronics Department Chairman, Yeong Guan Mould Factory Co., Ltd. President, Yeong Guan Mould Factory Co., Ltd. Chairman, Shin Shang Special Industry Co., Ltd. President, Shin Shang Special Industry Co., Ltd. Sales Manager, Shin Shang Special Industry Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Chairman & President, Yeong Chen Asia Pacific Co., Ltd. Supervisor of Taipin Corporation Ltd. Chairman, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Qing	-	-	-

Title	Nationality or Domicile	Name	Gender	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
												Dao Rui Yao Building Material Co., Ltd.			
Vice Chairman and Spokesperson	ROC	Tsai, Shu-Ken	Male	2008.01.22	837,156	0.79%	-	-	-	-	EMBA, National Taiwan University of Science and Technology Senior Engineer and Director, Metal Industries R&D Center President, Shieh Yih Machinery Industry Co., Ltd.	Spokesperson, Yeong Guan Energy Technology Group Company Limited. Director, Yeong Guan Heavy Industry (Thailand) Director, Qing Dao Rui Yao Building Material Co., Ltd.	-	-	-
Director and Executive Vice President	ROC	Huang, Wen-Hung	Male	2015.05.11	20,000	0.02%	-	-	-	-	Master of Business Administraion in ExecutiveManagement Royal Roads University Master, Department of Industrial and Business Management, China Industrial & Commercial Research Institute COO, Taiwan Express Co., LTD. President,	Chairman, Qing Dao Rui Yao Building Material Co., Ltd.			

Title	Nationality or Domicile	Name	Gender	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
											Chimei Logistics Vice Director, Marketing & Sales Department, Chi Mei Optoelectronics Corporation and Director of Global Sales Support Service Department				
Director and Executive Vice President	ROC	Hsu, Ching-Hsiung	Male	2008.01.22	-	-	-	-	-	-	Yu Da High School Of Commerce and Home Economics, Commercial Accounting Department Vice President, Chen Hsing Industrial Co., Ltd. President, Weimao Company	Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd. Chairman, Ningbo Yong Shang Casting Iron Co., Ltd. Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Ningbo Yeong Chia Mei Trade Co., Ltd. Supervisor, Jiangsu Bright Steel Fine Machinery Co., Ltd. Supervisor, Shanghai No. 1	-	-	-

Title	Nationality or Domicile	Name	Gender	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
												Machine Tool Foundry (Su Zhou) Co., Ltd. Supervisor, Jiangsu Yeong Ming Heavy Industry Co., Ltd.			
Executive Vice President	PRC	Kuo, Jui	Male	2010.12.01	-	-	-	-	-	-	Sichuan Institute of Technology, Department of Metallic Materials Engineering Engineer, Sichuan Jiangdong Machinery Co., Ltd.	President, Technical Division of Yeong Guan Energy Technology Group Company Limited	-	-	-
Executive Vice President	PRC	Fang, Cheng-Jiang	Male	2020.07.02	-	-	-	-	-	-	Business Administration, Southwest University of Science and Technology Mechatronic Engineering of Jilin University	President, Jiangsu Bright Steel Fine Machinery Co., Ltd.	-	-	-
Executive Vice President	PRC	Liang, Li-Sheng	Male	2020.07.02	-	-	-	-	-	-	Mechatronics, North China University of Water Resources and Electric Power	-	-	-	-
Director and Chief Strategy Officer	ROC	Li, Yi-Tsang	Male	2020.07.02	15,000	0.01%	-	-	-	-	School of Business, University of British Columbia	Director, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director,	-	-	-

Title	Nationality or Domicile	Name	Gender	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
												Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. Director, Juangsu Yeong Ming Heavy Industry Co., Ltd.			
Vice President	ROC	Liu, Han-Pang	Male	2020.07.02	2,000	0.00%	-	-	-	-	Master of International Marketing, Bournemouth University	President, Sales Division of Yeong Guan Energy Technology Group Company Limited	-	-	-
Vice President	ROC	Lin, Tai-Feng	Male	2008.01.22	-	-	-	-	-	-	Tamkang University, Department of Marine Engineering President, Great Sun Machinery Co., Ltd.	President, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	-	-	-
Vice President	ROC	Huang, Ching-Chung	Male	2010.12.01	-	-	-	-	-	-	Mechanical Engineering Department, Chien Hsin Junior College of Technology Lio Ho Machine Works Ltd.	President, Dongguan Yeong Guan Mould Factory Co., Ltd. President, Ningbo Yeong Shang Casting Iron Co., Ltd.	-	-	-

Title	Nationality or Domicile	Name	Gender	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Vice President	ROC	Lin, Yu-I	Female	2013.01.07	-	-	-	-	-	-	MA, Department of Accounting, Soochow University Deloitte & Touche	Vice President, Finance Division of Yeong Guan Energy Technology Group Company Limited	-	-	-
Director of Audit Office	ROC	Tsai, Ching-Wu	Male	2012.07.01	-	-	-	-	-	-	Department of Accounting, National Chengchi University Financial Manager, Zhenxin Company Ernst & Young	-	-	-	-

Note: Where the chairperson of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (for instance, increase of the number of independent director positions and a requirement that a majority of the directors not concurrently serve as employees or managers)

The three incumbent independent directors are experts in the fields of financial accounting and casting and are therefore capable of effectively performing their supervising functions. Directors receive assistance in the scheduling of professional director training provided by external organizations every year to increase the operational effectiveness of the board. Independent directors can engage in detailed discussions in functional committee meetings and provide recommendations to the board with a view to implementing corporate governance. A majority of the incumbent board directors are currently managers, further improvements will be made in the future.

(c) Remuneration of Directors, Supervisors, Presidents, and Vice Presidents in the most recent financial year

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

1. Remuneration of Directors (incl. Independent Directors)

Unit: 1000 NTD; %

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)(note 3)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary (Note4)
		Base compensation (A)		Severance pay and retirement pension (B)		Remuneration from distribution of profits(C)		Expenses for execution of business(D)				Salary, Bonuses, and Allowances (E)		Severance pay and retirement pension (F)		Profit Sharing- Employee Bonus (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	Cash bonus	Stock bonus	Cash bonus	Stock bonus	The company	Companies in the consolidated financial statements	
Chairman	Chang, Hsien-Ming	685	685	-	-	-	-	60	60	0.46%	0.46%	-	21,393	-	-	7,255	-	7.255	-	4.91%	18.04%	9,255
Vice Chairman	Tsai, Shu-Ken																					
Director	Chang, Cheng-Chung																					
Director	Chen, Wu-Chi																					
Director	Chang, Wen-Lung																					
Director	Huang, Wen-Hung																					

Director	Hsu, Ching-Hsiung																					
Director	Tsai, Chang-Hung																					
Director	Tsai, Ching-Wu																					
Director	Li, Yi-Tsang																					
Director	Chang, Chun-Chi																					
Independent Director	Chen, Ching-Hung	1,199	1,199	-	-	-	-	57	57	0.77%	0.77%	-	-	-	-	-	-	-	-	0.77%	0.77%	-
Independent Director	Chang, Cheng-Lung																					
Independent Director	Wei, Chia-Min																					
Independent Director	Chen, Tien-Wen																					

Note 1: A new board of directors composed of 11 members (Chang, Hsien-Ming, Tsai, Shu-Ken , Huang, Wen-Hung, Hsu, Ching-Hsiung , Tsai, Chang-Hung, Tsai, Ching-Wu, Li, Yi- Tsang, Chang, Chun-Chi, Chang, Cheng-Lung, Wei, Chia-Min, and Chen, Tien-Wen) was elected on June 20, 2019.

Note 2: Chang, Cheng-Chung, Chen, Wu-Chi, Chang, Wen-Lung, and Chen, Ching-Hung completed their terms of office on June 20, 2019.

Note 3: Director Tsai, Ching-Wu resigned on July 31, 2019.

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

Range of Remunerations

Range of remunerations paid to directors of the company	Names of directors			
	Total of A+B+C+D		Total of A+B+C+D+E+F+G	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Below NT$ 2,000,000	Chang, Cheng-Lung; Chen, Ching-Hung; Wei, Chia-Min; Chen, Tien-Wen; Chang, Hsien-Ming; Tsai, Shu-Ken; Huang, Wen-Hung; Hsu, Ching-Hsiung; Tsai, Chang-Hung; Tsai, Ching-Wu; Li, Yi-Tsang; Chang, Chun-Chi	Chang, Cheng-Lung; Chen, Ching-Hung; Wei, Chia-Min; Chen, Tien-Wen; Chang, Hsien-Ming; Tsai, Shu-Ken; Huang, Wen-Hung; Hsu, Ching-Hsiung; Tsai, Chang-Hung; Tsai, Ching-Wu; Li, Yi-Tsang; Chang, Chun-Chi	Chang, Cheng-Lung; Chen, Ching-Hung; Wei, Chia-Min; Chen, Tien-Wen; Tsai, Shu-Ken; Huang, Wen-Hung; Hsu, Ching-Hsiung; Tsai, Chang-Hung; Tsai, Ching-Wu; Li, Yi-Tsang; Chang, Chun-Chi	Chang, Cheng-Lung; Chen, Ching-Hung; Wei, Chia-Min; Chen, Tien-Wen; Chang, Cheng-Chung; Chen, Wu-Chi; Chang, Wen-Lung; Tsai, Ching-Wu; Chang, Chun-Chi
NT$ 2,000,000 or more but less than NT$ 5,000,000	—	—	Chang, Hsien-Ming	Huang, Wen-Hung; Hsu, Ching-Hsiung; Tsai, Chang-Hung; Li, Yi-Tsang

NT$ 5,000,000 or more but less than NT$ 10,000,000	—	—	—	Chang, Hsien-Ming; Tsai, Shu-Ken
NT$ 10,000,000 or more but less than NT$ 15,000,000	—	—	—	—
NT$ 15,000,000 or more but less than NT$ 30,000,000	—	—	—	—
NT$ 30,000,000 or more but less than NT$ 50,000,000	—	—	—	—
NT$ 50,000,000 or more but less than NT$ 100,000,000	—	—	—	—
Over NT$ 100,000,000	—	—	—	—
Total	12 directors	12 directors	12 directors	15 directors

2. Remuneration of supervisors: Not applicable since the company has not established any supervisor positions

3. Remuneration of Presidents and Vice Presidents

Unit: 1000NTD; %

Title	Name	Base compensation (A)		Severance pay and retirement pension (B)		Bonuses and allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total remuneration (A+B+C+D) to net income(%)		Number of received Employee Stock Option Certificates		Number of acquired shares through Restricted Stock Awards		Compensation paid to presidents/ vice presidents from an invested company other than the company's subsidiary
								The company		Companies in the consolidated financial statements								
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Chairman and President	Chang, Hsien-Ming																	
Vice Chairman and Spokesperson	Tsai, Shu-Ken																	
Director and Executive Vice President	Chang, Wen-Lung																	
Director and Executive Vice President	Chen, Wu-Chi																	
Director and Executive Vice President	Huang, Wen-Hung	-	14,460	-	-	-	16,857	8,735	-	8,735	-	5.36%	24.58%	-	-	-	-	515
Director and Executive Vice President	Hsu, Ching-Hsiung																	
Executive Vice President	Kuo, Jui																	
Executive Vice President	Yu, Hsiao-Ping																	
Executive Vice President	Fang, Cheng-Jiang																	

Executive Vice President	Liang, Li-Sheng																
Director and Chief Strategy Officer	Li, Yi-Tsang																
Vice President	Liu, Han-Pang																
Vice President	Lin, Tai-Feng																
Vice President	Huang, Ching-Chung																
Vice President	Lin, Yu-I																

Note 1: Director and Executive Vice President Chen Wu-Chi retired on June 20, 2019. Director and Executive Vice President Chang, Wen-Lung resigned on June 20, 2019.

Note 2: Executive Vice President Kuo Jui, Yu, Hsiao-Ping, Fang, Chen-Chiang, and Liang, Li-Sheng, Director and Chief Strategy Officer Li, Yi-Tsang, and Vice President Liu, Han-Pang were newly appointed on July 2, 2019.

Note 3: Executive Vice President Yu, Hsiao-Ping resigned on January 15, 2020.

Range of Remunerations

Range of remunerations paid to presidents and vice presidents of the company	Names of presidents and vice presidents	
	The company	Companies in the consolidated financial statements (A+B+C+D)
Below NT$ 2,000,000	Chang, Hsien-Ming; Tsai, Shu-Ken; Huang, Wen-Hung; Hsu, Ching-Hsiung; Li, Yi-Tsang; Liu, Han-Pang; Lin, Yu-I; Huang, Ching-Chung; Lin, Tai-Feng	Chen, Wu-Chi; Chang, Wen-Lung; Kuo, Jui; Yu, Hsiao-Ping; Liang, Li-Sheng; Fang, Cheng-Jiang; Li, Yi-Tsang; Liu, Han-Pang
NT$ 2,000,000 or more but less than NT$ 5,000,000	—	Huang, Wen-Hung; Hsu, Ching-Hsiung; Lin, Yu-I; Huang, Ching-Chung; Lin, Tai-Feng
NT$ 5,000,000 or more but less than NT$ 10,000,000	—	Chang, Hsien-Ming; Tsai, Shu-Ken
NT$ 10,000,000 or more but less than NT$ 15,000,000	—	—
NT$ 15,000,000 or more but less than NT$ 30,000,000	—	—
NT$ 30,000,000 or more but less than NT$ 50,000,000	—	—
NT$ 50,000,000 or more but less than NT$ 100,000,000	—	—
Over NT$ 100,000,000	—	—
Total	9 persons	15persons

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

4. Managers and their allotted employee bonuses:

Unit: 1000 NTD; December 31, 2019

	Title	Name	Stock bonus	Cash Bonus	Total	Ratio of total amount to net income (%)
Managers	Chairman and President	Chang, Hsien-Ming	—	8,735	8,735	5.36%
	Vice Chairman and Spokesperson	Tsai, Shu-Ken				
	Director and Executive Vice President	Huang, Wen-Hung				
	Director and Executive Vice President	Hsu, Ching-Hsiung				
	Executive Vice President	Kuo, Jui				
	Executive Vice President	Yu, Hsiao-Ping				
	Executive Vice President	Fang, Cheng-Jiang				
	Executive Vice President	Liang, Li-Sheng				
	Director and Chief Strategy Officer	Li, Yi-Tsang				
	Vice President	Liu, Han-Pang				
	Vice President	Lin, Yu-I				
	Vice President	Huang, Ching-Chung				
	Vice President	Lin, Tai-Feng				

(d) Analysis of the ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements to directors, supervisors, presidents and vice presidents of the Company within the two most recent fiscal years, to the net income and description of remuneration policies, standards, and mixes, setting of relevant procedures, and correlation between business performance and future risks:

1. Analysis of the ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements to directors, supervisors, presidents and vice presidents of the Company, to the net income:

Unit: 1000 NTD; %

Item	2018		2019	
	Amount	%	Amount	%
Director	30,309	-11.06%	30,649	18.81%
Presidents and Vice Presidents	39,568	-14.44%	40,052	24.58%
Consolidated net income	-274,073	100%	163,526	100%

Note: The total remuneration of directors includes compensations for concurrent positions. The calculation of the remuneration of directors is therefore overlapping with that of presidents and vice presidents therefore

2. Remuneration policies, standards, and mixes, setting of relevant procedures, and correlation between business performance and future risks

(1) The remuneration of directors is based on the positions held in the company the value of the participation and contributions to company operations.

(2) The remuneration of presidents and vice presidents is based on their positions and their level of contribution with reference to industry standards in accordance with the HR related rules and regulations of the company

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3. Implementation of Corporate Governance

(a) Operations of the board of directors

A total of 6 board meetings (A) were convened in the most recent fiscal year (2019). Director attendance was follows:

Title	Name	Attendance in person(B)	By proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Chang, Hsien-Ming	6	0	100.00%	Elected as director during shareholders' meeting dated June 20th, 2019
Director	Tsai, Shu-Ken	6	6	100.00%	Elected as director during shareholders' meeting dated June 20th, 2019
Director	Chang, Cheng-Chung	2	2	100.00%	Expiration of tenure on June 20th, 2019.
Director	Chen, Wu-Chi	2	2	100.00%	Expiration of tenure on June 20th, 2019.
Director	Chang, Wen-Lung	0	2	0%	Expiration of tenure on June 20th, 2019.
Director	Huang, Wen-Hung	6	6	100.00%	Elected as director during shareholders' meeting dated June 20th, 2019
Director	Hsu, Ching-Hsiung	6	6	100.00%	Elected as director during shareholders' meeting dated June 20th, 2019
Director	Tsai, Chang-Hung	4	4	100.00%	Elected as director during shareholders' meeting dated June 20th, 2019
Director	Tsai, Ching-Wu	2	2	100.00%	Elected as director during shareholders' meeting dated June 20th, 2019 Resigned on July 31, 2019.
Director	Li, Yi-Tsang	4	4	100.00%	Elected as director during shareholders' meeting dated June 20th, 2019.
Director	Chang, Chun-Chi	4	4	100.00%	Elected as director during shareholders' meeting dated June 20th, 2019.
Independent Director	Chen, Ching-Hung	2	2	100.00%	Expiration of tenure on June 20th, 2019.
Independent Director	Chang, Cheng-Lung	6	6	100.00%	Elected as director during shareholders' meeting dated June 20th, 2019.
Independent Director	Wei, Chia-Min	6	6	100.00%	Elected as director during shareholders' meeting dated June 20th, 2019.
Independent Director	Chen, Tien-Wen	3	1	75%	Elected as director during shareholders' meeting dated June 20th, 2019.

Other items to be recorded:

1. (1) Items listed in Article 14-3 of the ROC Securities Exchange Act:

Board meeting	Compliance with relevant contents pertaining to proposals set forth in Article 14-3 of the Securities Exchange Act	Independent director opinions	Handling of independent director opinions	Resolution

	2019.03.12	1. Approval of the 2018 Consolidated Financial Statement 2. Deliberation of the amendment to the Procedures Governing Endorsements and Guarantees 3. Deliberation of the amendment to the Procedures Governing the Acquisition or Disposal of Assets 4. Deliberation of the amendment to the Procedures Governing Derivative Trading 5. Cancellation of treasury stock and setting of a reverse split base date	NA	NA	Approved unanimously by all attending directors following an inquiry by the chair
	2019.05.07	Planning of lending of funds by the subsidiary Yeong Chen Asia Pacific Co., Ltd. (US$ 10 million or the equivalent amount in Euro)	NA	NA	Approved unanimously by all attending directors following an inquiry by the chair
	2019.11.07	Deliberation of CPA appointment and fees in 2019	NA	NA	Approved unanimously by all attending directors following an inquiry by the chair

(2) Where other board resolutions exist for which dissenting or qualified opinions of independent directors are on record or written statements have been issued, the date and term of the board meeting, proposal contents, all opinions of independent directors, and the handling of such opinions shall be clearly specified: NA

2. If directors recuse themselves from discussion and voting on motions that involve conflicts of interest, the names of the directors, contents of motions, the reasons for recusal, and actual participation in the voting process shall be clearly stated:

(1) On March 12, 2019, the board of directors discussed the award of the 2018 year-end bonus to the managers of the company. Due to the fact that the directors Chang, Hsien-Ming, Tsai Shu-Ken, Chen, Wu-Chi, Huag, Wen-Lung and Hsu, Ching-Hsiung concurrently serve as managers of the company, they recused themselves from participation in the discussions and voting process due to a personal conflict of interest. The motion was passed unanimously upon inquiry of the other directors in attendance by the acting chairman, Chang, Cheng-Lung.

(2) On August 8, 2019, the board of directors deliberated approval of a proposal for fixed monthly salaries for newly promoted managers. Since Director Li, Yi-Tsang concurrently serves as manager of the Company, he recused himself from the discussion and voting process due to a conflict of interest. The proposal was approved unanimously by the other directors in attendance.

3. Assessment of measures taken to strengthen the functionality of the Board in recent years and their actual implementation (such as the establishment of an audit committee and the enhancement of information transparency):

(1) The company established an audit committee and remuneration committee on March 19, 2010 and October 14, 2011, respectively, to strengthen the functionality of the board, improve its supervisory capabilities, and enhance its management functions. Said committees are comprised of all independent directors of the company.

(2) The company fully discloses all categories of business and financial information in its annual reports, the corporate website, and the Market Observation Post System to implement the spirit of corporate governance and effectively enhance information transparency.

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(b) Operations of the audit committee/Participation of supervisors in board operations

A total of 5 committee meetings (A) were convened in the most recent fiscal year (2019).

Independent director attendance was follows:

Title	Name	Attendance in person(B)	By proxy (C)	Attendance rate (%) 【B/A】	Remarks
Independent director	Chen, Ching-Hung	2	2	100.00%	Expiration of tenure on June 20th, 2019.
Independent director	Chang, Cheng-Lung	5	5	100.00%	
Independent director	Wei, Chia-Min	5	5	100.00%	
Independent director	Chen, Tien-Wen	2	1	66.67%	Newly appointed on June 20, 2019

Other items to be recorded:

1. Items listed in Article 14-5 of the ROC Securities Exchange Act:

Audit Committee	Compliance with relevant contents pertaining to proposals set forth in Article 14-5 of the Securities Exchange Act	Independent director opinions	Handling of independent director opinions	Resolution
2019.03.12	1. Approval of the 2018 Consolidated Financial Statement 2. Deliberation of the amendment to the Procedures Governing Endorsements and Guarantees 3. Deliberation of the amendment to the Procedures Governing the Acquisition or Disposal of Assets 4. Deliberation of the amendment to the Procedures Governing Derivative Trading	NA	NA	Approved unanimously by all attending committee members following an inquiry by the chair
2019.05.07	Planning of lending of funds by the subsidiary Yeong Chen Asia Pacific Co., Ltd. (US$ 10 million or the equivalent amount in Euro)	NA	NA	Approved unanimously by all attending committee members following an inquiry by the chair
2019.08.08	Approval of the first half 2019 Consolidated Financial Statement	NA	NA	Approved unanimously by all attending committee members following an inquiry by the chair
2019.11.07	Proposed deliberation of CPA appointment and fees in 2019	NA	NA	Approved unanimously by all attending committee members following an inquiry by the chair

(2) Where other board resolutions exist which fail to be approved by the Audit Committee but have the consent of more than two-thirds of all directors, the date and term of the board meeting, proposal contents, audit committee resolutions, and the handling of opinions of audit committee members shall be clearly specified: None

2. If independent directors recuse themselves from discussion and voting on motions that involve conflicts of interest, the names of the directors, contents of motions, the reasons for recusal, and actual participation in the voting process shall be clearly stated: None
3. Communications between the independent directors, the Company's Chief Internal Auditor and CPAs (e.g. the contents, methods and results of communications regarding corporate finance or

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Title	Name	Attendance in person(B)	By proxy (C)	Attendance rate (%) 【B/A】	Remarks
operations, etc.): The Chief Internal Auditor and CPA submit regular reports to the audit committee and communications are excellent.					

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(c) Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Assessment items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Y	N	Brief description	
1. Has the company formulated and duly disclosed corporate governance best practice principles pursuant to the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"	✓		The company formulated and duly disclosed corporate governance best practice principles pursuant to the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies". Corresponding norms and regulations are observed and implemented in accordance with the spirit of corporate governance. In the future, the company will continue to strengthen information transparency and board functionality through the amendment of relevant management regulations with the goal of promoting corporate governance.	No major deviations
2. Shareholding Structure & Shareholders' Rights (1) Have internal operating procedures for the handling of shareholder suggestions, uncertainties, disputes, or grievances been formulated and implemented? (2) Does the company possess a list of major shareholders that have actual control over the company and a list of ultimate controllers of these major shareholders? (3) Has the company established and implemented a risk management and firewall mechanism with its affiliates? (4) Has the company formulated internal norms and regulations that prohibit insiders from using non-public information on the market to conduct security transactions?	✓ ✓ ✓ ✓		(1) The company has formulated internal operating procedures. The spokesperson and deputy spokesperson are in charge of handling shareholder suggestions, uncertainties, disputes, or grievances in coordination with related units. (2) Actual information is provided through service agencies and the company discloses lists of major shareholders and their ultimate controllers on a regular basis in accordance with the Article 25 of Securities and Exchange Act. (3) All affiliates are independently responsible for the management of their assets and finances in accordance with the internal control system of the company to ensure the implementation of the risk control and firewall mechanism (4) The company has formulated internal norms and regulations that prohibit insiders from using non-public information on the market to conduct security transactions	No major deviations
3. Composition and responsibilities of the board of directors (1) Has the board formulated and implemented diversified policies with regard to membership composition?	✓		(1) The board has formulated diversified policies with regard to membership composition. The company has also established three independent director positions. Chang, Cheng-Lung, Chen, Ching-Hung, and Wei Chia-Min currently serve as independent directors. Chen, Ching-Hung has a legal background, while Chang, Cheng-Lung is a finance and accounting specialist and Wei, Chia-Min has an industry-related background. The expertise of the three independent	No major deviations

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Assessment items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Y	N	Brief description	
(2) Has the company established other functional committees in addition to the remuneration and audit committees on a voluntary basis? (3) Has the company determined board performance assessment regulations and assessment methods? Are performance assessments carried out every year on a regular basis? (4) Does the company assess the independence of CPAs on a regular basis?	 ✓ ✓	✓	directors spans the fields of finance, law, and industry. (2) The company has not established other functional committees. The board will authorize the establishment of other committees in accordance with actual needs. (3) The board of directors fully complies with relevant provisions set forth in the Regulations Governing Procedure for Board of Directors Meetings of Public Companies. Board performance assessment regulations and assessment methods have not been determined yet. (4) The appointed accounting firm and CPAs are fully independent and have no conflict of interest with the company.	The company has not established other functional committees. Board performance assessment regulations and assessment methods have not been determined yet. No major deviations
4. Has the listed company established an exclusively (or concurrently) dedicated unit to be in charge of corporate governance related matters (including, but not limited to, provision of required data to directors and supervisors, organization of board and shareholders' meeting related matters, company registration and amendment registration, and creation of board and shareholders' meeting minutes)?	✓		The Company designated Mr. Chiang, Shu-Kan, AVP of the Office of the Chairman, has been designated as Chief Governance Officer (CGO). In addition to the handling of amendment registration for the Company as required, the CGO also maintains close contact with the board, provides information required for the carrying out of relevant operations, and handles matters pertaining to board of director and shareholders' meetings pursuant to applicable laws.	No major deviations
5. Has the company established communication channels with its stakeholders and a special section for stakeholders on its website? Does the company deal with CSR issues of concern to stakeholders in an appropriate manner?	✓		The company maintains open communication channels with banks it has dealings with as well as employees, consumers, and suppliers and respects and protects their lawful rights and interests. The company has established a spokesperson system and a Litigation/Non-Litigation Agent position and requires that company information is disclosed in an honest manner to provide stakeholders with highly transparent financial and business information. It is also planned to set up a special section for stakeholders on the corporate website to enable the company to deal with CSR issues of concern to stakeholders in an appropriate manner	No major deviations
6. Has the company commissioned a professional service agency to handle shareholders meeting affairs?	✓		The company has commissioned Capital Securities Corp., Registrar Agency Department to handle shareholders meeting affairs	No major deviations
7. Information disclosure (1) Has the company established a corporate website to disclose information regarding the Company's financials,	✓		(1) The company has set up a Chinese-language website and will continue to disclose relevant information. Finance, business, and	No major deviations

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”</th></tr>
<tr><th>Y</th><th>N</th><th>Brief description</th></tr>
<tr><td>business, and corporate governance status?

(2) Has the company adopted other information disclosure methods (e.g., maintenance of an English-language website, appointment of dedicated personnel in charge of handling information collection and disclosure, implementation of a spokesperson system, webcasting of investor conferences)?</td><td>✓</td><td></td><td>corporate governance related information of the company can also be queried on the Market Observation Post System after the company goes public.
(2) The company has already established a spokesperson and deputy spokesperson position as well as a Chinese-language website. Finance, business, and corporate governance related information have been made available and investor conference related announcements are handled in accordance with regulations prescribed by the Taiwan Stock Exchange.</td><td>No major deviations</td></tr>
<tr><td>8. Other important information to facilitate better understanding of the Company’s corporate governance practices (e.g., employee rights, employee care, investor relations, supplier relations, rights of stakeholders, advanced training of directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer relations policies, and purchase of liability insurance for directors and supervisors):</td><td>✓</td><td></td><td>(1) Advanced training for directors and supervisors: The company has scheduled advanced training courses for all directors
<table>
<tr><th>Title</th><th>Name</th><th>Training course date</th><th>Hours</th><th>Organizer</th><th>Course title</th></tr>
<tr><td rowspan="2">Independent director</td><td rowspan="2">Wei, Chia-Min</td><td>2019/09/03</td><td>3.0</td><td>Securities and Futures Institute</td><td>AI Concepts and Applications</td></tr>
<tr><td>2019/09/03</td><td>3.0</td><td>Securities and Futures Institute</td><td>How to Replace the Supervisor System with an Audit Committee</td></tr>
<tr><td rowspan="2">Independent director</td><td rowspan="2">Chen, Tien-Wen</td><td>2019/07/15</td><td>3.0</td><td>Securities and Futures Institute</td><td>Impacts on and Responses of Taiwanese Entrepreneurs to the US-China Trade Dispute</td></tr>
<tr><td>2019/10/08</td><td>3.0</td><td>Securities and Futures Institute</td><td>Response Strategies of Enterprises and Individuals to the Enactment of the Economic Substance Act and Global Anti-Tax Avoidance Initiatives</td></tr>
<tr><td rowspan="2">Independent director</td><td rowspan="2">Chang, Cheng-Lung</td><td>2019/12/19</td><td>3.0</td><td>Taiwan Corporate Governance Association</td><td>Corporate Governance and Securities Laws</td></tr>
<tr><td>2019/12/19</td><td>3.0</td><td>Taiwan Corporate Governance Association</td><td>How Can Directors/Supervisors Direct and Supervise Corporate Risk Management and Crisis Handling by the Company?</td></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">Chang, Hsien-Ming</td><td>2019/12/19</td><td>3.0</td><td>Taiwan Corporate Governance Association</td><td>Corporate Governance and Securities Laws</td></tr>
<tr><td>2019/12/19</td><td>3.0</td><td>Taiwan Corporate Governance Association</td><td>How Can Directors/Supervisors Direct and Supervise Corporate Risk Management and Crisis Handling by the Company?</td></tr>
<tr><td>Director</td><td>Tsai, Shu-Ken</td><td>2019/12/19</td><td>3.0</td><td>Taiwan Corporate Governance Association</td><td>Corporate Governance and Securities Laws</td></tr>
<tr><td></td><td></td><td>2019/12/19</td><td>3.0</td><td>Taiwan Corporate</td><td>How Can Directors/Supervisors</td></tr>
</table></td><td>No major deviations</td></tr>
</table>

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Assessment items	Implementation Status								Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Y	N	Brief description						
							Governance Association	Direct and Supervise Corporate Risk Management and Crisis Handling by the Company?	
			Director	Huang, Wen-Hung	2019/12/19	3.0	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws	
					2019/12/19	3.0	Taiwan Corporate Governance Association	How Can Directors/Supervisors Direct and Supervise Corporate Risk Management and Crisis Handling by the Company?	
			Director	Hsu, Ching-Hsiung	2019/12/19	3.0	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws	
					2019/12/19	3.0	Taiwan Corporate Governance Association	How Can Directors/Supervisors Direct and Supervise Corporate Risk Management and Crisis Handling by the Company?	
					2019/07/30	3.0	Securities and Futures Institute	Legal Issues That Directors/Supervisors of Public Companies Should Pay Attention to	
			Director	Tsai, Chang-Hung	2019/10/24	3.0	Securities and Futures Institute	Corporate Governance and Recent Reforms of the Legal System	
					2019/10/24	3.0	Securities and Futures Institute	Analysis of IPR from the Perspective of Business Secrets	
					2019/12/19	3.0	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws	
					2019/12/19	3.0	Taiwan Corporate Governance Association	How Can Directors/Supervisors Direct and Supervise Corporate Risk Management and Crisis Handling by the Company?	
			Director	Li, Yi-Tsang	2019/11/06	3.0	Securities and Futures Institute	Case Studies of Financial Statement Fraud	
					2019/11/06	3.0	Taiwan Stock Exchange	Information Meeting on Effective Performance of Director Functions	
					2019/12/19	3.0	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws	
					2019/12/19	3.0	Taiwan Corporate Governance Association	How Can Directors/Supervisors Direct and Supervise Corporate Risk Management and Crisis Handling by the Company?	
			Director	Chang, Chi-Chun	2019/12/11	3.0	Securities and Futures Institute	Corporate Strategy and KPI	
					2019/12/11	3.0	Securities and Futures Institute	Employee Incentive and Compensation Strategy and Utilization of Relevant Tools	
					2019/12/19	3.0	Taiwan Corporate Governance Association	Corporate Governance and Securities Laws	

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Assessment items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Y	N	Brief description	

		2019/12/19	3.0	Taiwan Corporate Governance Association	How Can Directors/Supervisors Direct and Supervise Corporate Risk Management and Crisis Handling by the Company?

(2) Recusal of directors from discussion and voting on motions that involve conflicts of interest: Restrictions and recusal of directors with regard to motions that involve conflicts of interest are clearly stated in the provisions prescribing methods of exercise of rights by shareholders in the articles of incorporation.
(3) Purchase of liability insurance for directors and supervisors: The company has purchased liability insurance for all directors
(4) Investor relations, supplier relations, rights of stakeholders: The company has established a spokesperson system to facilitate inquiries on business conditions and consultation with regard to right and interest related issues by investors, suppliers, and stakeholders. The company maintains positive communication channels with banks, suppliers, and stakeholders.

9. Please describe adopted improvements and planned measures for prioritized areas requiring improvement as identified in the most recent corporate governance evaluation carried out by the TWSE Corporate Governance Center. （not required for companies which have not been evaluated）

(A) Adopted improvements
1.Disclosure of names and educational backgrounds of the management team (managers and above) on the corporate website
(B) Planned measures for prioritized areas
1. Disclosure of an English translation of the meeting handbooks and annual reports on the English version of the corporate website

Note: CPA independence assessment

Assessment criteria	Assessment results	Conformity to independence requirements
1. Does the CPA have a direct or material indirect financial interest/relationship with the Company?	No	Yes
2. Has the CPA extended any loans or issued any guarantees to the Company or its directors?	No	Yes
3. Does the CPA have a close business relationship or potential employment relationship with the Company?	No	Yes
4. Have the CPA and members of his/her assurance task force served as director or manager or fill a position for the Company that has a material impact on the Audit Committee at present or within the last two years?	No	Yes
5. Does the CPA provide non-assurance services for the Company that have a direct impact on audit tasks?	No	Yes
6. Does the CPA serve as a broker for shares or other securities issued by the Company?	No	Yes
7. Does the CPA serve as a defender or representative for the Company in the resolution of conflicts with third parties?	No	Yes
8. Is the CPA related to a director or manager of the Company or to personnel performing duties that have a material impact on audit cases?	No	Yes

(d) Remuneration Committee Operations

1. Remuneration committee member data

Status	Name \ Criteria	Meet One of the Following Professional Qualification Requirements in addition to at Least Five Years Work Experience			Independence Criteria(Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks (Note 2)
		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	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	Chang, Cheng-Lung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA
Independent director	Wei, Chia-Min			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA
Independent director	Chen, Tien-Wen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA

Note 1: If committee members meet one or several of the following criteria within two years before election or during their terms of office, please place a check in the column with the corresponding number

(1) Not an employee of the company or its affiliates

(2) Not a director or supervisor of the company or its affiliates， excluding independent director set up by the parent company and subsidiary based upon Company Law or local reulations.

(3) Not a shareholder owning over 1% stake in the company， in the names of himself/herself， the spouse， offspring before the age of majority， or others， or not one of the top-10 natural-person shareholders

(4) Not spouse or relatives within second kinship or relatives of direct lineage within third kinship of the aforementioned three kinds of persons

(5) Not director， supervisor， or employee of institutional shareholder owing over 5% stake in the company directly， or director， supervisor， or employee of the top-five institutional shareholders

(6) Not director， supervisor， manager， or shareholder with over 5% stake of specific company or institution with financial or business dealing with the company

(7) Not professionals providing commercial， legal， financial， and accounting services or consulting to the company or its affiliates; not owner， partner， director， manager， or spouse of such person of firms of sole proprietorship or partnership， companies， or institutions providing aforementioned services or consulting to the company and its affiliates.

(8) Without cases mentioned in various clauses of Article 30 of Company Law

(9) Professionals， sole proprietorships， partnerships， business owners of companies or institutions that do not provide audits for companies or related companies or business， legal， financial， accounting and other related services that have not received more than NT$ 500，000 in cumulative compensation in the past two years

Partners， directors (directors)， supervisors (supervisors)， managers and their spouses. However， members of the Compensation Committee， Public Takeovers Review Committee， or 1&A Special Committee performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate 1&A Act are not limited to this.

(10) Not a governmental， juridical person or its representative as defined in Article 27 of the Company Law

Note 2: If committee members are directors, please specify whether the regulations set forth in Paragraph 5, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter

2. Remuneration Committee Competencies

(1) Assessment and monitoring of the company's remuneration policies
(2) Assessment and setting of remuneration standards for directors (incl. Chairman and Vice Chairman)
(3) Assessment and setting of remuneration standards for executives above the level of president and Associate GM
(4) Assessment and setting of remuneration standards for executives
(5) Regular reviews of remunerations of directors (incl. Chairman and Vice Chairman) and top executives (incl. executives above the level of manager and associate GM) based on company goals, business performance, and competitive environment

3. Operations of the remuneration committee

(1) The Remuneration Committee of the company is comprised of three members
(2) Term of office of the current committee:

The term of office began on June 20, 2019 and will end on June 19, 2022 (on the same day as the 5th board of directors)
A total of 3 committee meetings (A) were convened in the most recent fiscal year (2019). Member qualifications and attendance records are as follows:

Title	Name	Attendance in person (B)	By proxy ©	Attendance rate (%) 【B/A】	Remarks
Convener	Chang, Cheng-Lung	3	3	100%	
Committee member	Chen, Ching-Hung	1	1	100%	Term of office completed on June 20, 2019
Committee member	Wei, Chia-Min	3	3	100%	
Committee member	Chen, Tien-Wen	1	1	50%	Newly appointed on June 20, 2019
Other items to be recorded:					

Title	Name	Attendance in person (B)	By proxy ©	Attendance rate (%) 【B/A】	Remarks
1. If the board rejects or revises suggestions submitted by the remuneration committee, the date of the board meeting, the session, content of the motion, the board resolution, and the response by the company to opinions of the remuneration committee members should be specified (if remunerations and compensations approved by the board are higher than those suggested by the committee, the actual discrepancies and reasons should be stated clearly): None 2. If objections or reservations to resolutions by committee members are recorded or declared in writing, the dates of committee meetings, sessions, contents of motions, the opinions of all committee members and responses to such opinions by the company should be specified: None					

(e) Performance of corporate social responsibility and its difference from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons

Assessment items	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
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?	✓		Under the materiality principle, the Company conducts risk assessment on the environment, society and corporate governance according to the situation of company operation and relevant regulations, and adjusts various risk management policies or strategies.	No major deviations
2.Does the company establish a dedicated or concurrent unit	✓		The company organizes CSR-related training courses and	No major deviations

Assessment items	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
in charge of promoting CSR with senior management authorized by the board to take charge of proposing CSR policies and reporting to the board?			education on a scheduled and non-scheduled basis.	
3.Environmental issues (1)Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(1)The company has always placed great emphasis on eco-friendliness and energy conservation to fulfill its responsibility in the field of environmental protection. Pollution prevention facilities have been installed in accordance with relevant laws and all production affiliates have passed the ISO14001 and OHSAS18001 certification. Environmental protection is implemented in the fields of environmental management, pollution prevention, and garbage reduction in the hope of making a contribution to global environmental protection efforts. In addition, the general affairs units are responsible for	No major deviations

Assessment items	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
			designating dedicated personnel in charge of the management of environmental protection operations in the fields of air pollution, waste water, and solid waste and relevant legal requirements.	
(2)Does the company endeavor to improve the efficiency of resource utilization and use recycled materials which have a low impact on the environment?	✓		(2)The company is committed to a more efficient utilization of resources and promotes low-carbon offices and inculcates water and power conservation habits among its employees.	No major deviations
(3) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	✓		(3)The company has already implemented energy conservation and carbon reduction activities. In addition to the reduced use of light tubes in public areas, the turning off of unnecessary lights as well as the use of AC temperature controllers and highly effective energy conservation equipment are promoted in office areas.	No major deviations

Assessment items	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
(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 pays attention to energy saving and carbon reduction at ordinary times, so as to save the power consumption in offices and production units; for general industrial waste and hazardous waste, the company reports to local environmental protection department every year; for industrial water consumption and power consumption, Engineering Department will formulate relevant targets every year, and conduct statistics on and examine the completion of targets every month.	No major deviations
4.Social issues (1)Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1)The company safeguards the legal rights and interests of its employees through various management systems and norms including the formulation of HR management regulations and staff work rules in accordance with relevant labor laws. The	No major deviations

Assessment items	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
(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?	✓		company also contributes to employee medical insurance, basic old-age insurance, unemployment insurance, occupational injury insurance, and maternity insurance. (2)The company allocates statutory contributions in accordance with Chinese law including social security contributions (old-age insurance, medical insurance, occupational injury insurance, unemployment insurance, and childbirth insurance) as well as contributions to the housing provident fund. In addition, new-year bonuses, marriage and childbirth cash gifts are also granted and regular contributions are made to welfare funds. Staff trips, dinner parties, and recreation activities are organized on a non-scheduled basis to enhance the mental and physical health of the staff and promote staff engagement and emotional attachment.	No major deviations

Assessment items	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
(3)Does the company provide a safe and healthy working environment and provide employees with regular safety and health training?	✓		(3) The company is committed to providing a comfortable, safe, and healthy work environment for its employees in accordance with laws and regulations governing public building safety and fire safety. It also organizes educational training and annual health checks for its employees on a regular basis and provides complete life and entertainment facilities including staff dorms and recreation centers.	No major deviations
(4)Does the company set up effective career development and training programs for its employees?	✓		(4)The company has established an effective career skill development program for its employees.	No major deviations
(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?	✓	ˇ	(5)The company doesn't sell its products to end consumers.	No major deviations

Assessment items	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
(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 contracts between the company and its main suppliers do currently not include provisions stipulating that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate a significant environmental and social impacts with its main suppliers: Relevant provisions will be added or removed in accordance with actual needs	The company will discuss the inclusion of relevant contract provisions stipulating that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate significant environmental and social impacts with its main suppliers.
5. Does the company reference internationally accepted		✓	The Company has prepared basic disclosure report according to	No major deviations

Assessment items	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?			the corporate social responsibility report (basic edition) promoted by Industrial Department Bureau, Ministry of Economic Affairs, despite the Company has not officially prepared complete report and acquired the certification from the third party, the Company has been devoting to implement relevant matters prescribed in international (GRI) report preparation criterion or guidelines.	
6. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: No major discrepancies exist as far as compliance with the CSR Best Practice Principles of the company is concerned.				
7.State clearly whether the CSR reports issued by the company have met the assurance standards of relevant verification organizations : NA				

(f) Implementation of Ethical Corporate Management and Adopted Measures

Implementation of Ethical Corporate Management

Assessment items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
1. Formulation of ethical corporate management policies and programs				
(1) Has the Company formulated ethical corporate management policies and are such policies and methods stated explicitly in the company's rules and regulations and externally circulated documents and do the board and management level honor the commitment to ethical corporate management?	✓		(1) The Company has formulated Ethical Corporate Management Best Practice Principles, which have been approved by the board of directors. These principles are disclosed on the Market Observation Post System and the corporate website (http://www.ygget.com) as well as in its annual reports and other promotional materials. All members of the top management level and board of directors of the group embrace an integrity-based business philosophy in the performance of their duties and fulfill their supervisory responsibilities to lay the foundation for sustainable development of the group.	No major deviations
(2) Has the Company established an assessment mechanism for unethical behavior risks to facilitate regular analysis and assessment of business activities associated with a high risk of unethical behavior within the scope of the Company's operations? Has it formulated programs for the prevention of unethical conduct that at least incorporate the preventive measures	✓		(2) The Company has included clearly formulated prevention programs and relevant handling procedures governing prohibition of bribery, illegal political contributions, improper charity donations or sponsorships, improper gifts, entertainment, or other benefits, leaking of business secrets, and impairment of stakeholder rights and interests in its Ethical Corporate	No major deviations

Assessment items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
set forth in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?			Management Operating Procedures and Code of Conduct	
(3) Do the programs to prevent unethical conduct contain clearly defined operating procedures, codes of conduct, penalties for violations, and a grievance system? Are these programs implemented and carried out? Does the Company implement regular reviews and amendments to the aforementioned programs?	✓		(3) The Company has included concrete directions including clearly defined operating procedures and code of conduct, penalties for violations, and a grievance system for the performance of duties by Company personnel in its Ethical Corporate Management Operating Procedures and Code of Conduct. The Audit Office reviews and amends the Ethical Corporate Management Best Practice Principles and Ethical Corporate Management Operating Procedures and Code of Conduct on a regular basis with reference to key international trends.	No major deviations
2. Implementation of ethical corporate management				
(1) Does the company evaluate integrity records of trading counterparties and do contracts signed with trading counterparties include clearly formulated provisions regarding ethical behavior?	✓		(1) Before the company establishes commercial relations with third parties, it carries out assessments of the legality, ethical corporate management policies, and past records of unethical behavior of suppliers, customers, or other trading counterparties to ensure the fairness and transparency of their business operations and guarantee that they will not request, offer, or accept bribes.	No major deviations
(2) Has the company established exclusively	✓		(2) The company has designated the audit office	No major deviations

Assessment items		Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
		Y	N	Brief description	
	dedicated units subordinate to the board to be in charge of proposing and enforcing ethical corporate management policies and submit regular reports (at least once a year) regarding the implementation progress to the board?			as its dedicated unit in charge of amendment, implementation, interpretation, and counseling services with regard to the "Ethical Corporate Management Operating Procedures and Code of Conduct" in addition to the recording and archiving of reported contents as well as supervision of implementation and submission of regular reports to the board of directors.	
(3)	Are policies in place to prevent conflicts of interest and have appropriate appeal channels been established and implemented?	✓		(3) The board directors uphold a high standard of self-discipline. When a proposal at a given board of directors meeting concerns the personal interest or the interest of the juristic person represented by any director, that director may state his/her opinions and respond to inquiries, but may not participate in the discussion or vote on that proposal and shall recuse himself or herself from any discussion and voting, where there is a likelihood that the interests of the company would be prejudiced. In addition, said director may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner. If in the course of conducting company	No major deviations

Assessment items		Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
		Y	N	Brief description	
				business, any personnel of the company discovers that a conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.	
(4)	Has the company established an effective accounting and internal control system to implement ethical corporate management? Are relevant audit plans formulated by internal audit units based on the results of unethical behavior risk assessments? Are regular audits of compliance with programs for the prevention of unethical conduct carried out by internal audit units or commissioned accountants based on these plans?	✓ ✓		(4) The company has established an accounting system and effective internal control system. Audit departments regularly review compliance with this accounting and internal control system and submit reports to the board of directors.	No major deviations
(5)	Does the company organize regular internal and external training on ethical corporate management?			(5) The company organizes regular training and education for directors, executives, employees, and appointees to provide them with a full understanding of the commitment, policies, and prevention	No major deviations

Assessment items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
			schemes of the company in the area of ethical corporate management and ward off unethical behavior.	
3. Implementation of the whistle-blowing system (1) Has the company established a clearly defined whistle-blowing and incentive system and convenient review channels? Has dedicated personnel been designated to ensure an appropriate processing of reported cases. (2) Has the company formulated standard operating procedures for the investigation and processing of received reports, follow-up measures and relevant confidentiality mechanisms? (3) Has the company adopted measures to protect whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	✓ ✓ ✓		(1) The company has set up reporting mailboxes to encourage employees to submit reports on detected malconduct that prejudices the interests of the company. The audit office is in charge of processing such reports. (2) The audit office carries out investigations of reported contents and reports the final results to the chairman in accordance with confidentiality principles. (3) The company is responsible for the confidentiality of the identity of the whistle-blower to prevent inappropriate dismissal or retaliation at the workplace against the whistle-blower.	No major deviations No major deviations No major deviations
Enhancing information disclosure (1) Does the company disclose its Ethical Corporate Management Best Practice Principles and effects of their promotion on its corporate website and the Market Observation Post System?	✓		(1) The company has already disclosed the norms set forth in the Ethical Corporate Management Best Practice Principles in the corporate governance section of the corporate website and the Market Post Observation System.	No major deviations
5. If the Company has established ethical corporate management principles based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: The company has				

Assessment items		Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
		Y	N	Brief description	
	formulated "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Operating Procedures and Code of Conduct" based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and requires compliance with these principles by all staff members.				
6.	Other important information to facilitate a better understanding of the company's ethical corporate management practices: (such as review and amendment of ethical corporate management best practice principles) The company closely monitors national and international developments in the field of ethical management related norms and encourages directors, executives, and employees to provide suggestions. Ethical management policies and promotion measures adopted by the company are reviewed and enhanced based on these suggestions to increase the effect of ethical corporate management.				

(g) If the company has formulated corporate governance best practice principles and relevant rules and regulations, query methods should be disclosed:
Please refer to the corporate website: http://www.ygget.com (Investor section/corporate governance)

(h) Other important information that facilitates a better understanding of corporate governance practices should also be disclosed: None

i) Implementation of the internal control system

1. Declaration regarding the internal control system

Yeong Guan Energy Technology Group Co., Ltd.

Declaration regarding the internal control system

Date: March 12, 2020

Based on the results of a self-inspection, the company hereby makes the following declaration regarding the internal control system in 2019:

I. The company is fully aware of the fact that directors and managers of this company shall be fully responsible for the establishment, implementation, and maintenance of an internal control system. It has already established such a system in order to guarantee achievement of a wide range of goals including effectiveness and efficiency of company operations (e.g., profitability, performance, and asset security), reliability, timeliness, and transparency of reporting, and compliance with relevant laws, rules, and regulation.

II. The internal control system faces inherent constraints. No matter how perfect the design of the system is, an effective internal control system may only provide reasonable guarantees regarding the achievement of the aforementioned three goals. Furthermore, the effectiveness of the internal control system is affected by changes of the environment and external conditions. However, the internal control system of the company is equipped with a self-monitoring mechanism. Once shortcomings are identified, the company adopts corrective measures in a prompt manner.

III. The company judges the effectiveness of the design and implementation of the internal control system based on the judgment criteria prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as “these Regulations”). The judgment criteria for the internal control system adopted in these Regulations divide the internal control system into five main constituents based on the management and control process: 1. Control environment; 2. Risk assessment; 3. Control activities; 4. Information and communication and; 5. Monitoring. Each constituent includes several items. For more details on the aforementioned items, please refer to the provisions set forth in these Regulations.

IV. The company inspects the effectiveness of the design and implementation of the internal control system based on the aforementioned judgment criteria

V. Based on the results of the aforementioned inspections, the company believes that the design and implementation of the internal control system on December 31, 2019 (including the supervision and management of subsidiaries) was efficient as far as goal achievement in the field of results and efficiency of operations, reliability of financial reports, and legal compliance are concerned and may provide reasonable guarantees regarding the achievement of the aforementioned goals.

VI. This declaration will be included as a main component of the annual report and prospectus of the company and will be made public. If the aforementioned published contents involve illegal activity such as fraud or concealment, the company shall assume legal liability pursuant to Article 20, 32, 171, 174 of the Securities and Exchange Act.

VII. This declaration was approved unanimously by the board of directors with an attendance of 10 directors on March 12, 2020. All directors consented to the contents of this declaration as stated herein.

Yeong Guan Energy Technology Group Co., Ltd.

Chairman: Signature/Seal

President: Signature/Seal

2. If an accountant is commissioned to review the internal control system, the contents of the review report shall be disclosed: NA

(j) Penalties imposed in accordance with the law upon the company or its in-house personnel, disciplinary action taken by the company against its in-house personnel for violations of the company's internal control regulations, and description of principal shortcoming(s) and adopted improvements during the most recent fiscal year up to the date of printing of the annual report: NA

(k) Major resolutions adopted by the shareholders' meeting and board during the most recent fiscal year up to the date of printing of the annual report

(k) Major resolutions adopted by the shareholders' meeting and board during the most recent fiscal year up to the date of printing of the annual report

1. Major resolutions adopted by the General Shareholders' Meeting and their implementation status in 2019:
   (1) Approval of the 2018 Business Report and Consolidated Financial Statement
   (2) Approval of the 2018 Earnings Distribution and Loss Make-up Proposal
   Implementation status: No earnings distributed in 2018
   (3) Deliberation of the amendment to the Articles of Incorporation
   Implementation status: Change of Cayman Islands registration was completed on July 18th of 2019 and this has been publicly announced on the Company's website accordingly
   (4) Election of a new board of directors (including independent directors)
   Implementation status: Change of Cayman Islands registration was completed on July 24th of 2019
   (5) Deliberation of the Lifting of Non-Competition Restrictions for Newly Appointed Directors
   Implementation status: Carried out in accordance with shareholders' meeting resolutions

2. Major resolutions of board meetings in 2019 up to the printing date of the annual report:

Meeting type	Date	Major resolutions
Board meeting	March 12, 2019	(1) Approval of the 2018 Consolidated Financial Statement (2) Approval of the 2018 Business Report (3) Planned release of the 2018 Internal Control Statement (4) Deliberation of the amendment to the Articles of Incorporation (5) Deliberation of the amendment to the Procedures Governing Endorsements and Guarantees (6) Deliberation of the amendment to the Procedures Governing Acquisition or Disposal of Assets (7) Deliberation of the amendment to the Procedures Governing

Meeting type	Date	Major resolutions
		Derivative Trading (8) Cancellation of treasury stock and setting of a reverse split base date (9) Deliberation of the election of a new board (incl. independent directors) (10) Deliberation of the lifting of the non-competition restrictions for newly appointed directors (11) Deliberation of the convening of the 2019 General Shareholders' Meeting
Board meeting	May 7, 2019	(1) Deliberation of the 2018 Earnings Distribution and Loss Make-up Proposal
Board meeting	June 20, 2019	(1) Chairperson election (2) Vice Chairperson election (3) Appointment of audit committee members (4) Appointment of remuneration committee members
Board meeting	July 2, 2019	(1) Designation of Mr. Chang, Hsien-Ming as Litigation/Non-Litigation Agent of the Company (as a replacement for Mr. Chang, Wen-Lung) (2) Replacement of the acting spokesperson (3) Promotion of newly appointed managers (4) Approval of compensations and transportation allowances for newly appointed directors (5) Planned application for a credit line from Entie Commercial Bank (6) Planned provision of endorsements/guarantees for the Company's subsidiaries Yeong Guan Holdings Co., Limited (Taiwan Branch Organization) and Yeong Guan Holdings Co., Limited (Taiwan Branch)
Board meeting	August 8, 2019	(1) Deliberation of the amendment to the Audit Committee Charter (2) Deliberation of the appointment of a Chief Governance Officer (3) Approval of fixed monthly salaries for newly promoted managers
Board meeting	November 7, 2019	(1) Deliberation of the 2020 Audit Plan (2) Deliberation of the amendment to the Ethical corporate Management Best Practice Principles (3) Deliberation of CPA appointment and fees in 2019 (4) Deliberation of the planned application for a credit line from Chinatrust Commercial Bank, Ltd., Taiwan Cooperative Bank, Ltd., Bank SinoPac (Hong Kong), Citibank Taiwan Ltd., Shin Kong Commercial Bank Co., Ltd., BNP Paribas, and DBS Bank (Taiwan) Ltd. (5) Planned provision of an endorsement/guarantee for the Company's subsidiary Yeong Chen Asia Pacific Co., Ltd. (6) Deliberation and retroactive ratification of the planned provision of an endorsement/guarantee for the Company's subsidiary Jiangsu Bright Steel Fine Machinery Co., Ltd. (7) Deliberation and retroactive ratification of the planned provision of an endorsement/guarantee for the Company's subsidiary Shanghai No.1 Machine Tool Foundry (Suzhou)

Meeting type	Date	Major resolutions
		Co., Ltd.
Board meeting	March 12, 2020	(1) Approval of the 2019 Consolidated Financial Statement (2) Approval of the 2019 Business Report (3) Approval of the 2019 year-end bonus for managers (4) Deliberation of the 2019 Director and Employee Compensations Proposal (5) Deliberation of the 2019 Earnings Distribution Proposal (6) Deliberation of the planned release of the 2019 Internal Control Statement (7) Deliberation of the amendment to the Articles of Incorporation (8) Deliberation of the amendment to the Rules of Procedure for Board of Directors Meetings (9) Deliberation of the amendment to the Rules of Procedure for Shareholders' Meetings (10) Deliberation of the amendment to the Corporate Social Responsibility Best Practice Principles (11) Deliberation of the amendment to the Ethical Corporate Management Operating Procedures and Code of Conduct (12) Deliberation of the amendment to the Procedures Governing Endorsements and Guarantees (13) Deliberation of the amendment to the Procedures Governing Lending of Funds (14) Deliberation of the amendment to the Financial Statement Preparation Procedures (15) Deliberation of the planned application for a credit line from Taihsin International Bank Ltd. (16) Deliberation of the planned application for a credit line from Jih Sun International Bank (17) Revision of the 2015 Fund Utilization Plan Involving Cash Capital Increase through Issuance of New Common Shares and 2nd Issue of Domestic (ROC) Unsecured Convertible Bonds (18) Approval of fixed monthly salaries for managers of the Company (19) Deliberation of the convening of the 2020 General Shareholders' Meeting
Board meeting	April 20, 2020	(1) Director by-election
Board meeting	May 6, 2020	(1) Review of the list of director candidates nominated during the 2020 General Shareholders' Meeting (2) Approval of the 3nd Issue of Domestic (ROC) Unsecured Convertible Bonds and the Issuance of New Shares for Capital Increase (3) Private Placement of securities of the Company

(l) Directors or supervisors who were on record or had submitted a written declaration for holding a dissenting opinion on major resolutions passed by the board of directors in the most recent fiscal year up to the publication date of the annual report: None

(m) Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports (including the Chairman, President, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, and R&D Supervisor) in the most recent fiscal year up to the publication date of the annual report: None

4. Professional fees of CPAs

(a) Range of professional fees of CPAs

Name of Accounting Firm	Accountant Name		Audit Period	Remarks
Deloitte & Touche	Chen, Chih-Yuan	Chang, Ching-Ren	2019.01.01~2019.12.31	

Unit: 1000 NTD

Item / Range of fees		Audit fee	Non-audit fees	Total
1	Below NT$2,000			
2	NT$2,000～NT$4,000			
3	NT$4,000～NT$6,000			
4	NT$6,000～NT$8,000	7,700	—	7,700
5	NT$8,000～NT$10,000			
6	Above NT$10,000			

Unit: 1000 NTD

Accounting firm	Name of accountant	Audit fee	Non-audit fees					Accountant audit period	Note
			System design	Business registration	HR	Other (Note 1)	Subtotal		
Deloitte Taiwan	Chen, Chih-Yuan Chang, Ching-Ren	7,700	0	0	0	0	0	2019.01.01~ 2019.12.31	

(b) Non-audit fees paid to CPAs, their accounting firms, and related businesses make up over 25% of the audit fees: NA

(c) Reduction of audit fees after replacement of the accounting firm compared to the year preceding replacement: NA

(d) Reduction of audit fees by more than 15% compared to the previous year: NA

5. Information on change of accountant(s): NA

6. The Chairman, President, or executives in charge of finance or accounting affairs were employed in the accounting firm the CPAs are part of or related businesses in the most recent fiscal year: NA

7. Transfer of stocks or changes in pledged shares of directors, supervisors, and executives, and shareholders holding over 10% of the total shares in the most recent fiscal year up to the publication date of the annual report

(a) Changes in Shareholding of Directors, Supervisors, Executives and Major Shareholders

Title	Name	2019		2020 up to April 21	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and major shareholder	Chang, Hsien-Ming	—	—	—	—
Nominee shareholder appointed by chairman and major shareholder	DREEBY INDUSTRY CO., LIMITED	—	—	—	—
Vice Chairman and Spokesman	Tsai, Shu-Ken	(10,000)	—	—	—
Director and Executive Vice President	Huang, Wen-Hung	—	—	—	—
Director and Executive Vice President	Hsu, Ching-Hsiung	—	—	—	—
Director	Tsai, Chang-Hung	—	—	—	—
Director and Chief Strategy Officer	Li, Yi-Tsang	—	—	—	—
Director	Chang, Chun-Chi	13,000	—	—	—
Independent director	Chang, Cheng-Lung	—	—	—	—
Independent director	Wei, Chia-Min	—	—	—	—
Chang, Chun-Chi	Chen, Tien-Wen	—	—	—	—
Executive Vice President	Kuo, Jui	—	—	—	—
Executive Vice President	Fang, Cheng-Jiang	—	—	—	—
Executive Vice President	Liang, Li-Sheng	—	—	—	—
Vice President	Liu, Han-Pang	—	—	—	—
Vice President	Lin, Yu-I	—	—	—	—
Vice President	Huang, Ching-Chung	—	—	—	—
Vice President	Lin, Tai-Feng	—	—	—	—

Share Transfer to Related Parties: NA

Shares pledged to related parties: NA

8. Information Disclosing the Relationship or Spousal or Kinship Relationships within the Second Degree between any of the Company's Top Ten Shareholders

As of April 21, 2020/Unit: Shares; %

NAME/TITLE	Personal shareholding		Shareholding of spouse or minor children		Shareholding by nominee arrangement		The relationship between any of the company's top ten shareholders (name/title)		REMARKS
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name /title	Relationship	
Chang, Hsien-Ming	13,693,540	12.97%	3,120	0.00%	6,241,000	5.91%			
PJ Asset Management Co., Ltd. Representative: Lin, Chen-Hai	8,530,000	8.08%	-	-	-	-			
Jiayuan Investment Co., Ltd. Representative : Tang, Chu-Lie	8,388,000	7.94%	-	-	-	-			
Dreeby Industry Co., Limited Representative: Chang, Hsien-Ming	6,241,000	5.91%	-	-	-	-	Chang, Hsien-Ming		Nominee shareholder
Mercuries Life Insurance Representative: Chen, Hsiang-Chieh	5,517,000	5.22%	-	-	-	-			
Chang, Wen-Lung	2,895,313	2.74%	-	-	-	-			
TransGlobe Life Insurance Inc. Representative: Peng, Teng-Te	2,398,000	2.27%	-	-	-	-			
Yongguan New Material Co.,Limited Representative: Li Chang, Yueh-Yun	2,020,000	1.91%	-	-	-	-			
Wu, Ting-Tsai	1,783,701	1.69%	-	-	-	-			
JPMorgan Chase Bank N.A., Taipei Branch maintains custody account of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds.	1,216,740	1.15%	-	-	-	-	-	-	

9. Number of shares held and consolidated shareholding ratio of the company, directors, supervisors, executives, and businesses directly or indirectly controlled by the company in the same joint venture business

As of December 31, 2019/Unit: 1,000 Shares; %

Joint venture business	Investments by the company		Investments by directors, supervisors, executives, and businesses directly or indirectly controlled by the company		Total investments	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Yeong Guan Holdings Co., Ltd.	146,000	100.00	—	—	146,000	100.00
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	37,500	75.00	—	—	37,500	75.00
Yeong Guan International Co., Ltd.	506,000	100.00	—	—	506,000	100.00
Shin Shang Trade Co., Ltd.	50	100.00	—	—	50	100.00
Yeong Chen Asia Pacific Co., Ltd.	Note	100.00	—	—	Note	100.00
Dongguan Yeong Guan Mould Factory Co., Ltd.	Note	100.00	—	—	Note	100.00
Ningbo Yeong Shang Casting Iron Co., Ltd.	Note	100.00	—	—	Note	100.00
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Note	100.00	—	—	Note	100.00
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Note	100.00	—	—	Note	100.00
Ningbo Yeong Chia Mei Trade Co., Ltd.	Note	100.00	—	—	Note	100.00
Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.	Note	94.33	—	—	Note	94.33
Qing Dao Rui Yao Building Material Co., Ltd.	Note	50.00		50.00	Note	100.00
Jiangsu Yeong Ming Heavy Industry Co., Ltd.	Note	100.00	—	—	Note	100.00

Note: Limited liability company that has not issued any shares

IV. Capital Overview

1. Capital and shares

(a) Source of Capital

1. Capital formation process

Month/ Year	Par value	Authorized capital		Paid-in capital		Remarks		
		Shares (1000 shares)	Amount (1000 dollars)	Shares (1000 shares)	Amount (1000 dollars)	Sources of capital	Capital Increased by Assets Other than Cash	Other
2008.1	-	Common shares 1,000	HKD 100	1,000	HKD 100	Company establishment	NA	
2008.9	-	Common shares 985,000 Special shares 15,000	HKD 100,000	50,000	HKD 5,000	Organizational restructuring	NA	
2009.5	USD 2.08	Common shares 1,000,000	HKD 100,000	57,822	HKD 5,782	Cash capital increase	NA	
2009.8	USD 1.51	Common shares 1,000,000	HKD 100,000	77,683	HKD 7,768	Cash capital increase	NA	
2010.3	-	Common shares 120,000	NTD 1,200,000	80,000	NTD 800,000	Conversion of capital into NT dollars	NA	
2012.4	NTD 53	Common shares 120,000	NTD 1,200,000	88,889	NTD 888,890	Cash capital increase	NA	
2012.9	-	Common shares 120,000	NTD 1,200,000	100,889	NTD 1,008,890	Capital increase from earnings	NA	
2014.8	NTD 118	Common shares 120,000	NTD 1,200,000	104,889	NTD 1,048,890	Cash capital increase	NA	
2015.3	NTD 153	Common shares 120,000	NTD 1,200,000	105,793	NTD 1,057,930	Convertible bond conversion	NA	
2015.4	NTD 153	Common shares 120,000	NTD 1,200,000	105,862	NTD 1,058,622	Convertible bond conversion	NA	
2015.6	NTD 149	Common shares 150,000	NTD 1,500,000	111,212	NTD 1,112,118	Convertible bond conversion	NA	
2015.7	NTD 149	Common shares 150,000	NTD 1,500,000	112,151	NTD 1,121,507	Convertible bond conversion	NA	
2015.8	NTD 149	Common shares 150,000	NTD 1,500,000	112,155	NTD 1,121,545	Convertible bond conversion	NA	
2015.10	NTD 168	Common shares 150,000	NTD 1,500,000	117,155	NTD 1,171,545	Cash capital increase	NA	
2015.10	NTD 148.6	Common shares 150,000	NTD 1,500,000	117,830	NTD 1,178,303	Convertible bond conversion	NA	
2015.11	NTD 148.6	Common shares 150,000	NTD 1,500,000	117,845	NTD 1,178,451	Convertible bond conversion	NA	
2015.12	NTD 148.6	Common shares 150,000	NTD 1,500,000	117,980	NTD 1,179,796	Convertible bond	NA	

						conversion		
2016.1	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,126	NTD 1,181,263	Convertible bond conversion	NA	
2016.2	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,299	NTD 1,182,986	Convertible bond conversion	NA	
2016.3	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,702	NTD 1,187,023	Convertible bond conversion	NA	
2016.4	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,771	NTD 1,187,709	Convertible bond conversion	NA	
2016.6	NTD 148.6	Common shares 300,000	NTD 3,000,000	118,782	NTD 1,187,824	Convertible bond conversion	NA	
2016.8	NTD 148.6	Common shares 300,000	NTD 3,000,000	118,818	NTD 1,188,175	Convertible bond conversion	NA	
2018.3	-	Common shares 300,000	NTD 3,000,000	111,618	NTD 1,116,175	Writing-off of repurchased treasury shares	NA	
2019.3	-	Common shares 300,000	NTD 3,000,000	105,618	NTD 1,056,175	Writing-off of repurchased treasury shares	NA	

2. Type of stock

April 21, 2020

Share type	Authorized capital			Remarks
	Issued shares	Unissued shares	Total shares	
Common	105,617,519 shares	194,382,481 shares	300,000,000 shares	

3. Information for the shelf registration system: NA

(b) Shareholder Structure

As of April 21, 2020; Unit: Persons; Shares; %

Shareholder structure / Number	Government agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions& Natural Persons	Total
Number of shareholders	1	3	31	64	6136	62,535
Number of shares	500,000	8,635,000	25,958,601	9,611,951	60,911,967	105,617,519
Shareholding ratio (%)	0.47%	8.18%	24.58%	9.10%	57.67%	100.00%

Note: The shareholding ratio of Mainland Chinese capital in this company is zero

(c) Shareholding distribution status:

As of April 21, 2020; Unit: Persons; Shares; %

Shareholding classes	Number of shareholders	Number of shares	Shareholding Ratio (%)
1 ~ 999	523	68,159	0.07%
1,000 ~ 5,000	4,413	8,925,993	8.45%
5,001 ~ 10,000	612	4,911,092	4.65%
10,001 ~ 15,000	199	2,561,540	2.43%
15,001 ~ 20,000	138	2,539,962	2.41%
20,001 ~ 30,000	109	2,770,536	2.62%
30,001 ~ 40,000	62	2,246,939	2.13%
40,001 ~ 50,000	35	1,621,839	1.54%
50,001 ~ 100,000	60	4,247,471	4.02%
100,001 ~ 200,000	32	4,365,766	4.13%
200,001 ~ 400,000	23	6,184,731	5.86%
400,001 ~ 600,000	7	3,359,564	3.18%
600,001 ~ 800,000	8	5,180,983	4.90%
800,001 ~ 1,000,000	2	1,788,156	1.69%
1,000,001 or more	20	57,307,842	54.26%
Total	5,864	105,617,519	100.00%

(d) List of Major Shareholders

As of April 21, 2020; Unit: Shares; %

Number of shares and shareholding ratio / Name of major shareholder	Number of shares	Shareholding ratio (%)
Chang, Hsien-Ming	13,693,540	12.97%
PJ Asset Management Co., Ltd.	8,530,000	8.08%
Jiayuan Investment Co., Ltd.	8,388,000	7.94%
Dreeby Industry Co., Limited	6,241,000	5.91%
Mercuries Life Insurance	5,517,000	5.22%
Chang, Wen-Lung	2,895,313	2.74%
TransGlobe Life Insurance Inc.	2,398,000	2.27%
Yongguan New Material Co.,Limited	2,020,000	1.91%
Wu, Ting-Tsai	1,783,701	1.69%
JPMorgan Chase Bank N.A., Taipei Branch maintains custody account of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,216,740	1.15%

(e) Market Price, Net Worth, Earnings, and Dividends per Share in the previous two fiscal years

Unit: NTD; 1000 shares

Item \ Year			2018	2019	Up to March 31, 2020
Market price per share	Highest		104	91.3	65
	Lowest		38.3	47.3	48.2
	Average		62.26	62.22	57.91
Net worth per share	Before distribution		72.85	72.54	70.56
	After distribution		72.85	72.54	—
Earnings per share	Weighted average shares		112,293	105,896	105,617
	EPS		(2.48)	1.54	(1.06)
Dividends per share	Cash dividends		0	0.5	—
	Stock dividends	—	—	—	—
		—	—	—	—
	Accumulated undistributed dividends		Nil	Nil	—
Return on investment	Price-Earnings Ratio (Note 1)		(25.1)	40.40	—
	Price-Dividend Ratio (Note 2)		—	124.44	—
	Cash dividend yield rate (Note 3)		—	0.8%	—

Note 1: Price-Earnings Ratio＝Average closing price per share in the respective year/Earnings per Share

Note 2: Price-Dividend Ratio＝Average closing price per share in the respective year/Cash dividends per share

Note 3: Cash dividend yield rate＝Cash dividends per share/Average closing price per share in the respective year

Note 4: The 2019 Earnings Distribution Proposal was approved by board resolution on March 12, 2020 and will be submitted to the shareholders' meeting for ratification on June 19, 2020

(f) Dividend Policy and Implementation Status

1. Dividend policy as prescribed in the Articles of Incorporation

Dividends are paid to shareholders based on their shareholding ratios upon approval by ordinary resolution of the shareholders' meeting, or in accordance with the conditions specified in Article 11.4(a) of the Articles of Incorporation by supermajority resolution of the board provided that the Articles of Incorporation and directions of the shareholders' meeting are not violated. Dividends may be paid in form of cash, shares, or fully or partially in different types of assets. The value of these assets is determined by the board of directors. The company does not pay interest on undistributed dividends.

The board of directors may resolve to distribute all or part of the dividends from designated assets

(shares or securities of other companies) and shall deal with problems generated by this distribution. The board of directors shall determine the value of said specified assets under condition that the aforementioned general provisions are not affected. It may also resolve to pay dividends to certain shareholders in cash in place of designated assets and may decide to convey said designated assets to a trustee under appropriate conditions.

Unless stipulated otherwise in relevant laws, Article 11.4 (a) of the Articles of Incorporation, the Articles of Incorporation, or the rights attached to shares, the company may distribute earnings in accordance with board earnings distribution proposals approved by ordinary resolution of the General Shareholders' Meeting. The company may not pay dividends or make other distributions unless based on realized or unrealized earnings, share premium accounts, legally authorized reserves, or other funds. Unless rights attached to shares stipulate otherwise, all dividends shall be calculated based on the number of held shares and amounts paid by shareholders. If share issue conditions prescribe the calculation of dividends from a specified date, calculations shall be made accordingly.

Where the Company earns profits in a fiscal year (as defined below), 2% - 15% shall be allocated as employee bonuses. The beneficiaries of such compensations shall include employees of subsidiaries who meet certain conditions. A maximum of 3% of the aforementioned profits may be allocated as director compensations. The employee bonus and director compensation proposal shall be approved by resolution of a majority of directors with a minimum of 2/3 of all directors in attendance and shall be reported to the shareholders' meeting. In case of accumulated losses, a specified amount shall be retained for compensation prior to the allocation of employee bonuses and director compensations in accordance with the aforementioned ratios. The term "profits" shall refer to earnings before tax. The term "earnings before tax" shall refer to the amount prior to payment of employee bonuses and director compensations.

As for the determination of dividend policies, the board of directors determines the amounts of dividends and other distributions (if applicable) in each fiscal year based on a clear understanding of the maturity of the company's operations and services and the stable income situation and sound financial structure of the company and requests approval by the shareholders. The board of directors shall:

(a) take into account the earnings, overall development, financial planning, capital demands, industry outlook, and future prospects of the company in the respective fiscal year to safeguard the rights and interests of the shareholders and;
(b) Shall make allocations from net income in the current quarter for (i) reserves for the payment of taxes in the respective fiscal year (ii) compensation of losses (iii) 10% general reserves and (iv) reserves as determined by the board of directors pursuant to Article 14.1 of the Articles of Incorporation or special reserves required by authorities in charge of securities pursuant to regulations for public companies.

The board of directors shall allocate a minimum of 20% of the distributable amount as shareholder dividends upon allocation of amounts deemed appropriate by the board of directors as employee bonuses and director compensations in accordance with relevant regulations set forth in Article 13.4 and the dividend distribution policy specified in Article 13.5 under the premise of legal compliance.

Dividends shall be subject to approval by resolution of the shareholders' meeting.

Shareholder dividends and employee bonuses may be paid out to employees or shareholders as cash, unissued shares purchased with said amount, or a combination of these two methods. Issued cash dividends shall make up at least 10% of the total dividends paid to shareholders. The company does not pay interest on undistributed dividends and bonuses.

2. Dividend distribution in this fiscal year:
The board of directors approved the 2019 Earnings distribution proposal on March 12, 2020 with a planned distribution of cash dividends amounting to NT$ 0.5 per share. The proposal will be submitted to the shareholders' meeting on June 19, 2020 for ratification. Earnings are to be distributed as follows:

Unit: NTD

Item	Amount
Undistributed earnings at the beginning of the quarter	786,993,541
plus: Net income after taxes for this quarter	162,975,530
minus: Investment Adjustment to Retained Earnings under Equity Method	(5,988,203)
minus: Legal reserves	(16,297,553)
minus: Special reserves	(379,863,511)
Distributable earnings in this fiscal year	547,819,804
Distribution items:	
Cash dividend	52,808,760
Undistributed earnings at the end of the period	495,011,044

Note: Details on special reserves: Exchange differences generated by translation of foreign financial statements

(g) Impact of stock dividends proposed by this shareholders' meeting on business performance and EPS:
The 2019 Dividend Distribution Proposal was approved by board resolution on March 12, 2020. It is planned to submit it for resolution by the shareholders' meeting on June 19, 2020. Due to the fact that only cash dividends of NT$ 0.5 per share will be issued to shareholders, no significant impact is expected on the future operating performance of the Company.

(h) Compensation of employees, directors and supervisors

1. Quotas or range of compensations of employees, directors and supervisors as specified in the Articles of Incorporation: Please refer to Paragraph (f) 1.

2. Estimation basis for employee bonuses and compensations of directors and supervisors for this quarter, calculation basis for number of shares allocated as stock bonus, and accounting

procedures in case of discrepancies between actually distributed amounts and estimated figures: A proportional basis for the distribution of payable employee bonuses and director compensations in 2019 shall be determined based on the distribution intervals of 2%~15% and 3% after allocation of 10% legal reserves and special reserves from net income after tax (minus employee bonuses and director compensations). In case of major changes of distribution amounts determined by the board of directors after year end, the originally allocated annual expenses shall be adjusted. Further changes on the date of the shareholders' meeting resolution shall be handled as accounting estimate changes. Annual adjustments shall be entered into accounts by resolution of the shareholders' meeting. If the shareholders' meeting resolves to pay out employee bonuses as stock, the number of shares allocated as stock dividends shall be determined based on payable bonus amounts divided by fair stock value. The term fair stock value shall refer to the closing price on the day prior to the shareholders' meeting resolution date (upon consideration of ex-right/ex-dividend impacts)

3. Compensations approved by the board of directors:

(1) Employee bonuses and director and supervisor compensations in form of cash payment or dividend distribution. Where there is a discrepancy between such compensations and recognized fees and estimated amounts, the actual difference as well as the reasons and handling thereof shall be specified: The board of directors has approved employee compensations of NT$ 10,000,000 distributed in cash.
(2) Amount of employee bonuses paid as distributed dividends/ratio of employee bonuses paid as dividends to after-tax net income as stated on the individual financial statement and total employee bonuses: NA
(3) Pro-forma EPS upon deduction of proposed employee bonuses and director/supervisor compensations: The Company has already taken into account employee bonus expense estimates in the 2019 Financial Statement. Calculated EPS is therefore identical to the financial statement.

4. Actual distribution of employee, director, and supervisor compensations in the previous year (including number and value of distributed shares and share price); where there is a discrepancy between actual compensations and approved amounts, the actual difference as well as the reasons and handling thereof shall be specified: NA

(i) Repurchase of shares by the company:

Batch of Buyback	Second Batch
Purpose of Buyback	Safeguard Company's Credibility & Shareholder's Equities
Period of Buyback	December 21, 2018 to February 20, 2019
Range of Buyback Prices	35.00~76.59
Type & Quantity for Buyback Shares	6,000,000 Shares
Amount for Shares Already Bought Back	344,840,849
Percentage of Shares Already Bought Back Against Shares to be Bought Back (%)	100%
Number of Shares Already Cancelled or Transferred	6,000,000 Shares
Number of Accumulated Company Shares Held	0
Percentage of Accumulated Company Shares Held Against Total Number of Shares Issued (%)	0%

2. Issuance of company bonds:

1. Issuance of company bonds

Type of corporate bond		1st Issue of Domestic (ROC) Unsecured Convertible Bonds	2nd Issue of Domestic (ROC) Unsecured Convertible Bonds
Issue (offer) Date		June 3, 2014	August 18, 2015
Denomination		NT$ 100,000 each	NT$ 100,000 each
Place of issuance and transaction		Taipei Exchange	Taipei Exchange
Issuing price		Fully issued at par price	Fully issued at par price
Total amount		NT$ 1.5 billion	NT$ 2.5 billion
Interest rate		0%	0%
Maturity		5 years; Maturity date: June 3, 2019	5 years; Maturity date: August 18, 2020
Guarantee agency		None	None
Trustee		Trusts Department of Land Bank of Taiwan	Trusts Department of Land Bank of Taiwan
Underwriter		KGI Securities Co. LTD.	KGI Securities Co. LTD.
Certified Lawyer		Attorney Song, Tian-Hsiang from Lee and Li Attorneys-At-Law	Attorney Wang, Ya-Hsien from Lee and Li Attorneys-At-Law
CPA		Deloitte Touche Tohmatsu Limited (DTTL) Accountants Li, Tung-Feng and Gong, Zhe-Li	Deloitte Touche Tohmatsu Limited (DTTL) Accountants Li, Tung-Feng and Gong, Zhe-Li
Payback method		Except for redemption by the company, reselling by bondholders, or transfer, the bonds will be bought back with bond denomination plus interest compensation, which is 105.10% of the denomination (annual yield is about 1%) in a lump cash payment.	Except for redemption by the company, reselling by bondholders, or transfer, the bonds will be bought back with bond denomination plus interest compensation, which is 102.53% of the denomination (annual yield is about 0.5%) in a lump cash payment.
Outstanding principal		Nil	NT$ 6,400,000
Provisions of redemption and prepayment		Please refer to the issuance and conversion procedures.	Please refer to the issuance and conversion procedures.
Restrictions		None	None
Credit rating agency, credit rating date, and corporate bond rating results		None	None
Other rights	Converted (exchanged or subscribed) common shares, global depository receipts, or amount of other securities.	As of the maturity date of the company bond, a total of NT$ 1,354,900,000 have been converted into 8,928,504 ordinary shares of a face value of NT$10 each.	Conversion started on April 21, 2020; no bonds have been converted yet
	Issuance and conversion (exchange or subscription) procedures	Please refer to the credit section of the market observation post system for bond issuance information	Please refer to the credit section of the market observation post system for bond issuance information
Impact of issuance and conversion, exchange and subscription methods and issuance conditions on equity dilution, possible dilution on stock equity and shareholder's equity		The company bond already matured on June 3rd, 2019.	According to the current conversion price of NT$ 195.1, 32,804 shares need to be issued if all shares are to be converted to common shares. The impact on shareholders' equity is limited so far.
Commissioned agency for exchanged object		Not applicable	Not applicable

2. Convertible bond data

Corporate bond type		(15891) 1st Issue of Domestic (ROC) Unsecured Convertible Bonds	
Item \ Year		2019	Current year until April 30, 2020
Market price of convertible bonds	Highest	—	—
	Lowest	—	—
	Average	—	—
Conversion price		137.2	NA
Issue (offer) date and conversion price on issue date		Issue date: June 3, 2014 Conversion price on issue date: 158	NA
Conversion method		Issuance of new shares	NA

Note: The company bond already matured on June 3rd, 2019.

Corporate bond type		(15892) 2nd Issue of Domestic (ROC) Unsecured Convertible Bonds	
Item \ Year		2019	Current year until April 30, 2020
Market price of convertible bonds	Highest	101.00	—
	Lowest	100.00	—
	Average	100.45	—
Conversion price		199.9	195.1
Issue (offer) date and conversion price on issue date		Issue date: August 18, 2015 Conversion price on issue date: 217	Issue date: August 18, 2015 Conversion price on issue date: 217
Conversion method		Issuance of new shares	Issuance of new shares

3. Exchange of corporate bond date: NA
4. Shelf registration of issued corporate bonds: NA
5. Corporate bonds with attached warrant: NA

3. **Preferred shares: None**

4. **Overseas depositary receipts: None**

5. **Employee stock option certificates: None**

6. **Restricted Employee Shares Compensation: None**

7. **Status of New Shares Issuance in Connection with Mergers and Acquisitions: None**

8. **Implementation of fund utilization plans:**

The Company raised a total of NT$ 2.5 billion through the 2nd Issue of Domestic (ROC) Unsecured Convertible Bonds in August 2015. These funds were mainly used for the construction of plant buildings, purchase of machinery and equipment, and the replenishment of working capital. These bonds are expected to be exercised in full by the first quarter of 2019. The fundraising plan has allocated NT$ 1,077,215,000 and NT$ 1,808,967,000 to the construction of plant buildings and purchase of machinery/equipment, respectively. The Company revised its fund utilization plan on March 12, 2020 in line with wind power localization schedules and customer order and delivery schedules as well as the projected construction of the Taichung Plant and advancement of shareholder rights and interests. By the first quarter of 2020, accumulated expenditures for plant building construction and machinery/equipment purchases upon plan revision had been projected to reach NT$ 2,861,906,000 and NT$ 2,366,064,000, respectively, representing an implementation progress of 28.23% and 70.16%. Actual accumulated expenditures for plant building construction and machinery/equipment purchases amounted to NT$ 739,599,000 and NT$ 1,660,010,000, respectively, which represents an actual implementation progress of 25.84% and 70.16%. Upon assessment of accumulated expenses, major irregularities have been ruled out as of the date of printing of the annual report. The Company has no uncompleted plans of issuance or private placement of securities or completed plans without significant benefits within the most recent three years.

V. Operations Overview

1. Business activities

(a) Business scope

i. Main areas of business operations
The company's operations mainly focus on the manufacture and sale of spheroidal graphite cast iron and gray cast iron including hubs and bases for wind turbines, gearbox components, thermal power generation exhaust hoods, injection molding machine components, and castings for machine tools and other industrial machinery. The company has a casting production capacity of nearly 200,000 tons per year, and is dedicated to providing clients with a horizontal and vertical integration of one-stop procurement service for the purpose of offering casting, processing, spraying and assembly services to clients.

ii. Revenue distribution

Main product categories	2018		2019	
	Net sales	% of total sales	Net sales	% of total sales
Energy castings	1,700,958	27.45%	4,379,577	55.43%
Injection molding machine castings	2,221,765	35.86%	1,579,157	19.99%
Other castings	2,273,132	36.69%	1,941,252	24.58%
Total	6,195,855	100.00%	7,899,986	100.00%

iii. Current product categories

Main product categories	Application areas
Low-temperature high-tensile spheroidal graphite iron castings and gray cast iron castings for energy applications	Large-scale wind turbines (hubs, gear boxes, and bases) Steam turbine components for large-scale power plants
High-grade spheroidal graphite iron castings for injection molding machines	Plastic injection molding machine
Other applications of high-grade spheroidal graphite iron castings and gray cast iron castings	Large-scale high-precision machine tools Air compressor Very large-scale rapid color printing machine Medical equipment (cancer therapeutic apparatus, gamma knife therapeutic apparatus)

iv. Planned development of new products: Engineering, mining, and marine equipment

castings

(b) Industry overview

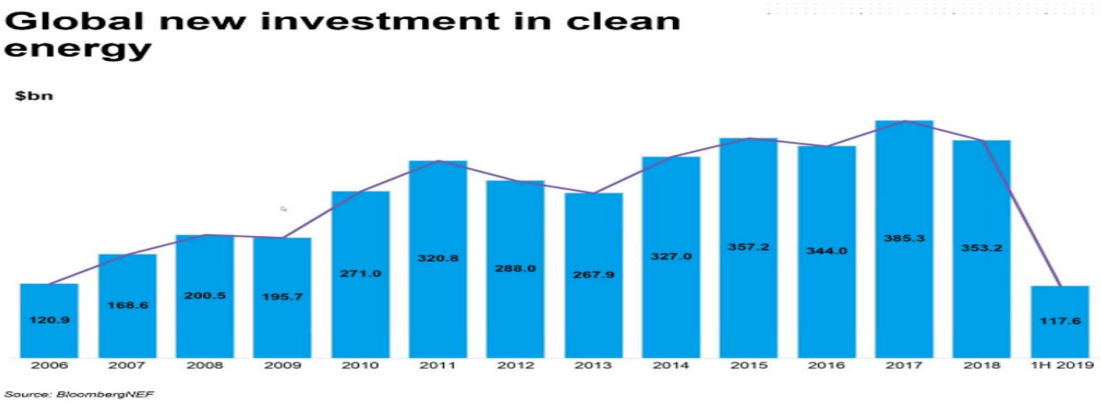
i. Industry overview and development

Wind Power Industry

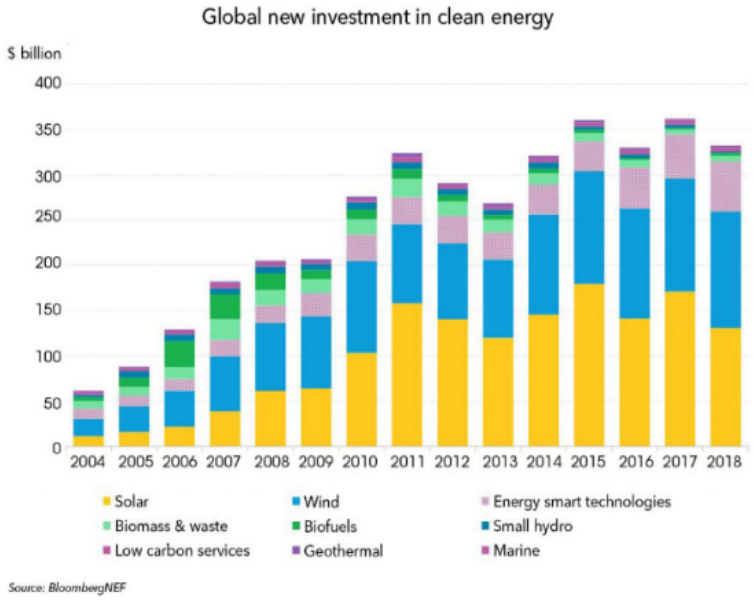
Global competition in the field of renewable energy

Wind and solar energy represent the two main clean energy sources. They compete with each other for market share in different national markets. Different subsidies prescribed in national energy policies have a considerable impact on wind and solar power generation equipment manufacturers. As wind power equipment manufacturers enjoy a cost advantage, photovoltaic equipment manufacturers incur huge losses and vice versa. Wind turbine manufacturers or component providers not only face tremendous pressure, the whole wind power industry fights for its survival in competition with the solar power industry.

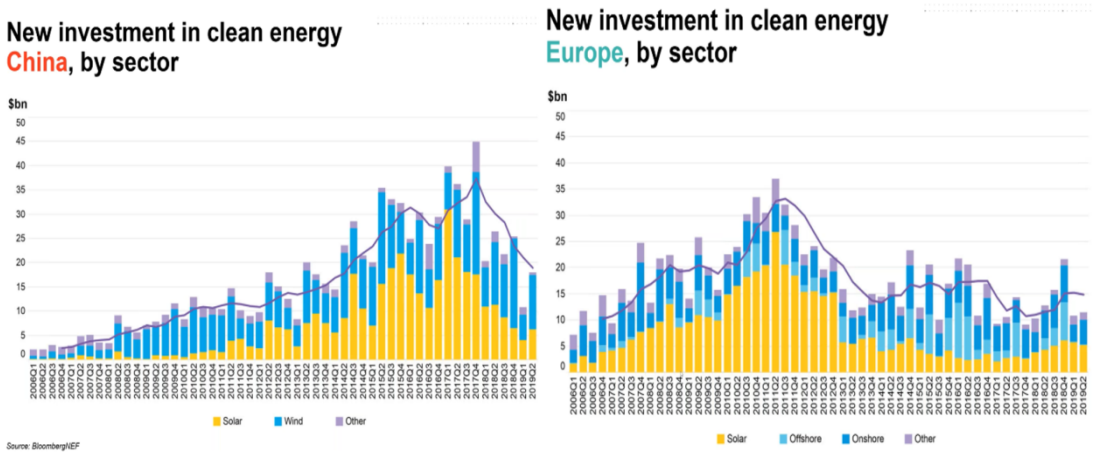
In 2018, global investments in the field of renewable energy amounted to 353.2 billion, which represents a decrease by 8% compared to 2017. This also clearly shows that investments in renewable energy have exceeded US$ 300 billion for five consecutive years. Statistics released by Bloomberg New Energy reveal that global investments in wind power reached US$ 128.6 billion in 2018, which marks an increase by 3% over 2017. In the first half of 2019, investments in renewable energy reached US$ 117.6 billion.



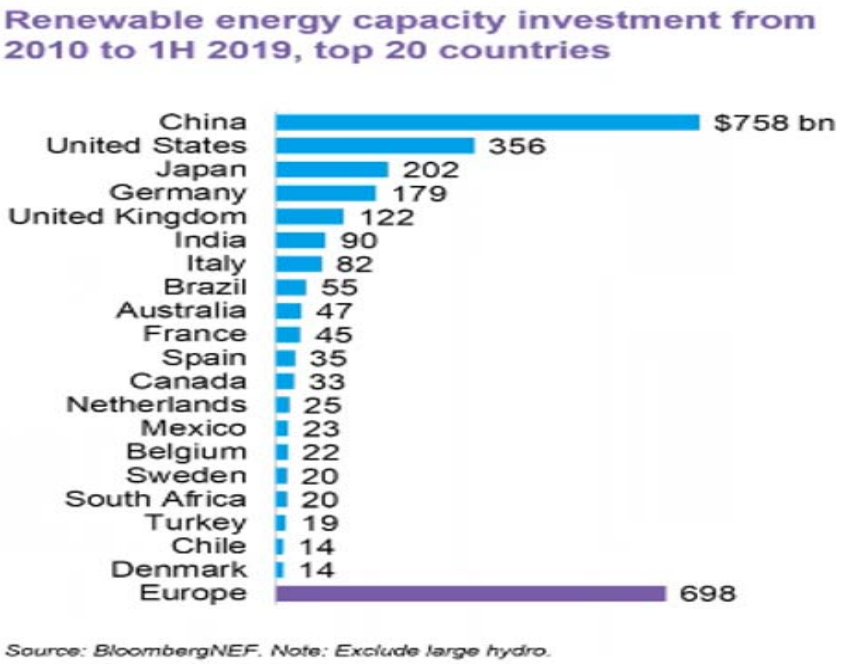
The blue and yellow sections of the bars represent wind and solar power, respectively. The chart clearly shows that these two renewable energy sources are locked in a seesaw battle for investments. Data published by BloombergNEF indicates that investments in new wind power projects grew by 3% in 2018, while investments in solar power projects dropped by 24% compared to 2017.



The two charts below clearly show that investments in solar power (yellow) and wind power (blue) in China and Europe over the past 13 years until Q2 2019 exhibit a pattern of waning (solar power) and waxing (wind power). They also illustrate why demand for castings in the Chinese wind power market is so brisk.



A comparison of the top 20 countries in the field of renewable energy capacity investments clearly indicates that investments are mainly concentrated in China. Accumulated investments from 2010 to the first half of 2019 reached US$ 758 billion, which clearly exceeds the total investment volume of US$ 698 billion in Europe. The US is ranked second with total investments of US$ 356 billion.



The State Grid Energy Research Institute claims in its recently released “2019 China New Energy Generation Analysis Report” that new energy accounts for over 10% of total power generation in ten provinces and that a monitoring and evaluation system for new energy consumption has already been established. Average cost per kWh of onshore and offshore wind power amounts to 0.38 $RMB/kWh and 0.64 $RMB/kWh, respectively. Average cost per kWh of photovoltaic power stations equals 0.377 $RMB/kWh.

According to forecasts for 2020, average cost per kWh of onshore and offshore wind power in China is expected to drop to 0.30-0.40 $RMB/kWh and 0.56 $RMB/kWh, respectively, while average cost per kWh of photovoltaic power stations is expected to decrease to 0.26-0.30 $RMB/kWh.

Injection molding machine

The application range of injection molding machines is very wide and includes injection molding operations in the fields of household appliances, food products, automobiles, construction, pharmaceuticals, aviation, national defense, petrochemistry, and the casing of cell phones, cameras, notebook computers, and other digital devices. The evaluation of plastic goods is mainly based on three factors: 1. Outer appearance including integrity, color, and luster 2. Accuracy of dimensions and relative positions 3. Physical, chemical, and electrical properties correspond to the purpose. Quality and size requirements vary based on different usage locations.

Injection molding machines are mainly manufactured in Germany, Austria, US, Japan and China. Europe and Japan mainly produce high-precision large-scale injection molding machines with high technology content and high added value. Following the import of technologies and technological innovation over many years, the Chinese molding machine industry is gradually elevating its manufacturing standards in the field of low-end injection molding machines. Chen Hsong Group

recently announced the establishment of a subsidiary (CHEN HSONG Germany GmbH） in Kempen, which is located in the lower Rhine region in Germany, to facilitate the provision of better services in the German market. This will also enable the Company to provide standardized and special-purpose injection molding machinery and all-in-one injection molding solutions for local customers in a more efficient manner.

Chen Hsong Group is one of the world's leading manufacturers of injection molding machinery. Chen Hsong Europe B.V., which is located in the Netherlands and serves the entire European market, is the European HQ of Chen Hsong Group. The newly established CHEN HSONG Germany GmbH is a wholly-owned subsidiary of Chen Hsong Europe B.V. This subsidiary is capable of providing a complete array of advanced injection molding machinery and services with a clamping force ranging from 20 tons to 6,500 tons to local customers due to the strong support from Chen Hsong Group and Chen Hsong Europe

Executive Director Andreas Bexte will be in full charge of the management of the daily operations of CHEN HSONG Germany GmbH. It is worth noting that Andreas Bexte has over 30 years' professional experience in the injection molding industry. He will oversee the provision of services to local customers in Germany by the entire CHEN HSONG Germany service team. The German Company has a high degree of autonomy and is firmly committed to the provision of all-in-one technical solutions and personalized services for German customers. It will join Chen Hsong Europe B.V. as the second technical service center of CHEN HSONG Group in Europe
The total market volume of the global injection molding machinery industry is expected to rise from EUR$ 8.482 billion in 2016 to EUR$ 11.557 billion in 2024, which represents a compound annual growth rate of around 3.94%. Injection molding machinery forms a main branch of the plastic machinery & manufactured goods industry. It is the branch with the largest output volume, highest output value, and largest export volume in this industry. An overview of the injection molding industry is provided below.

The total market volume of the global injection molding machinery industry is expected to rise from EUR$ 8.482 billion in 2016 to EUR$ 11.557 billion in 2024, which represents a compound annual growth rate of around 3.94%.

全球注塑机市场规模

数据来源：Freedonia 上海证券研究所测算

中国注塑机市场规模

数据来源：Freedonia 上海证券研究所测算

- A rising demand for lightweight and complex automotive and electronic components will further stimulate the market demand for injection molding machinery
- Constantly increasing industrialization, technological innovations, and expanding infrastructure will provide further momentum for the injection molding machinery market
- The 5G era generates new opportunities for the injection molding industry due to the ability of related machinery to manufacture high-precision and highly effective packaging for fragile and complex products such as electronics and smartphones. A constantly growing demand for such products will drive growth in the injection molding machinery market.
- In the upcoming years, large-scale production of automotive and consumer products and electronics will further boost the global market demand for injection molding machinery.

China's PMI (Purchasing Managers' Index) was 50.2% in December 2019, which is the same value as in the previous month. The fact that this index remained at a level of above 50% clearly indicates stable economic operations. The domestic output volume of plastics amounted to 81.842 million tons in the period from January to December 2019, which represents an increase by 3.9% compared to the same period of the previous year. In 2019, the Chinese market for injection molding machinery was characterized by the following three major "turning points": 1. Strict environmental protection requirements and decreased usage of recycled materials; 2. Reduced OEM production against the backdrop of the US-China trade war; 3. Reshuffling of the manufactured goods industry. In the wake of a gradual penetration from 2013 to 2019, the reshuffling process is expected to continue in the plastics industry in 2020. In the face of the simultaneous pressure of environmental protection trends and trade barriers, enterprises with a competitive advantage in the field of technology and capital are more likely to weather the storm and industrial concentration will further increase.

In the face of the impact of the global Covid-19 epidemic, Jerome Powell, Chair of the US Federal Reserve, stated the following prior to accepting questions: Since last year, sluggish exports and investments have had a significant impact on economic growth and trade negotiations have led to global economic uncertainty. Recently, these uncertainties have been fading away and global economic growth has been gradually picking up steam. Powell then pointed out that the new coronavirus adds new uncertainty. The epidemic has a serious impact on the trajectory of the global economy and poses very real risks. In the future, the FED will implement adjustments as seen fit to encourage capital flows.

Firstly, demand for injection molding equipment and policy analysis in the injection molding machinery industry: In the future, smart injection molding machines will allow the setting of manufacturing requirements through a production system. An RF chip and big data platform ensure the successful completion of required steps such as automatic identification and adjustment/installation of a suitable mold, automatic water and air connection, and automatic neutron connection. Different types of information and data is transmitted to the injection molding machinery cloud platform via the Internet. The cloud platform intelligently selects molds, automatically installs molds, intelligently adjusts technologies, and automatically arranges preset raw materials to complete a customized and batch-based production process. It also allows coordination with processing, assembly, and packaging equipment and provides assistance in the completion of the whole process ranging from manufacturing and packaging to warehousing and transportation.

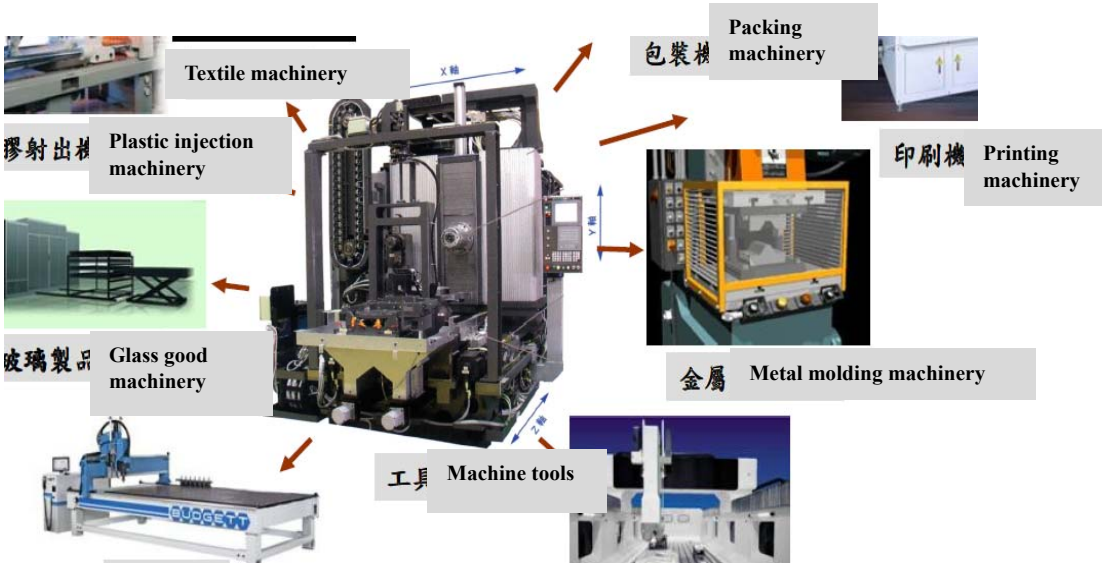
Secondly, smart production: In smart manufacturing, customer requirements determine production processes. Production materials, parts, and components are given priority and guide the whole manufacturing process to ensure the completion of customized production processes in small batches. Policy analysis of the injection molding machinery industry: For instance, every batch of a production order divided into 10 batches is customized. First, customization requirements of the customer are imported to the raw material and part/component chip. The smart material mixing system carries out smart mixing and transmits relevant data to the central control unit of the cloud platform. This unit determines how to match materials, colors, stickers, and inserts. It selects molds and directs robotic arms and the automatic feed system to ensure the completion of processes involving production, packaging, and forwarding to designated warehouses for shipping.

The emergence of 5G technology affects a rising number of industries. Wearable devices, robots, smart homes, smart cities, and connected factories all have to be hooked up to the Internet. 5G allows the interconnection of all smart things and helps realize the intercommunication between large machinery. 5G applications are at our fingertips and in close proximity to our daily lives.

Machinery industry

The machinery industry is of fundamental and strategic importance for every nation and is the mother of all industries. The machinery sector is closely connected to other sectors and provides suitable and highly efficient production equipment and facilities to satisfy the demand of other industries. The machinery industry covers a wide range and can have a wide or narrow meaning. The wide definition of machinery industry includes the five main categories of general machinery, electrical machinery, transportation tools, high-precision machinery, and metal goods, while the narrow definition only refers to production machinery and facilities and auxiliary equipment directly used by different industries including metal processing machinery, industrial machinery, special and electrical manufacturing machinery, general machinery, transportation and automation facilities, metal molds, and other machinery and components.

Machinery equipment derived from machine tools



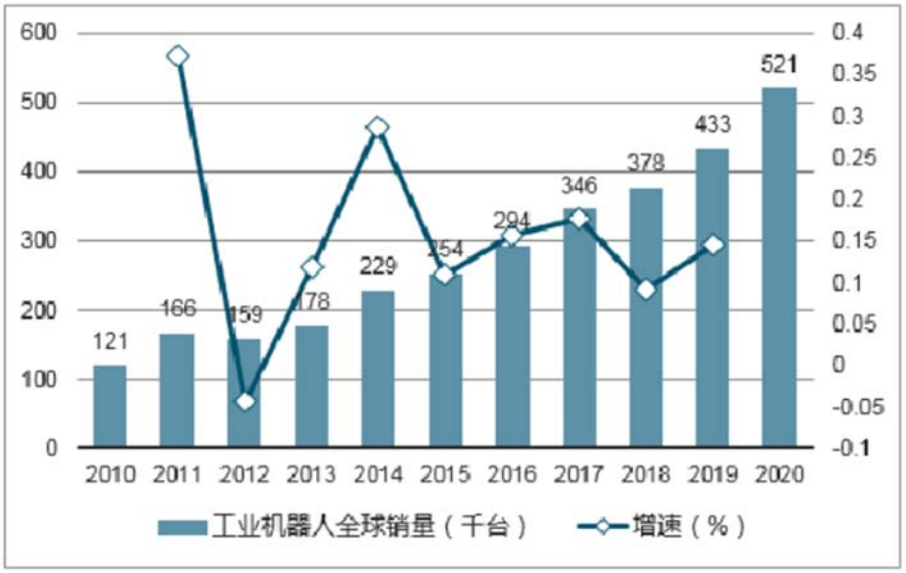
The following industry trends are worth noting:

Automation and robots

Automation and robot technologies allow the development of machinery and devices that are capable of performing tasks automatically. They can be directed by humans or pre-coded programs. They can also operate based on principles determined by AI technology. Robots can be advanced integrated control theory, mechanical electronics, computers, materials, and products of bionics. The global market for robots is constantly expanding. There is an accelerating demand for industrial, service, and special-purpose robots. Technological innovation surrounding bionic structures, AI, and human-robot collaboration continues to penetrate our lives with constantly expanding applications in the fields of education and tutoring, healthcare and rehabilitation, and dangerous environments. Enterprises strive to constantly optimize product performance and therefore embrace forward-looking deployment of robot and AI applications, which explains the steady growth of the global robot industry.

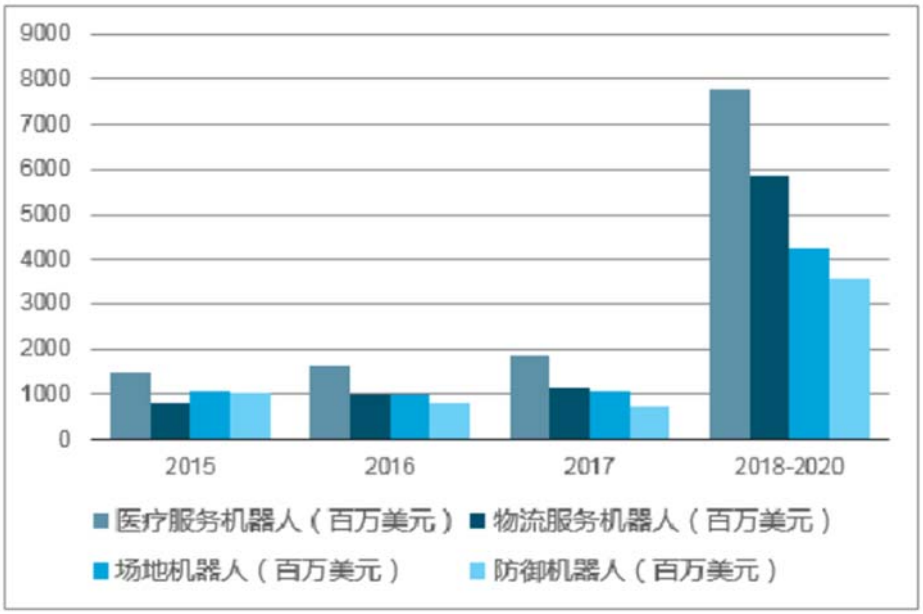
A total of 433,000 industrial robots were sold worldwide in 2019, which represents an increase by 15% compared to the same period of the previous year. The global sales volume is expected to reach 521,000 units in 2020.

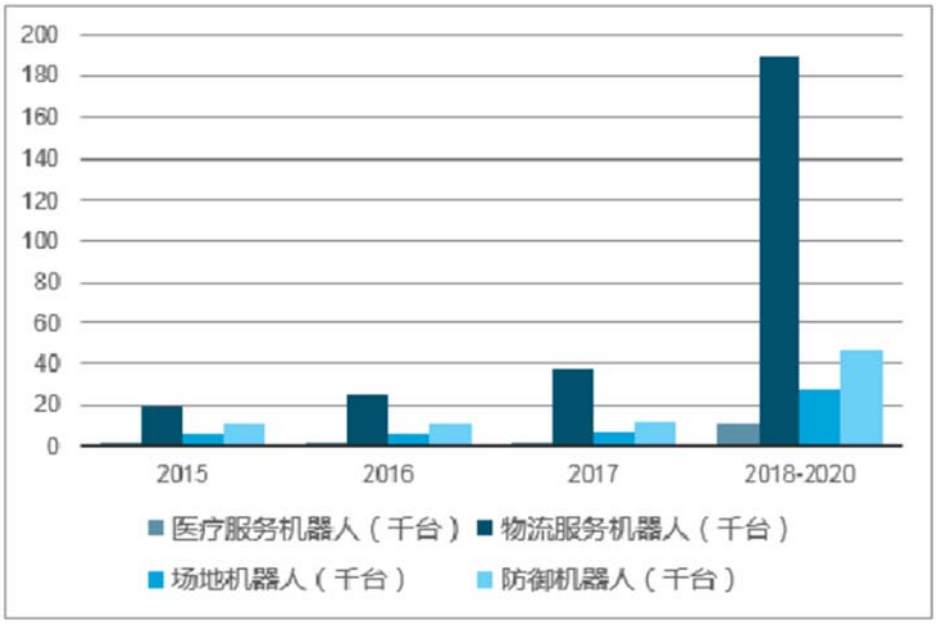
In 2019, the sales volume in China accounted for over 30%. The global sales volume of industrial robots is rapidly increasing with China accounting for a steadily growing portion. Due to an evident growth in demand, consumer electronics are expected to surpass the automobile sector as the industry with the largest sales volume of industrial computers.



全球专业服务机器人销量及增速

“量看物流机器人+价看医疗机器人”





Current research focuses on strengthening of cooperation between robots and humans and expanding the scope of computer operations including the enhancement of the flexibility of flexible materials. These applications are realized through safety and safety integration systems and solutions as well as industrialization standards. Sensory systems relying on touch and other modes are constantly improved to enhance the reliability, safety, and cooperation applications as stated above.

International research emphasizes multi-modal systems as an ideal way to determine robot work environments. In addition, interactions between motion control and clamping workpieces represents a more recent research focus. The goal is to increase the basic understanding of geometric and material preferences and thereby improve the handling of robots.

Designers must gain a better understanding of operations at all levels (individual machines, the whole production area and workshop, or even the whole factory), which currently represents a significant challenge for flexible automation and robot technologies in factories. Despite the fact that some progress has been achieved through open standards, there is still a rising demand for not merely machine tools to enhance the visibility and linkage between robots and other manufacturing technologies including lathes.

It is necessary to better satisfy the dynamic demands generated by the requirements of low-quantity custom products and mass-produced products. Technically speaking, every delivery requires “mass production”, there is still a significant difference between appropriate responses to customer production runs and more traditional long-term production plans. It is therefore of paramount importance to put more effort into the rapid development of tools and auxiliary components.

B. Digital Factory

The digital factory concept encompasses the coordination of all smart machines and instruments and gauges of the whole manufacturing process as well as a better realization of the visibility of discrete processes. A concrete trend is the increased use of Mtconnect® standards to integrate and deploy machine tools. Technological sensing and connectivity has a significant impact on the top and bottom line of enterprises. From the perspective of first-line production, technologies with these functions (machine visibility and connectivity) are considered highly adaptable. With regard to profitability, every company strives to cut costs through optimized processes and maintenance (to enhance equipment availability) as well as more efficient load balancing.

The ultimate goal of digital factory concepts lies in the realization of Advanced Manufacturing Enterprises (AME) through the digitized connection of product life cycles. In sync with rising digital capabilities, tracking will be extended to life cycles of every machine and component and eventually to every nut and bolt. The creation of such “digital footprints” for these physical components allows

the better realization of optimal functions in the fields of data analysis and product inspections as well as the optimized handling of malfunctions and other properties. This in turn enables manufacturers to improve designs and functions through the following methods which were not available in the past.

Research is currently conducted on digital models to further strengthen the linkage between product life cycles (rework, reuse, recycling), network security, process control, and mapping processes with the ultimate goal of improving end products and functionality. Due to the constantly intensified digitization of the manufacturing sector, network and physical security is one of the focal points of research on the manufacturing sector. The US National Additive Manufacturing Innovation Institute (NAMII) is currently compiling a material and technology database in cooperation with the US manufacturing sector to enable engineers and designers to select products in a more adequate manner.

The key challenge facing digital factories lies in the optimized integration of Computer Aided Design (CAD) and Finite Element Method (FEM) and thereby optimize Computer Aided Manufacturing (CAM). In addition, finite element forecasting capabilities must more accurately represent actual completion of processes involving workpieces and cutting tools. In other areas where industrial optimization is obstructed, digital enterprises acquire operational information, realize AME concepts, and obtain adequate network and physical security to improve operational capabilities of end users.

Medical equipment

Since the 1970s, electronic instruments have been adopted for medical purposes. Large-scale high-precision medical equipment such as CT, MRI, medical linear accelerators, ultrasonic positioning extracorporeal shock wave lithotripsy devices, PET, and ultrasonic diagnostic devices have wide application areas. These devices and medical technologies not only focus on the cure of communicable diseases and the enhancement of rescue technologies but place greater emphasis on minimally invasive examinations and precise medical treatment. In addition, global medical equipment and facilities have evolved from surgery and treatment equipment to diagnosis and monitoring equipment, which has led to a rapid development of the medical instrument industry. The global market for medical supplies was affected by regional economic growth patterns in 2012. The market structure and growth rates saw significant changes. Slowed down economic growth in Western Europe and Japan led to a lower growth rate for the medical instrument market. The exchange difference of the

currencies of these two regions was greatly affected by these developments which resulted in changes in annual market values. In addition, the continued growth of the senior population in these regions also leads to a rising demand for medical equipment. Due to the impact of future economic changes, all countries will assess the reasonableness of medical expenses even more carefully and respond by tightening insurance reimbursements. It will therefore be imperative to constantly monitor changes in economic policies and insurance reimbursements to be able to respond to transformations of the global medical instrument industry. On the other hand, the Affordable Care Act proposed by President Obama contains hidden business opportunities for providers of “affordable” medical equipment. This new policy has a considerable effect on European, American, and emerging markets. In the face of this trend, manufacturers should reconsider their product positioning, pricing, and marketing strategies.

In contrast to high market uncertainty in Western Europe and Japan, the rapid growth of emerging markets generates a higher demand for medical instruments. Following the gradual improvement of the economic situation in Mainland China, India, and emerging ASEAN markets, governments successively adopt policies for the improvement of medical infrastructure, which in turn leads to higher health awareness of the general public and stimulates purchase demands and development of the global medical instrument market. It is expected that emerging markets have the greatest potential in the field of medical instruments and supplies. This includes the Southeast Asian region, Latin America, and Central and Eastern Europe. Global manufacturers accelerate their deployment in these markets and the identification and firm grasp of business opportunities represents a key future objective.

In response to a gradual emergence of demand in emerging markets regulations governing the medical instrument industry will be adjusted through a harmonization of relevant laws and regulations in the face of frequent transactions of medical instruments and emerging demand. In addition to a firm grasp of demands and business opportunities, a full understanding of medical instrument related laws and regulations in target markets and advance responses are also of paramount importance to gain rapid access to these markets.

The medical equipment industry is a comparatively new industry which has a direct impact on human life and health. In developed nations, it emerged several decades ago and has maintained high annual growth rates, which is why it is viewed as a sunrise industry. The

global sales volume of the medical equipment industry reached US$ 451.9 billion in 2019, which represents a rise of 5.63% over the same period of the previous year. The global market volume is expected to reach US$ 477.4 billion in 2020, an increase by 5.64% compared to 2019. iimedia analysts believe that the global market for medical devices is currently entering a stage of steady growth with a projected annual growth rate of around 5%.

Around 25% of all cancer patients worldwide undergo radiation therapy. However, research shows that over 50% of all cancer patients are suited for radiation therapy. Elekta therefore actively promotes radiation therapy as the most cost-effective treatment option in cooperation with the radiation therapy industry. The competitive advantages of radiation therapy are gaining in importance in view of the rising demands of patients in the field of service efficiency of clinics.

Our main client for medical equipment is one of the leading manufacturers of radiation therapy equipment in the world. The company's product range encompasses neuroscience, oncology, brachytherapy. In addition, the company has developed highly sophisticated systems in the field of radiation therapy and software to enhance the efficiency of the cancer treatment process. The China Food and Drug Administration (CFDA) approved the sale and marketing of the Flexitron® brachytherapy platform in China. The company will maintain its focus on North America and will actively develop the Latin American, Chinese, and Japanese markets. Elektra currently has a US market share of 24%. Our clients request more flexible delivery times and adjustment of business models in accordance with their needs and wishes. Make-to-stock has been transformed to make-to-order and orders will be less visible in the future. This new business model affects short- and long-term operative goals. We are committed to enhancing our own competitiveness to provide the best quality at highly competitive prices in response to market developments.

All radiation therapy equipment manufacturers are actively searching for more effective therapy methods. Since there is a serious lack of such equipment, all radiation therapy equipment manufacturers make determined efforts to ensure that over 50% of all cancer patients can enjoy the benefits of radiation therapies. This therapy is only one of the numerous available choices, but it is also the most widely adopted method. Effective therapies can extend the human life span. An effective improvement of the quality of therapies for cancer patients is coupled with the safeguarding of shareholder rights and interests. Constant improvement represents a main element of the corporate

culture of our customers.

Elekta Group Elekta Group places utmost emphasis on the following four dimensions:
Assumption of a leadership role in the field of technological innovation
Pursuit of sustainable operations and development on the basis of cost competitiveness
Enhancement of holistic therapy experiences of patients
Constant pursuit of process improvements and deep commitment to corporate values

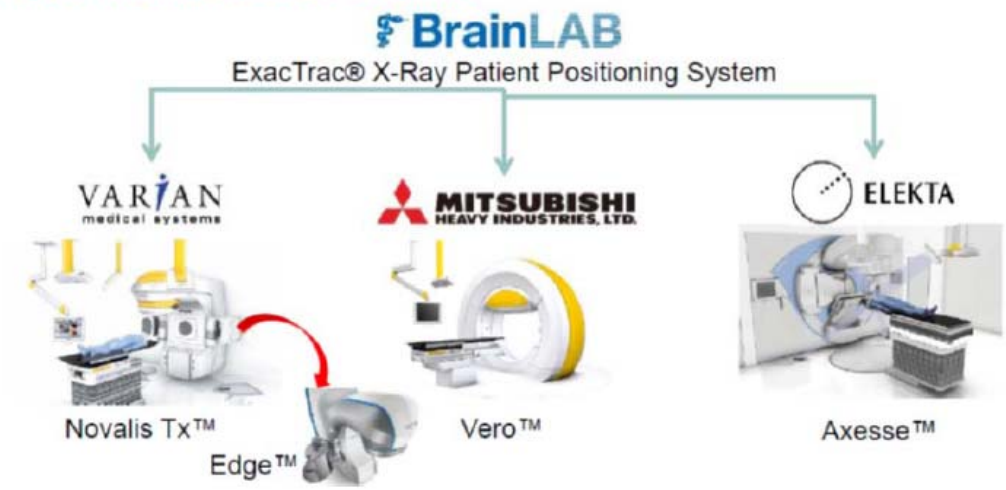
The leading manufacturers of radiation therapy equipment are as follows:

Figure 9: Varian and Elekta Versatile Linac offer

Source: Pr. Hannoun-Levy

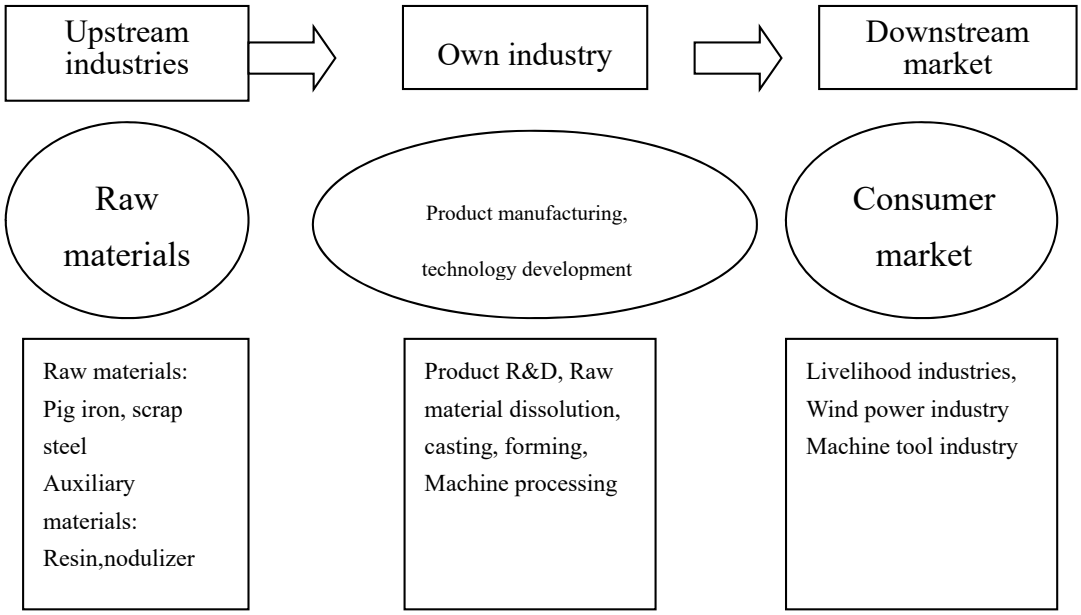
SBRT(Stereotactic Body Radiation Therapy)

Figure 19: Dedicated SBRT solutions



Source: Pr. Hannoun-Levy

2. Relationship between up- mid- and downstream industries



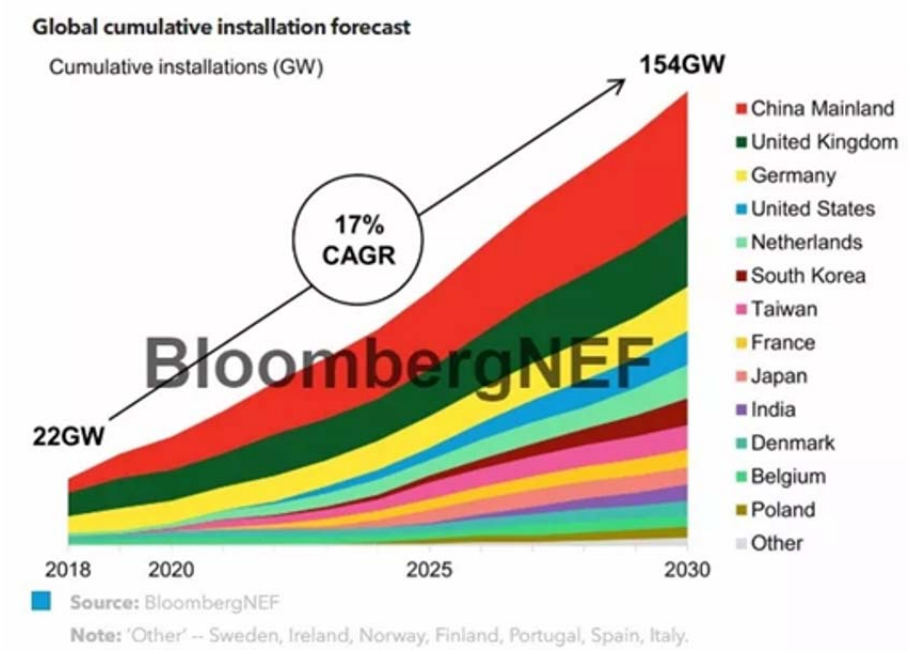
Castings have a very wide application range which currently includes the hardware, machinery, and electronics industry with a constantly expanding range of uses. Castings are used in construction, hardware, equipment, engineering machinery, and other large-scale machinery as well as the machine tool, shipping, aerospace and aviation, automobile and motorcycle, and electronic appliance industries.

3. Overall economic and industrial development trends and market competition conditions

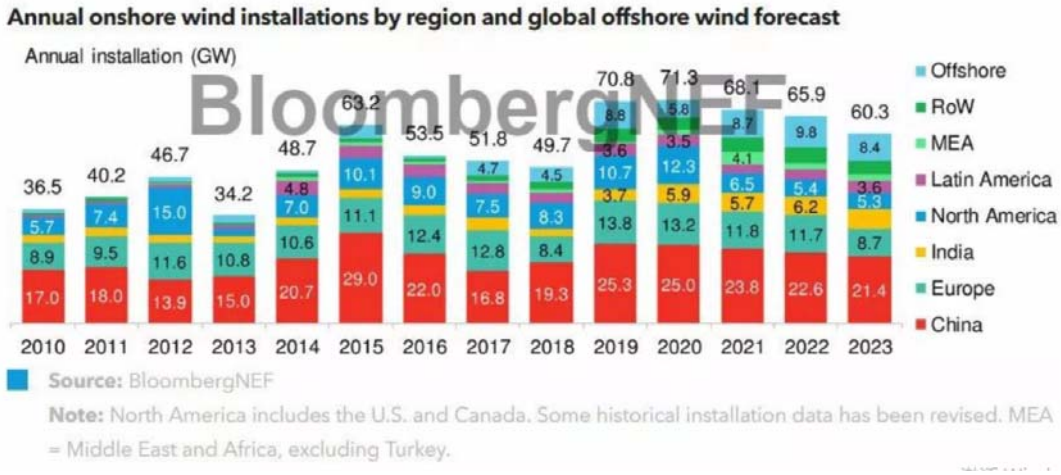
Wind power industry

Wind power market forecasts of major research and survey organizations worldwide

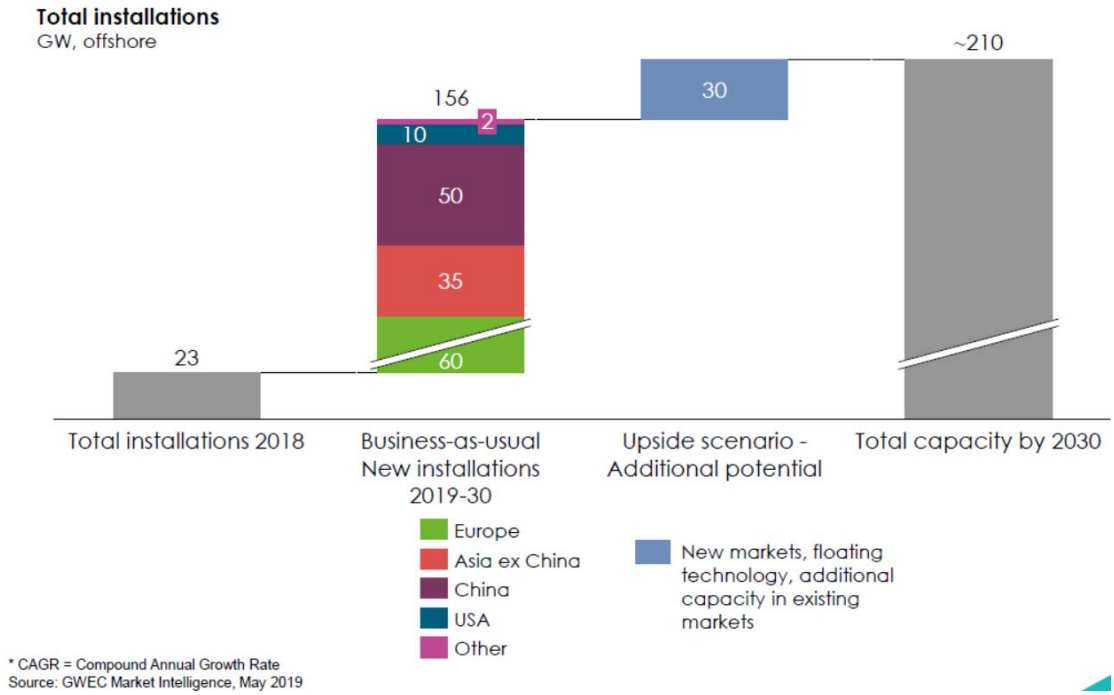
BloombergNEF forecasts a global cumulative **offshore** wind power capacity of 154GW in 2030. The research organization further projects a newly added offshore wind power capacity of 132GW between 2019 and 2030. Every GW generates a demand for15,000 tons of castings, which adds up to a total demand of around 2 million tons. The **offshore** wind power market in China exhibits a steady growth pattern.



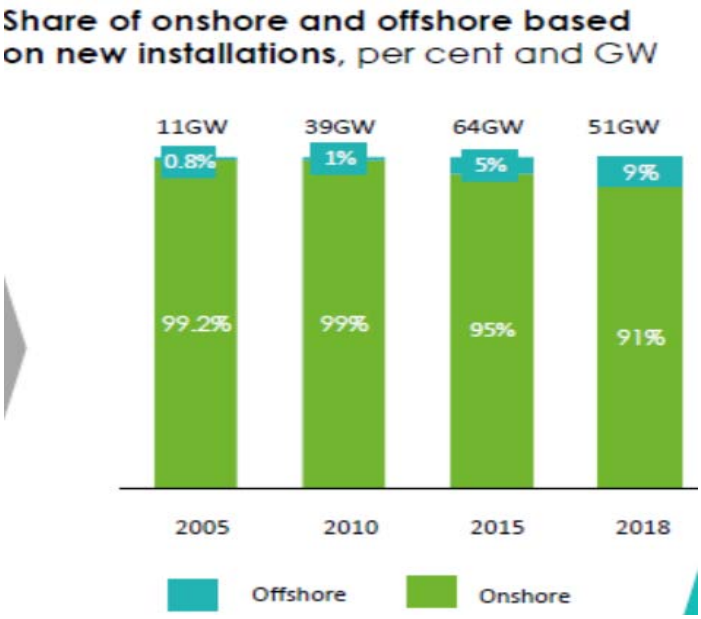
BloombergNEF further forecasts that global onshore wind power capacity will reach 61.68GW in 2019 and will hit a record high of 65.5GW in 2020. The demand for castings is expected to reach 980,000 tons. The chart below shows the total onshore and offshore installed capacities estimated by BloombergNEF for different regions in 2023. It is evident that demand is still concentrated in the Chinese and European markets.



In its forecast released in May 2019, **GWEC** (Global Wind Energy Council) records a cumulative **offshore wind power** capacity of 23GW for 2018. It estimates that newly added capacity will climb to 156 GW between 2019 and 2030. Another 30GW may be added due to additional demand generated by new markets, new technologies, and current markets. The best-case scenario is a cumulative installed capacity of 210GW by 2030.

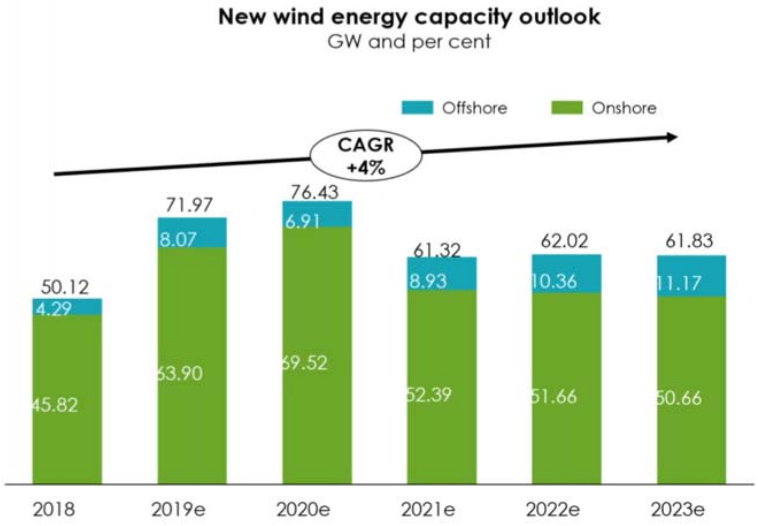


According to statistics released by **GWEC** in May 2019, the share of offshore wind power in the **total global cumulative wind power capacity** is projected to increase from 1% in 2005 to 9% in 2018. Despite the fact that onshore wind power still accounts for over 90%, it is evident that offshore wind power is growing at an astonishing rate.



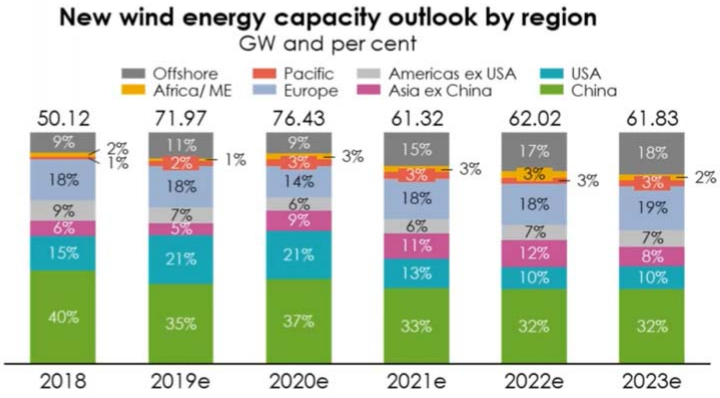
GWEC still projects that the CAGR of overall demand for wind power will remain at 4% in the period from 2018 to 2023 in the third quarter of 2019. Onshore wind power is expected to exhibit a pattern of significant decline starting in 2021 followed by a period of stabilization.

Global outlook



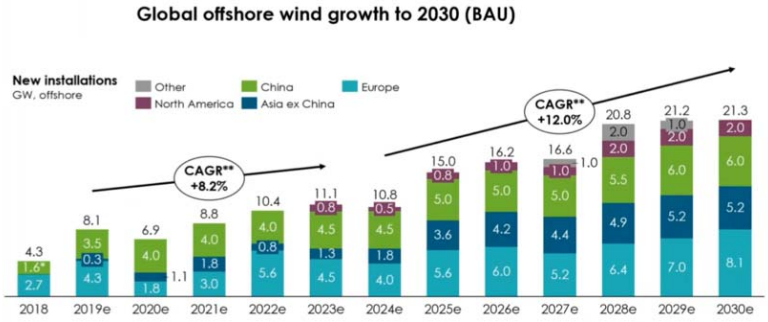
Demand is still concentrated in China and Europe, but US market potential should not be underestimated.

Global outlook by region



The latest forecast released by **GWEC** in the third quarter of 2019 is even more optimistic. It expects newly installed offshore wind power capacity to reach 167.2GW in 2030. Demand for castings is projected to reach 2.51 million tons. The Asian market will be the main driving force and demand will still be concentrated in China and Europe.

OFFSHORE WIND OUTLOOK



GWEC is steadily optimistic regarding offshore wind power trends in China until 2030.

IRENA (International Renewable Energy Agency) states in its analysis report released in November 2019 that the share of offshore wind power in regional energy markets will gradually rise as installation costs decline rapidly. Based on the Paris Agreement, IRENA forecasts that total offshore wind power capacity will increase from 23GW in 2018 to 228GW in 2030. The added capacity of 205GW is equivalent to an additional demand for castings amounting to 3.07 million tons.

IRENA optimistically predicts that offshore wind installed capacity will reach 1000GW in 2050. 613GW of this capacity will be located in the Asia-Pacific region and China in particular. According to expert estimates, annual offshore wind capacity additions will climb from 5GW in 2018 to 45GW in 2050, which represents annual investments of around US$ 80 billion. It is expected that global offshore wind power capacity will account for 20% of total wind power capacity in 2050.

The more conservative **IEA (international Energy Agency)** stated last year that offshore wind power will account for an increasing share of the global energy market. The agency forecasts a total installed capacity of 200GW for 2040.

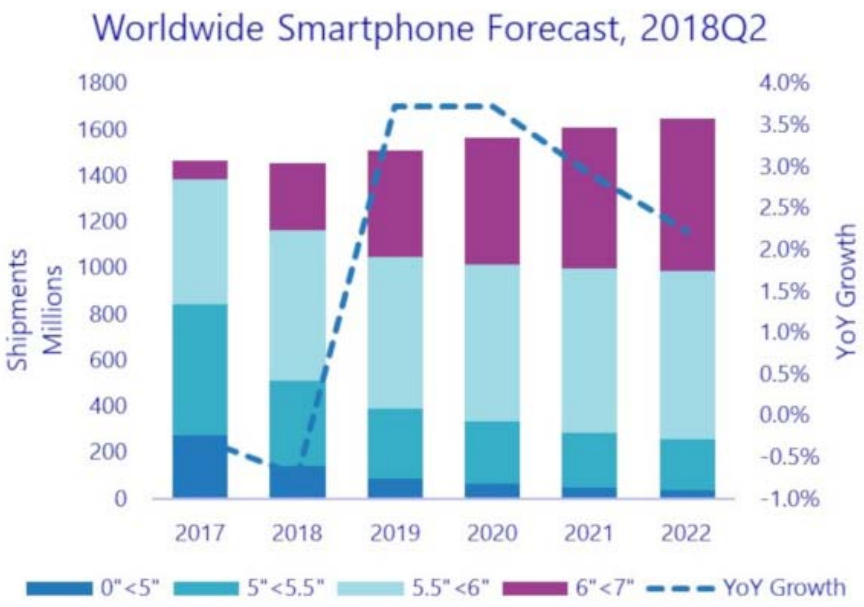
Injection molding machinery

The development of injection molding machinery technologies will be characterized by the following trends in 2020:

Transformations caused by 5G communication: Technology upgrades coupled with qualitative lifestyle changes. The enhanced 5G transmission speed and signal strength leads to higher quality requirements in the field of material properties. 5G communication technology will involve the replacement of materials in multiple fields supported by the plastics industry. The paramount task of the plastics industry lies in the development of high-performance and high-usage materials to meet the demands of 5G infrastructure.

Metallic back covers of smartphones will be replaced with plastics. The MIMO technology employed by 5G requires the installation of a large number of antennas inside smartphones. However, metallic parts currently used for smartphone manufacture lead to signal interferences. In response to irreversible trends of 5G communication, smartphone manufacturers are therefore forced to gradually

abandon metallic back covers and replace them with covers made of ceramics, glass, or plastic. Plastics enjoy a growing popularity among manufacturers due to properties such as excellent drop resistance, durability, light weight, and low cost. IDC forecasts an output volume of 1.646 billion units for 2022. In its report, IDC points out that smartphones with screens of 5.5 inches or larger represent the main impetus for output volume growth. IDC projects that large-screen smartphones (5.5 inches or larger) will reach an output volume of 941.6 million this year, accounting for 64.7% of the total output volume. This is significantly higher than the 623.2 million units (42.5% of the total volume) in 2017.



Worldwide Smartphone Platform Shipments, Market Share, and 5-Year CAGR, 2018 and 2022
(shipments in millions)

Platform	2018 Shipment Volume*	2018 Market Share*	2018 Year-over-Year Growth*	2022 Shipment Volume*	2022 Market Share*	2022 Year-over-Year Growth*	2017-2022 CAGR*
Android	1,233.7	84.8%	-1.1%	1,406.9	85.5%	2.3%	2.4%
iOS	220.4	15.1%	2.1%	238.5	14.5%	1.7%	2.0%
Others	0.8	0.1%	-66.2%	1.0	0.1%	7.7%	-15.7%
Total	**1,454.8**	**100.0%**	**-0.7%**	**1,646.4**	**100.0%**	**2.2%**	**2.4%**

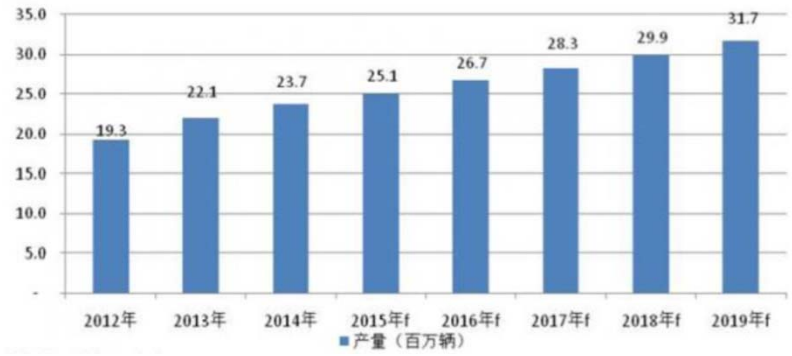
Source: IDC Worldwide Quarterly Mobile Phone Tracker, August 29, 2018

* **Table Note:** 2018 and 2022 figures are forecast projections.

Data source: Open data

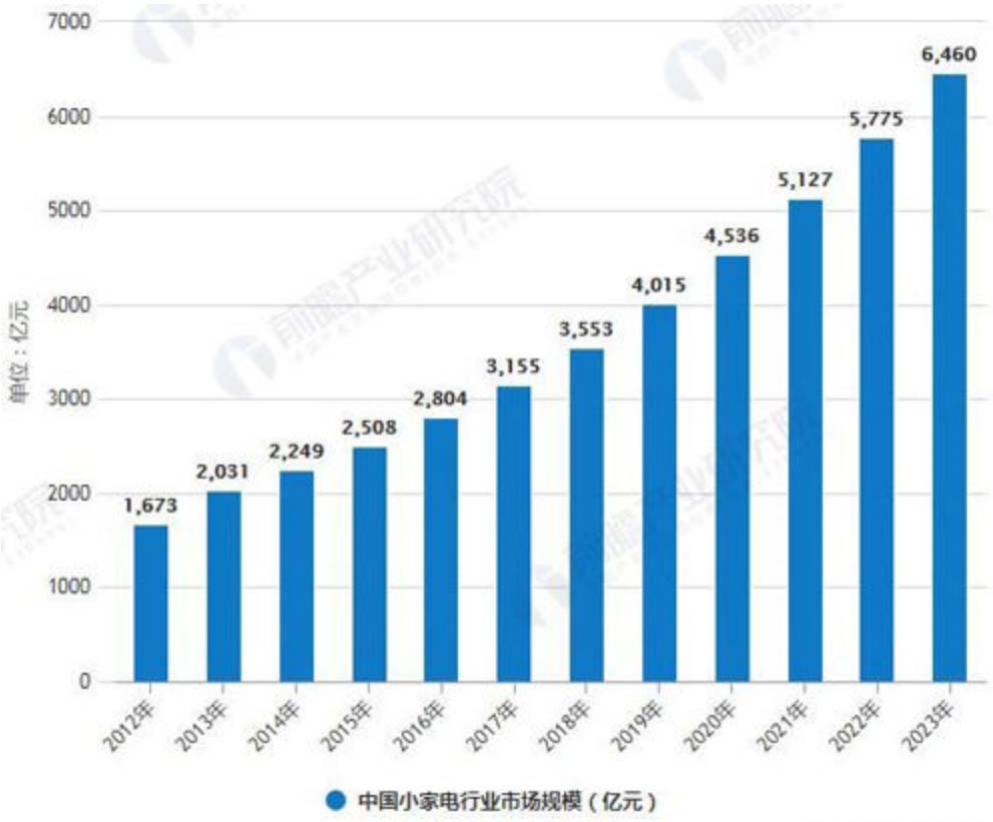
Innovation in the automotive industry: The four overriding trends of “electrification, networking, smartification, and sharing” will lead to deep transformations of the global automotive industry. Car manufacturers are adopting mobile service models in a process of transformation from quantitative to qualitative changes. The China-US trade war has a significant impact on the investment demand

of car makers. With a view to implementing the consensus of the Trump-Xi Argentina Summit and creating a friendly climate for the China-US trade negotiations, Chinese authorities have announced an extension of the temporary suspension of additional customs duties on cars and components manufactured in the US as per resolution of the Customs Tariff Commission of the State Council and approval of the Central Committee and the State Council pursuant to relevant provisions set forth in the PRC Foreign Trade Law and the Regulations of the People's Republic of China on Import and Export Duties. Suspension of additional customs duties on cars, parts, and components produced in the US is continued. The date of termination of these measures will be announced separately. Additional customs duties on cars, parts, and components produced in the US have been suspended for three months since January 1, 2019. In March of this year, US authorities announced the further postponement of another increase of imposed additional duties on products imported from China. In another announcement, the US stated that the additional duty rate imposed since September 2018 will be maintained at 10%. The continued suspension of additional duties on cars, parts, and components produced in the US represents a positive response of China to the decision of US authorities to postpone the increase of duty rates with the goal of promoting bilateral trade negotiations. At the same time, development of new energy vehicles (NEV) in China and other countries is brisk and production, marketing, and inventories are rapidly expanding.



Data source: Open data

Smartification of the household appliance industry: Consumption upgrades and rising demand for plastic substitutes are the most significant trends. In response to the smartification of the household appliance industry and relevant requirements in the fields of high performance, safety, and eco-friendliness, plastic parts are more and more widely applied as substitutes for metal parts in the household appliance industry.



In recent years, the technical performance of Chinese injection molding machinery (both standard and special purpose machinery) has been greatly enhanced. Numerous performance indicator values of fully electric machinery, hybrid machinery, and large-scale two-platen machinery approach or equal Japanese and Taiwanese standards. In addition, Chinese machinery manufacturers have a significant price and service advantage over their Japanese and Taiwanese counterparts. Against the backdrop of an unfavorable economic climate, a rising number of enterprises select injection molding machinery produced by Chinese companies, which has a considerable negative effect on Japanese and Taiwanese machinery.

In the face of these transformations and reshuffling of the injection molding machinery industry, Yeong Guan Group actively develops promising injection molding machinery manufacturers in Japan and China. The first development stage has already been completed.

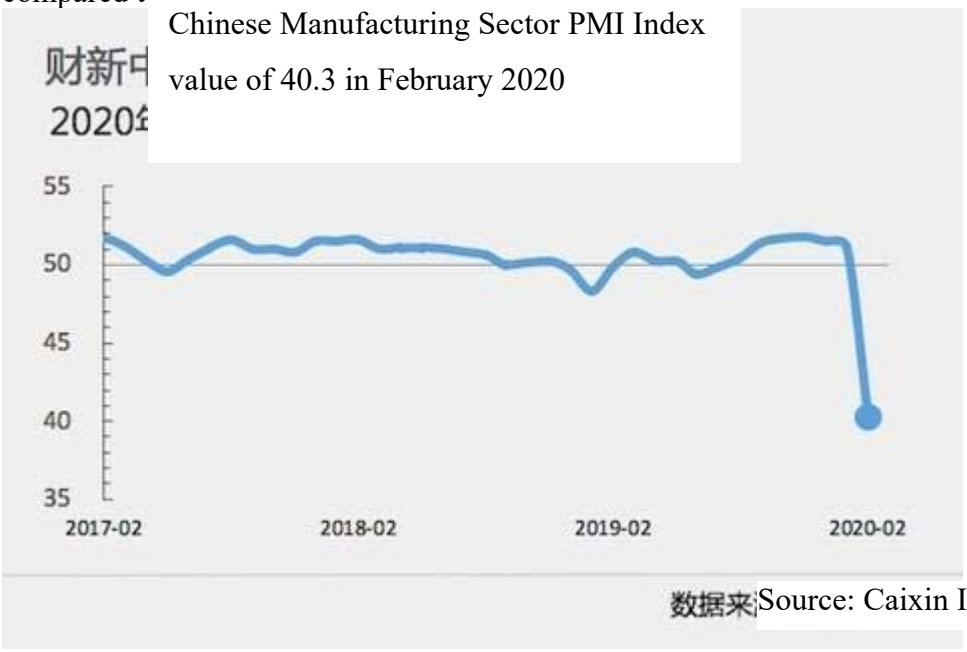
Industrial machinery

The Chinese manufacturing sector is the supply chain hub for the global manufacturing industry. In 2019, the Chinese manufacturing industry accounted for 30.9% of the global manufacturing output.

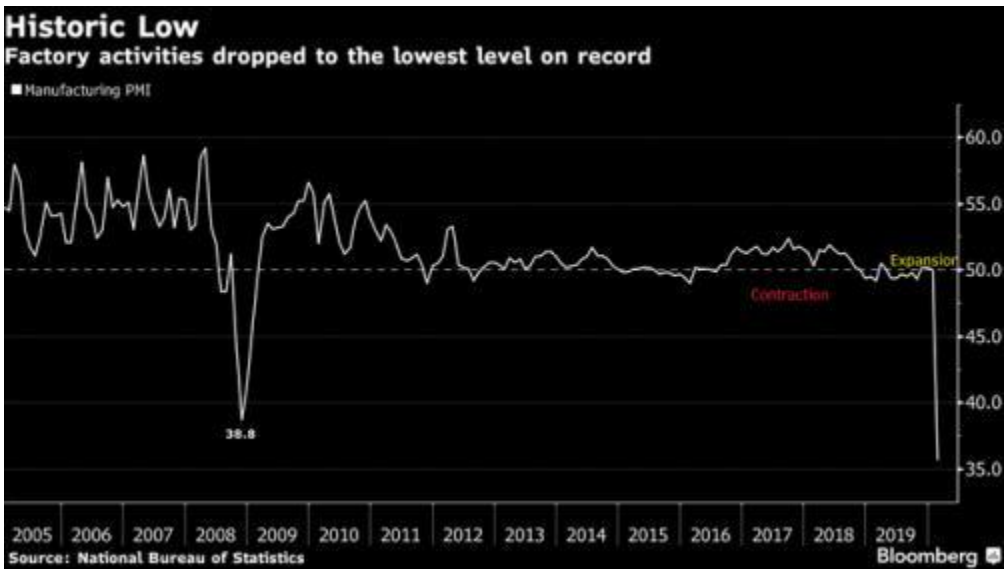
Prior to the outbreak of the COVID-19 epidemic, the global manufacturing industry was characterized by stability. According to statistics released by the China Federation of Logistics & Purchasing, the PMI value of the global manufacturing industry reached 50% in January 2020, a rebound of 1.4% compared to the previous month. This also represented the reversal of a trend of six consecutive months of PMI values below 50%, showing early signs of a turnaround.

Due to the impact of the epidemic, the PMI value for February 2020 published by Caixin Insight on March 2, 2020 was 40.3, which represents a dramatic drop of 10.8 % and a record low since initiation of the survey in April 2004. This PMI index reading is even lower than the value of 40.9 recorded during the outbreak of the global financial crisis in November 2008. In addition, the manufacturing sector is facing mounting import/export pressure. The new import and export orders indices were recorded at 28.7% and 31.9%, which represents a decrease by 20.0% and 17.1%, respectively, compared t

Chinese Manufacturing Sector PMI Index value of 40.3 in February 2020



数据来Source: Caixin Insight



The PMI final value for the Japanese economy saw a slight increase from 48.4% to 48.8% in the period from December to January. It has remained below the watershed line of 50 for nine consecutive months. At the same time, key output and new order indicators have been contracting for thirteen consecutive months.

Recently released statistics indicate that the Japanese economy recorded an export volume of JPY$ 76.93 trillion in 2019, which represents a drop by 5.6% compared to the same period of the previous year. This can mainly be attributed to the impact of a significant decrease in car part & component, steel, and finished vehicle exports. Due to the impact of falling crude oil prices in international markets, the import volume fell to JPY$ 78.57 trillion, a decrease by 5.0% compared to the same period of the previous year.

Eurozone PMI index readings were also deeply affected by the epidemic. The PMI initial value of the Eurozone manufacturing sector in March was recorded at 44.8, hitting a new low in 92 months. The German PMI index reading dropped to 43.7 in December 2019, which represents a significant setback from a 5-month high in November 2019. Despite the fact that the final value was slightly higher than the initial value of 43.4, it still remained below the watershed line of 50%, continuing a 12-month trend. The German economy recorded zero growth in the fourth quarter of 2019, which falls short of expectations and lies below the adjusted growth rate of +0.2% for the third quarter. Markets currently have a pessimistic outlook of the German economy.

The IHS Markit U.S. Manufacturing PMI reading in March was 49.2, dipping into the contraction zone. This marks the first decrease since July 2019 and the lowest level since 2009.

The spread of the epidemic sent shockwaves through the global economy. Global PMI readings are disheartening. Due to the temporary closure of a rising number of factories as a result of the impact of the epidemic, an even greater drop in PMI values is expected for the second quarter.

The customers of Yeong Guan Energy Technology Group are distributed in four main categories: Energy, injection molding machines, medical equipment, and industrial machinery. The last category includes machine tools, air compressors, marine equipment, nut making machines, gear processing machines, printing machinery, rubber machines, paper making equipment, tile making machines, cement machines and equipment, conduit valves, and transportation equipment and components. An overview of the development of machine tools and air compressors, the main applications belonging to the category of industrial machinery products of this company will be provided below:

Machine tools

The term machine tools refers to motive power manufacturing equipment which is used for precision cutting of metals to manufacture other machines or processed metal parts. Machine tools are commonly known as “the mother of all machines” or “mother machines”. Machine tools may be used for molding, cutting, and bonding. Machine may be divided into the following categories based on usage purposes: lathes, milling machines, grinding machines, and drilling machines. Based on the level of computerization they may also be divided into traditional metal cutting machines, numerical control (NC) machines (equipped with automated control but not with digital control), and computerized numerical control (CNC) machines which have wide application in the machinery, automobile, electronics, mold, and, aerospace industries. Complexity, precision, efficiency, and flexibility of machine tool processing directly determines the market positioning of products. The development and design of key technologies and key components therefore represents the main objective of machine tool manufacturers. In addition, higher added value, larger sizes, and higher complexity are major trends in machine tool development.

In 2019, the key economic indicators of the Chinese machine tool industry exhibited a significant

decline compared to the same period of the previous year. Based on data issued by the National Bureau of Statistics, China Machine Tool & Tool Builders' Association states that operating revenues and realized profits of the machine tool industry dropped by 2.7% and 23.8% compared to the same period of the previous year. Cumulative realized profits of the metal-cutting machine tool, metal-forming machine tool, measuring tool and instrument, and abrasive tool industries decreased by 60.8%, 26.9%, 10.4%, and 14.3%, respectively, over the same period of the previous year.

The machine tool market currently exhibits a pattern of volatile contraction of aggregate demand and adjustment and upgrades of demand structures, which is accompanied by structural disruptions and imbalances.

As of 2020, it is unlikely that the machine tool market demand will see a significant increase in the near future.

On the one hand, the Chinese economy is currently in a pivotal stage of development model and growth momentum transformations and optimization of economic structures, characterized by the interplay of structural, systemic and cyclic issues. The impact of the “three-phase superposition” is intensifying and the economy is facing increasing downward pressure. The global economy is characterized by slowing growth rates and is still mired in a stage of profound adjustments in the aftermath of the global financial crisis with pronounced characteristics of accelerating transformations.

On the other hand, the Chinese economy has already transitioned from rapid growth to a period of high-quality development. The GDP growth rate exhibits a pattern of gradual decline. In 2019, total investments in fixed assets increased by 5.4% compared to the same period of the previous year. Investments of the manufacturing sector, however, only reached 3.1%, falling significantly short of total investment levels. Investments of the automotive industry, one of the main users of machine tool products, decreased by 1.5% compared to the same period of the previous year, while the automobile output and sales volumes dropped by 7.5% and 8.2%, respectively.
Moreover, M2 (broad definition) and M1 (narrow definition) money supply growth rates in China reached 8.4% and 0%, respectively, at the end of January 2020. M2 growth rates have remained below the threshold of 10% for more than two consecutive years and at a level of slightly above 8% in the most recent year. The gap between the Consumer Price Index (CPI) and Producer Price Index (PPI)

has been constantly widening since December 2018. In January 2020, CPI and PPI values were recorded at 5.4% and 0.1%, respectively. The PMI index reading in January 2020 was 50.0%, and PMI values have stayed above the watershed line of 50% for three consecutive months.

The aforementioned factors are unfavorable for the machine tool industry. The demand for machine tools will also be seriously affected by the outbreak of the coronavirus epidemic at least in the first half of 2020. Machine tool enterprises successively resumed operations after the Lunar New Year holidays. However, resumption of regular production is expected to take longer. With the full support of the government in the field of organization and promotion, the economy is projected to stage a rapid recovery. Correspondingly, industrial and economic operations are expected to return to normal.

In conclusion, the China Machine Tool & Tool Builders' Association believes that a fundamental rebound in machine tool market demand is unlikely in the first half of 2020 and stabilization of the market in 2020 is increasingly difficult. Industry operations will face significant downward pressure and improvement of key economic indicators is considered rather difficult. However, each product category and industry are expected to perform differently.

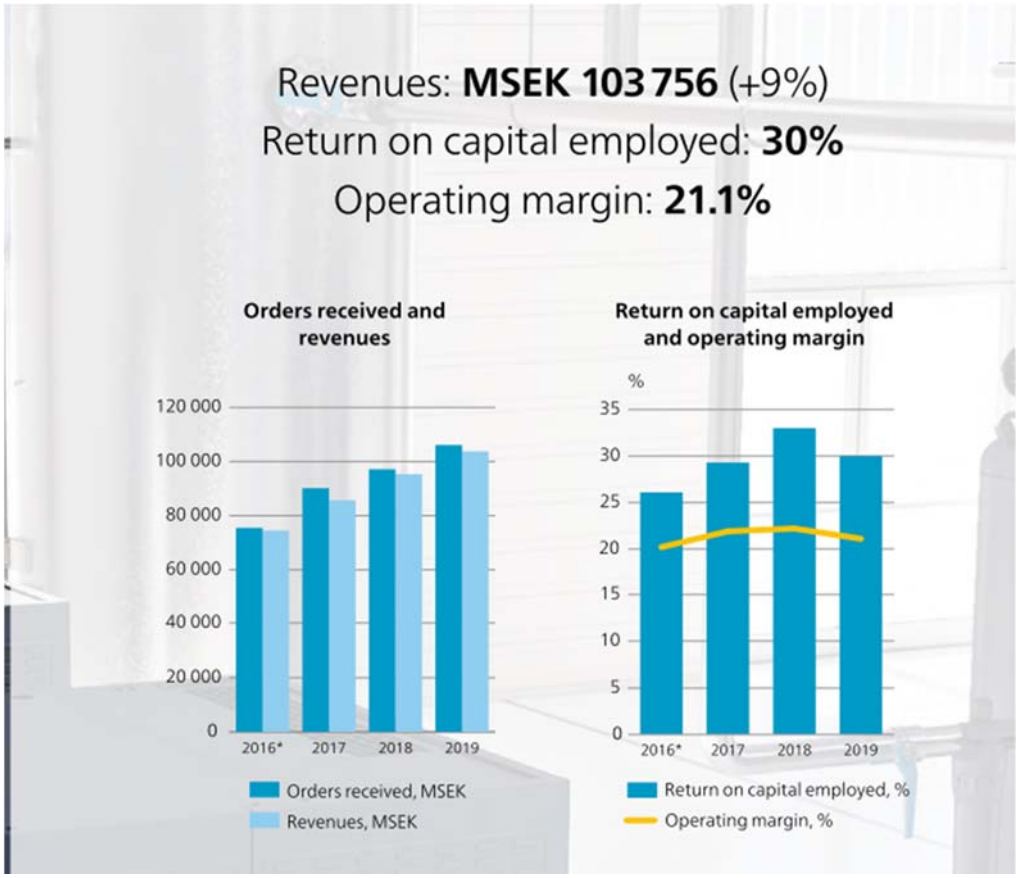
The international machine tool market is also deeply affected by the epidemic. Correspondingly, DMG and HAAS, which are major customers, have already notified the company to delay production and deliveries by 1-2 months. The Group currently maintains effective communications and open information channels with its customers to facilitate effective adjustments of production and delivery schedules.

B. Air compressors

Air compressors are capable of converting mechanical energy into gas pressure energy and compressed air pressure. Based on the compression methods, compressors can be divided into Positive Displacement Compressors and Dynamic Compressors. Based on the cooling method air compressors can also be categorized into water-cooled and air-cooled types. In addition, compressors can also be classified into lubricated and non-lubricated types based on the fact whether or not air is mixed with lubricating oil during the air compression process. Lubricating oil has a lubricating and cooling effect on any machinery equipment. In lubricated air compressors, it also has a sealing effect

and thereby enhances the volumetric efficiency of air compressors. From an energy conservation perspective, the efficiency of lubricated air compressors is much higher than that of non-lubricated compressors. However, it is impossible to completely remove the oil gas from the compressed air through a meticulous filer mechanism. Despite the higher energy efficiency of lubricated air compressors, the purchase costs and pressure loss generated by the precise filter mechanism as well as the energy loss are also quite significant. Most clients therefore favor non-lubricated air compressors. In the upcoming years, the petroleum, chemical, metallurgy, shipping, environmental protection, and clean energy industries will continue to develop and the demand outlook in the compressor market is still expected to be positive.

The Company's main products are special casting products of cover and rotor for compressor. These are products with higher added value, huge demand and lower replaceability on markets. As such, it is a critical type of industry emphasized by the Company over long time. As shown in the chart below, Atlas Copco has maintained stable growth of order volumes and revenues between 2016 and 2019, exhibiting a promising growth potential. Nevertheless, from the perspective of industry supply, excess capacity has led to dramatic drop in prices and the gloomy market has also triggered a lot of negative consequences. Some manufacturers seek to lower costs through reduced features, lowered quality and even adoption of illegal measures or standards which have lowered product quality and affected reliability and steadiness. This is evident from the fact that ROIC of 30% and operating profit ratio of 21.1% in 2019 are both lower than the values recorded by Atlas Corpo in 2018.



C. Shipping equipment

As far as the market for shipping equipment is concerned, the shipping industry has been undergoing structural adjustments for some time due to the bleak outlook of the global shipping market. As to the market demand structure, the demand for ship models with complicated technologies continues to grow and international shipbuilding regulations successively require that development focus on energy conservation, safety, and environmental protection, which in turn will generate a large number of new opportunities for the market.

Due to the higher technical requirements and the fact that all advanced countries have their register of shipping certificates (12 major registers of shipping currently exist), a market entrance barrier is formed owing to the fact that large investments of time and money are required for the certification process. New markets are mostly dominated by large manufacturers, which leads to a situation in which a small number of big players continue to grow stronger. Small- and medium-sized shipping businesses are forced to grit their teeth and hang on in the face of adverse economic circumstances. However, the worst is already over in this industry since demand is clearly picking up. An increase

of localized production in China has turned into a key course of action for large international manufacturers due to cost considerations. The demand for castings has therefore never waned, but high-precision processing has to be provided. Due to the fact that the production capacity of Yeong Guan Energy Guan has not been expanded yet, the company is willing to increase the output of existing products for clients at its own discretion, but will only be able to meet customer demands for the development of new products after expansion of its production capacities. The Company is currently applying for a certificate issued by the British classification society and plans to apply for a certificate from the Norwegian classification society in the future with the goal of a gradual enhancement of capabilities and the development of more shipping industry clients.

Our customers Man and Wartsila are world-leading manufacturers of marine engines. Man and Wartsila have a share of 80% and 16% in the low speed marine engine market. In the medium-speed market, Man and Wartsila have a share of 16% and 27%, respectively. The companies are currently actively exploring customer needs to achieve a deeper penetration of the whole industry.

Medical equipment

Rapid digitization trends

Image guides and big data integration are the main fields driving the digitization of healthcare and the medical industry. The root cause lies in the rising demand for high-precision processing of medical data. The goal lies in the use of existing data and enhancement of cost effectiveness. The rapid digitization of medical equipment will ultimately affect all areas of health care systems all over the world.

The digitization of medical equipment will generate several business opportunities that equipment manufacturers can’t afford to miss out on. Equipment digitization enhances the efficiency of oncological nursing and spurs the development of IT systems and therapy solutions. The industry currently faces significant challenges in the field of digital system utilization, realization of smarter usage processes for clinical users, and automation of image guidance processes. The successful tackling of the aforementioned challenges will be conducive to the achievement of industry leadership by equipment manufacturers in the field of precise radiation therapy.

As Yeong Guan's main client for medical equipment, Elekta currently provides digital solutions to improve clinical processes, fully satisfy the demands of clinics, and provide security and usable data in a timely manner. Efforts by Elekta in this area will accelerate big data integration, enhance system processing capabilities, and create opportunities for development of AI-based IT systems. Enhanced digitization also requires the constant improvement of product performance and equipment after-sale services by Elekta.

The global medical equipment market continues to expand – US and Europe account for the lion's share

As for the distribution of demand for medical equipment, developed countries and regions in Europe and North America had a head start in the medical equipment industry. Due to the comparatively high income levels and life standards of their citizens, expectations with regard to the quality of medical device products and provided services are relatively high. Market size is enormous, and demand is growing steadily.

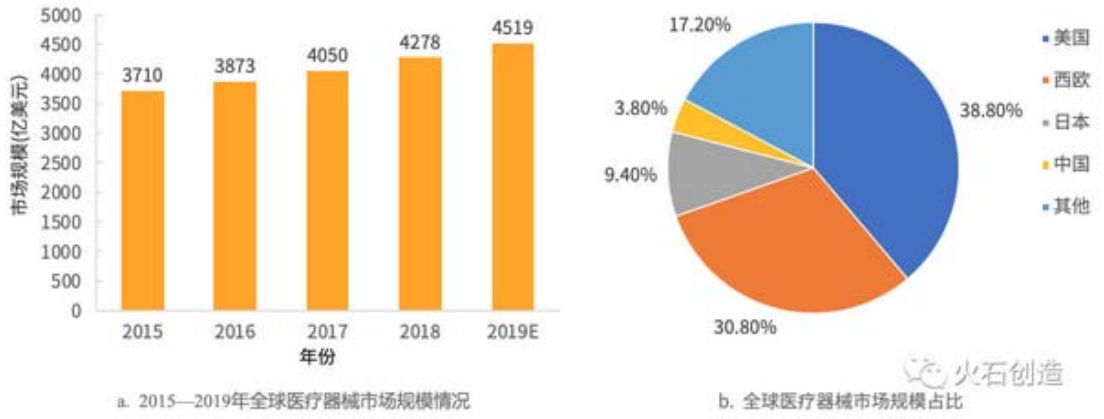


图1 全球医疗器械市场规模情况（Evaluate MedTech）

Development trends in the US market

The North American market is the largest radiation therapy market in the world. It is characterized by a high penetration rate of therapy solutions, services, and after-market operations. However, long-term growth opportunities still exist due to the increasing number of patients, continued market

integration, and a switch of customer behavior to value-oriented healthcare. The North American market is also a relationship driver, which means that the presence of equipment manufacturers in key areas of this market is of paramount importance. In addition, the US has the highest healthcare expenditures per capita, which stimulates the demand for higher efficiency. It also spurs the development of new functions and more comprehensive and integrated solutions. Due to the limited demand of the South American market for radiation therapy capabilities, the long-term outlook is still bright. Despite the geopolitical and macroeconomic challenges in certain South American markets, the whole region still has a strong long-term growth potential. In 2019, Elekta had a total market share of 24% in the radiation therapy equipment market of the Americas.

Market development trends in Europe, the Middle East and Africa

Western Europe has significant interest and demand for new technologies to enhance clinical efficiency with an emphasis on replacement of clinical infrastructure and increased demand for services and support. Eastern Europe is characterized by a lack of advanced cancer treatment resources, while the Middle East and Africa are emerging markets. All these regions are characterized by an extreme lack of radiation therapy capabilities. In developing countries supply of radiation therapy and other forms of advanced cancer treatment is still fragmented and scarce. Against the backdrop of a rising number of cancer cases and increased early diagnosis rates, the Western European market is currently characterized by a focus on investments in new radiation therapy capabilities. The Eastern European market, on the other hand, exhibits a pattern of brisk activity and investment. Due to the lack of advanced cancer therapy resources, many countries rely on national programs to expand and modernize nursing capabilities. This also implies that demand will exhibit significant fluctuations with the passage of time.

In Africa, only a small percentage of the population has access to radiation therapy, which points to significant long-term growth potential. In 2019, Elekta's order intake in the field of radiation therapy equipment in Europe, the Middle East, and Africa increased by 25% in 2019, resulting in a total market share of 44%

Development trends in the Asia-Pacific market

Due to rising life expectancy and economic prosperity, the long-term demand for cancer nursing

services in this region is expected to remain at a high level. Elekta's 2019 annual report indicates that China continues to be in the leading position in that region with its vigorous growth speed in terms of investment quantity and speed, accounting for 45% of the total market in that region. This is also Elekta's most important market in the world. Order quantity in China increases by 17% for accounting years of 2019/2020. The main characteristic for Asia Pacific market is its establishment of new treatment capability.However, the life cycles of existing systems have already ended, which propels the demand for support services and replacement investments in the future. In this year, market growth of the whole region proved to be favorable. For Asia and Pacific region excluding China as well as China, India, Korea and Vietnam, they also enjoyed steady growth for 2018/2019. While Japan market has been developing slowly in recent years, it too has become active recently. In 2019, Elekta had a total market share of 42% in the radiation therapy equipment market of the Asia-Pacific region.

In view of the unclear economic situation, medical institutions are gradually adopting a more conservative attitude as far as capital expenditures and purchase of new equipment is concerned. Clients are therefore forced to develop new device models to target different market segments. Business models have to be transformed from make-to-stock to make-to-order in the past. In addition, end clients have a high demand for product maintenance and warranties. Repair and maintenance to extend service lives reduces sales. Clients will therefore continue their efforts in the field of cost optimization, which in turn affects the suppliers. Flexible supplier strategies are therefore extremely important.

Supply chain management methods of the medical equipment industry are characterized by rising flexibility. The goal is to optimize the quality of services, minimize costs, and shorten delivery times of suppliers. Make-to-order production allows an effective reduction of inventories. The company must therefore more comprehensive service packages to satisfy customer demands.

(c) Overview of Technologies and R&D

1. Research and development expenses and R&D investments as share of revenue in recent years up to the first quarter of 2019

Unit: 1000 NTD; %

Year / Item	2018	2019	First Quarter of 2020
R&D expenses(Note)	159,430	222,926	39,944
Revenue	6,195,855	7,899,986	1,130,199
Share of revenue (%)	2.57%	2.82%	3,53%

Note: R&D expenses are manpower and mold costs generated by technology improvements and development of new products

2. R&D Achievements

Technology or product type	Properties and functions
Molding flask	Based on the contour of the mold, these specially designed flasks guarantee the use of suitable amounts of sand to reduce sand-iron ratios and cooling times and improve turnover rates of flasks.
Iron ball	This sphere-shaped object is hollow and is added during stages of molding and core making processes that consume large amounts of sand. These balls can be recycled and reused and help reduce sand costs.
Inoculants with Bi conent	Improve the grade of nodulization and enhance the mechanical properties and quality of castings
EN-GJS-350-22U-LT	Utilized in wind power and gas turbine products to ensure high elongation rates, excellent low-temperature impact properties, and high fatigue resistance
EN-GJS-400-18U-LT	
Anti-overflow gate riser	The effect of inertia when molten iron is poured into the mold cavity from the ladle during the casting process which leads to overflow at the gate riser and an expanding area of molten iron. This technical improvement prevents the overflow of molten iron at gate risers onto the surface of sand mold.
Core-wire injection nodulizing equipment	Enhances the molten iron nodulization effect and quality
Unpluggable pouring basin	Allows the pouring of molten iron of a weight equivalent or approximate to the casting into the basin above the mold cavity and ensures that impurities in the molten iron float to the

Technology or product type	Properties and functions
	surface. When the plug is removed and the molten iron flows into the cavity, the impurities are kept in the basin and out of the casting.
ASME U STAMP(Certified by American Society of Mechanical Engineers)	Permission certificate for export of pressure vessels to Europe and the US
PED(pressure equipment directive)	Permission certificate for export of pressure vessels to Europe
Ceramic tube runner	Decreases slag flowing into castings and enhances product quality
CNC wooden pattern processing	Machine tools are employed for 3D programming of processing patterns. This enhances the accuracy of the dimensions of the pattern and the surface flatness, increases the service life of the pattern, reduces the impact of human negligence and facilitates the production and measuring of complicated shapes which cannot be created manually.
PFMEA - Process failure mode and effect analysis	Increases the ability to control production processes and reduces process reject ratios.
Optimization of gating systems	Reduced use of ceramic tubes, decreased labor costs and intensity, and enhanced yield rate
Minimization of allowances for pouring weight	Enhances the usage rate of molten iron and reduces energy consumption
Promotion of the use of chips in all plants	The computerization of mold data enhances the consistency of scheduling and production and reduces human error during production processes
Wind turbine hub rotary fixture	Implementation of simultaneous setup and machining of three flanges to effectively reduce processing times and enhance production efficiency.
Hollow core support technology for wind turbine hub castings	Reduced consumption of core sand, decreased sand-iron ratio, convenient core making operations and facilitate ventilation during casting.
Ventilated and anti-leakage	Guarantees sufficient ventilation during the casting process and

Technology or product type	Properties and functions
flask	facilitates mold closing and sand enclosing operations and prevents leakage
Standardization of the base plate of pattern	Reduce pattern costs and shorten pattern making times
Air-cooled iron core technologies	One end of the sand core is exposed to cold air and the other end releases hot air to accelerate the cooling of heavy castings and enhance the quality of castings
Ductile iron castings(energy-type gas turbines)MT, UT Special inspection code	Refined inspection process to guarantee product inspection quality
Universal assembly and welding device/tool	Reduces assembly and welding times, enhances production efficiency, and guarantees product quality
Styrofoam cylinder molding technology	Cylinder-shaped Styrofoam rapid molding tool for increased production efficiency
Special tapping clamping cutter	Enhanced efficiency and reduced costs
Converter	Face mill cutter head is converted and clamped to boring shank for reduced costs
C5 High-grade anti-corrosion coating technology	Improved and optimized coating techniques allow the highest C5 grade corrosion protection and provide enhanced coating quality
EN-GJS-600-10U-LT	Wind power and gas turbine products are characterized by excellent elongation characteristics and low-temperature impact resistance as well as high fatigue resistance and weight reduction
Casting dimension scanning technology	Enhances the accuracy and efficiency of casting dimension detection
Coating automation	Enhances the quality consistency and efficiency of spray coating for castings

(d) Long- and short-term development plans

i. Short-term development plans

(1) Customer dimension and after-sale services: Continued increase of sales opportunities in the Japanese and North American markets to enhance and balance the export market distribution. American and British sales representatives have been hired for the North American and European markets, respectively to accelerate market development and penetration and enhance after-sale service capabilities. A senior Danish processing technology consultant is stationed in Jiangsu Bright Steel Machinery to enhance processing capabilities and production capacity utilization efficiency.

(2) Expansion into new product areas and vertical services: Provision of vertically integrated services for existing products such as precise processing services for injection molding machines, assembly capabilities for existing products for which processing services are already available, and provision of more comprehensive services. In 2018 it is planned to add precise processing services for wind turbine gearbox castings. Components include the gearbox body, planetary brackets, and torque arms. Provision of processing services for finished products other than castings with higher demands for processing accuracy (an additional processing workshop with temperature and humidity control has therefore been established and a European/Japanese high-precision processing lathe was added to enhance product competitiveness). In addition, expansion is also pursued in the field of assembly capabilities. Services are intensified in the healthcare industry and with strategic partners and service offerings have been extended to project assembly. For instance, injection molding machinery and wind power clients all consider cooperation in this area.

(3) Horizontal expansion into new industries and product areas including promising emerging industries such as AI, automated machinery, robots, and new energy vehicles and industries with existing customers such as the shipping industry, agricultural machinery, castings for the automobile industry, and the health care industry as well as horizontal expansion through acquisition of new customers in the same industry or cross-industry cooperation with existing customers. Expansion of sales to same-industry businesses upon successful initiation of cooperation with top-ranked enterprises.

(4) Energy industry: In view of the fact that the wind power market shifts toward offshore wind turbines, the company is searching for suitable locations for the production of large-scale castings. The next step in the planning of marketing strategies for the group lies in the planning of factories

with integrated production processes that include casting, processing, spray coating, and assembly capabilities. This year, orders have been placed by key clients for the development of offshore wind turbines and deployment of capacities for future production bases is being planned.

(5) Production strategies: Processes are improved, yield rates and production efficiency are increased, production costs are reduced, and current production flows are optimized to increase production capacities and satisfy rising customer demands. A continued focus on supplier management and development allows the maintenance of positive and stable interactions with suppliers. In addition, the company also actively seeks cooperation with large international suppliers of raw materials to ensure a stable source of raw materials under conditions of wide price fluctuations in countries of origin.

ii. Medium-term

Expansion of existing production capacities and production bases: In addition, to increased efficiency and production capacities at existing production bases, it is also planned to establish new production bases in Thailand and the Taichung Harbor area in Taiwan within the next 3-5 years to face the challenges of market volatility and uncertainty.

(1) Taichung Harbor Plant:

The main purpose of this expansion project is to satisfy the future demand of the global offshore wind power industry as well as the demand for castings of the heavy industry. The plant is located in the vicinity of the harbor and therefore enjoys a significant competitive advantage because no additional costs for land transportation are incurred.

(2) Thailand plant:

Significant planning advantage: A large plot of land has already been acquired and Environmental Impact Assessment Approval has been obtained. Construction can be planned in stages. In addition, the Company is entitled to tax exemption for eight years in the context of investment promotion and incentive policies of the Thai government. Automated equipment will be added in the future, while investments in new production capacities through industrial machinery will be planned in stages in response to supply chain transfer trends in the future. The goal is to strengthen deployment in ASEAN region and thereby enhance the company’s risk resistance capacity in the face of rapid industrial transformations.

iii. Long-term:

Pioneering investments and solid implementation of an EHS (Environment, health, and safety) system: All plant areas affiliated to the group have earned the approval and support of local governments. The establishment of an EHS system is a key review criterion of multinational corporate clients. Investments that will generate long-term environmental cost advantages are planned in stages and the Company will pioneer the adoption of environmental protection equipment that meets the highest standards.

(2) Promotion of GSI (Green Supplier Initiative): The goal lies in achieving conformity to national and international standards and norms in the fields of environmental protection, energy conservation, and emission reduction at an early date

(3) Adoption of a Manufacturing Execution System (MES): Processes involving transparency of manufacturing data and management and constant refinement and optimization of Lean production are promoted to constantly enhance production efficiency.

(4) Continued implementation of training and inheritance programs of the Group from top management to the lowest ranks and building of the Group's core competitiveness including strengthening of professional technical competence, comprehensive user solutions, and continued skill development

(5) Corporate social responsibility: The Company aims to contribute to environmental protection, society, and corporate governance (ESG) and fulfill its corporate social responsibility (CSR) through its development and planning efforts and its core competitiveness to achieve the goal of sustainable development and business operations.

2. Market and sales overview

(a) Market analysis

1. Main products and sales regions

Unit: 1000NTD; %

Year / Region	2018		2019	
	Amount	%	Amount	%
Europe	2,017,834	32.57%	2,418,785	30.62%
China	2,335,370	37.69%	3,467,538	43.89%
USA	506,657	8.18%	509,099	6.44%
Asia	1,335,994	21.56%	1,504,564	19.05%
Total	6,195,855	100.00%	7,899,986	100.00%

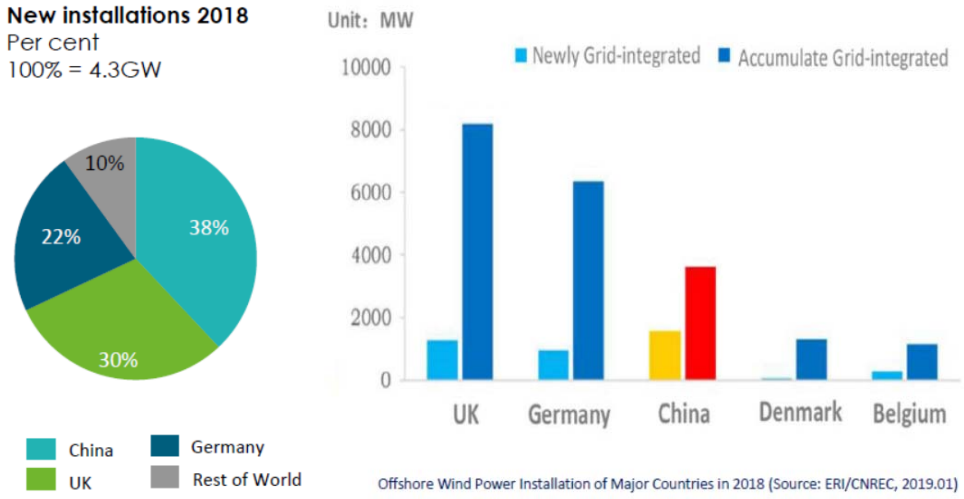
2. Future supply conditions and growth potential of the market

Wind power industry

European onshore/offshore wind power

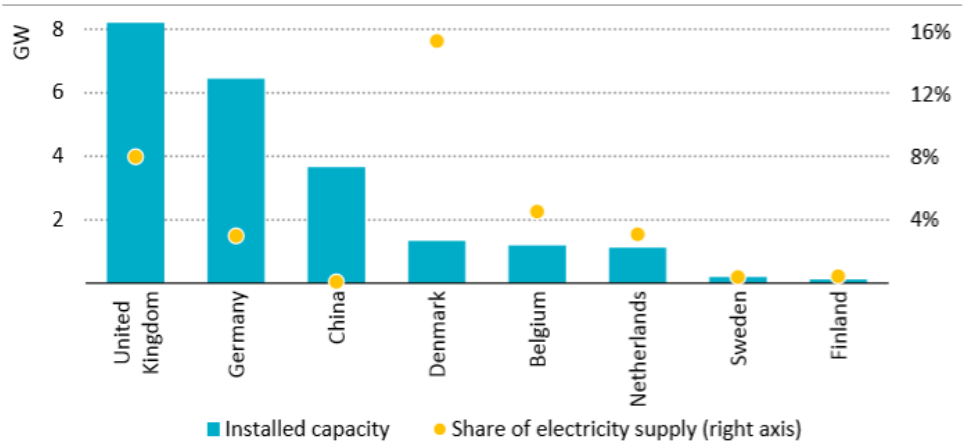
Statistical data for 2018 reveals the UK and Germany still surpass China, but the importance of the Chinese market is constantly increasing. According to data released by GWEC, China accounted for 38% of offshore wind capacity additions amounting to 4.3GW in 2018.

Newly and accumulated grid-integrated offshore wind power capacities of major nations in 2018 are shown in the chart below. This chart clearly shows that growth is accelerating in China. The country's accumulated grid-integrated capacity is currently ranked third behind only the UK and Germany.



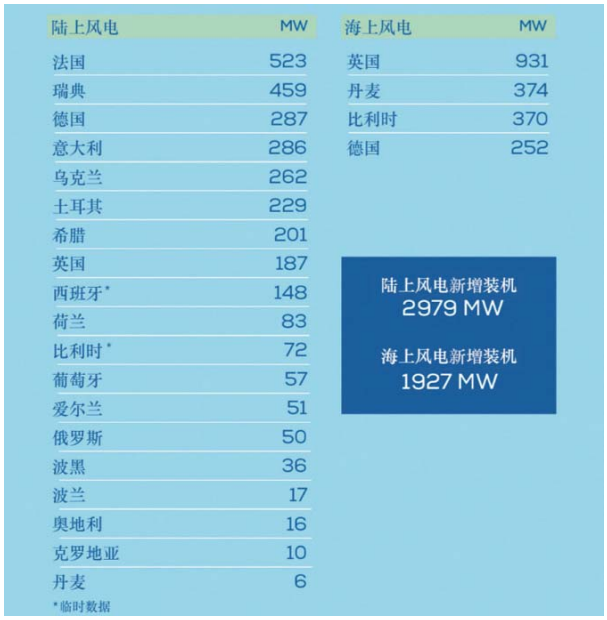
Offshore Wind Power Installation of Major Countries in 2018 (Source: ERI/CNREC, 2019.01)

Figure 2 ▷ Offshore wind installed capacity and share of electricity supply by country, 2018



Most leading countries in offshore wind are in Europe, led by the United Kingdom, though China has quickly joined the top-three and is gaining momentum

A report released by Wind Europe in November 2019 indicates that the UK added new offshore wind power installations with a total capacity of 931MW in the first half of 2019, thereby consolidating its leadership position in Europe. Denmark, Belgium, and Germany closely followed with 374MW, 370MW, and 252MW, respectively.



陆上风电	MW
法国	523
瑞典	459
德国	287
意大利	286
乌克兰	262
土耳其	229
希腊	201
英国	187
西班牙*	148
荷兰	83
比利时*	72
葡萄牙	57
爱尔兰	51
俄罗斯	50
波黑	36
波兰	17
奥地利	16
克罗地亚	10
丹麦	6

*临时数据

海上风电	MW
英国	931
丹麦	374
比利时	370
德国	252

陆上风电新增装机
2979 MW

海上风电新增装机
1927 MW

In the first half of 2019, newly installed offshore wind power capacity in Europe reached 4.9GW (offshore wind power accounted for more than 1.9GW of this capacity). In the same period of the previous year, newly installed capacity amounted to 4.5GW. However, due to the fact that the German wind power industry is facing serious issues, the total onshore wind installed capacity in Europe

dropped from 3.3GW in the same period of the previous year to 2.9GW this year.

Wind Europe warns that based on installed capacity data it seems unlikely that the EU will be able to achieve its stated target of a 32% share of renewable energy in energy consumption by 2030. Mr. Pierre Tardieu, Chief Policy Officer at Wind Europe, points out that "it was a good start to the year for offshore wind growth. But onshore wind installations were poor these past 6 months. Germany had the lowest first half of the year for new onshore wind installations since 2000. Permitting challenges remain the key bottleneck: 11 GW of onshore wind are stuck in the permitting process in Germany." As a matter of fact, wind power installations in Germany have exhibited a declining trend since 2018. In the first half of 2019, onshore wind installed capacity in Germany saw a dramatic drop to a mere 287MW, which represents a decrease by around 80% compared to the same period of the previous year.

Tardieu believes that the transition to an auction system in 2017 is another key factor affecting wind power capacities in Germany. It is reported that this system involves upper limits for renewable energy installations including wind and solar power. The government also offers preferential terms including bidding privileges and extended project deadlines for small-scale energy cooperatives in communities to encourage the public to participate in the bidding process. However, favorable bidding prices and extended deadlines add a layer of uncertainty to project deadlines and induce large companies to cooperate with communities and thereby gain access to privileges. This has led to a state of turmoil in the wind industry.

Experts point out that the reasons for the dramatic decline of wind installations in Germany are complex. Resistance by local residents and environmental protection activists coupled with government red tape are key factors. It is a well-known fact that Germany is firmly committed to the realization of its energy conservation, emission reduction, and nuclear power phase-out targets. The country plans to shut down all its nuclear power plants by 2022 and increase the share of renewable power generation to 65% by 2030. This also means that the target for offshore wind power must be raised to 20GW (5GW more than originally planned) in 2030. Within the next decade, onshore wind power and solar power capacities must be increased by 4GW and 5GW annually to achieve the targets set for 2030. Tardieu adds that "European countries are finalizing their National Energy & Climate Plans to 2030. They should be giving as much detail as possible on the policy measures that will allow a smooth and robust deployment of renewables."

Wind power currently accounts for 14% of total power generation in the EU. In the first half of 2019, investments in wind power projects totaled EUR$ 8.8 billion (onshore and offshore wind power accounted for EUR$ 6.4 billion and 2.4 billion, respectively). This round of investments led by France and the Netherlands is expected to generate new installations with a total capacity of 5.9GW within the next three years.

IEA released a report listing the policy targets for offshore wind power capacities in the European Union.

Table 4 ▷ Policy targets for offshore wind in the European Union

Country	Policy	Capacity target	Year set
United Kingdom	UK Offshore Sector Deal	Up to 30 GW by 2030	2019
Germany	The Renewable Energies Act	15-20 GW by 2030	2017
Netherlands	The Offshore Wind Energy Roadmap	11.5 GW by 2030	2017
Denmark	Energy Agreement	5.3 GW by 2030	2019
Poland	Draft National Energy and Climate Plan	Up to 5 GW by 2030	2018
France	Multi-Annual Energy Plan	4.7-5.2 GW by 2028	2019
Belgium	Draft National Energy and Climate Plan	4 GW by 2030	2019
Ireland	Climate Action Plan 2019	3.5 GW by 2030	2019
Italy	Draft National Energy and Climate Plan	0.9 GW by 2030	2018

US onshore/offshore wind power

Despite the likely breakdown of tax reform negotiations, a new report released by the United States Department of Energy reveals that wind power projects that have entered the planning stage in the US amounted to 25.8GW by the end of 2018. Mark W. Menezes, Under Secretary of Energy, points out that the planned capacity of 25GW indicates that offshore wind power will turn into a major component of the US energy mix in the upcoming years. As a result of the new tariff policy implemented in January 2018, solar power installed capacity within the borders of the US decreased between 2018 and 2022, which generated more room for wind energy development. The US offshore wind power industry received several shots in the arm through official government announcements, which are expected to boost development of relevant technologies in Maryland, Massachusetts, New York State, and all states in the northeast.

By the end of 2017, it was estimated based on offshore wind power plans in each US state that offshore wind power farms with a total capacity of 5.3GW would be put into operation by 2030. Within the next six months, state governments frantically increased these basic estimates.

In 2018, newly added capacities include the following:

- 1.6GW Massachusetts has added a planned capacity of 1.66GW before 2035
- New York State has added a planned capacity of 6.6GW before 2035
- New Jersey state has added a planned capacity of 2.4GW before 2030

In 2019, newly added plans include capacities of 2GW and 1.2GW in Connecticut and Maryland, respectively. Despite the fact that California and Hawaii haven't set concrete target values, they both have formulated 100% clean energy targets and carbon emission reduction policies, which has also provided further impetus to the lease of offshore wind farms.

IEA released a report listing offshore wind targets and support policies in the United States

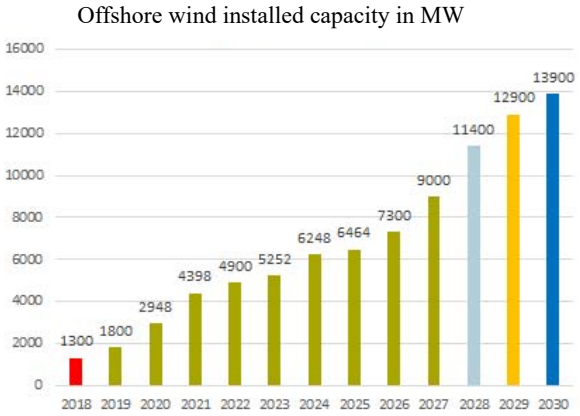
Table 6 ▷ Offshore wind targets and support policies in the United States

State/Jurisdiction	Policy	Target, awards or incentives	Year
New York	Climate Leadership and Protection Act	9 GW installed by 2035	2019
Massachusetts	Act to Advance Clean Energy, Act to Promote Energy Diversity	3.2 GW installed by 2035	2016
New Jersey	Offshore Wind Economic Development Act	3.5 GW installed by 2030	2018
Connecticut	Act Concerning the Procurement of Energy Derived from Offshore Wind	2 GW installed by 2030	2019
Virginia	Virginia Energy Plan	2 GW installed by 2028	2018
Maryland	Clean Energy Jobs Act	1.2 GW installed by 2030	2019
Rhode Island	'20 Clean Energy Goal	1 GW by 2025	2019
US Federal	Production tax credit (PTC)	$0.009-0.023/kWh*	1992
US Federal	Investment tax credit (ITC)	12-18%**	2002

* The exact value of the PTC for wind facilities depends on the year of construction. ** The ITC applies to projects starting construction before 2020.

Asian offshore wind power

Newly added demands and CAGR in the next 12 years are quite impressive. Each country has formulated ambitious renewable power generation targets.



- Between 2018 and 2030, newly installed offshore wind power capacity in the Asia-Pacific (incl. India) reached 88GW, which represents a CAGR of 21.8%
- South Korea has adopted the goal of a 20% share of renewable power generation in total energy consumption

Source: Make Consulting May 2018/GWEC/National policies/MII (July 2018)

Chinese wind power market

In 2017, the newly installed capacity of the top five providers of complete wind power solutions (Goldwind Science and Technology, Envision Energy, United Power, Mingyang Smart Energy, Shanghai Electric) reached 11.5GW, accounting for 64% of the total newly installed capacity. In 2018, these five manufacturers reached an even higher market share of 73%.

In 2018, the newly installed capacity of Goldwind reached 6.7GW (incl. offshore wind turbines with a total capacity of 400MW), accounting for a market share of 32%. Envision Energy and Mingyang Smart Energy were ranked 2nd and 3rd with newly installed capacities of 3.7GW (incl. 400MW offshore wind) and 2.5GW, respectively. Shanghai Electric was ranked 5th in terms of newly installed capacity with an offshore wind installed capacity of 720MW, accounting for 66% of capacity additions over the whole year.

Between January and September 2019, Goldwind achieved an export sales volume of 5244.75MW (1.5MW turbines accounted for 61.5MW or 1.17%). Goldwind's 2S, 2.5S, 3S, and 6S wind turbine platforms accounted for 64.79% (3398.30MW), 22.03% (1155.50MW), 9.66% (506.40MW), and 2.35% (123.05MW) of the export sales volume, respectively.

In 2019, turbine deliveries of Envision Energy were expected to exceed 6.3GW, which represented an increase by 47% compared to the same period of the previous year. The annual sales volume was

projected to reach RMB$ 23 billion, marking a growth rate of 42%. According to the financial statement, which was audited by Deloitte, turbine sales of Envision Energy reached RMB$ 6 billion, which represents an increase by 40% and a profit growth of 45%. According to reports, Envision currently has orders on hand amounting to 18GW which includes low-cost projects of strategic central enterprise customers after 2020.

Between January and September 2019, Shanghai Electric's total revenue and net profits amounted to RMB$ 75.219 billion and RMB$ 2.212 billion, respectively, which represents an increase by 7.6% and 1.97% compared to the same period of the previous year. Newly added orders reached RMB$ 117.29 billion, a rise by 17.7% over the same period of the previous year (new energy and environmental protection equipment accounted for 24.4% of newly added orders and 21.2% of orders on hand). Newly added orders for wind power equipment amounted to RMB$ 13.51 billion, an increase by 100.5% over the same period of the previous year.

The above market analyzer also states that "an analysis of the distribution of newly installed capacities over the past years reveals that the market share of the top five manufacturers continues to rise. It is expected that the market share of these top players will continue to soar as a result of an expansion of comprehensive energy services involving cost advantages, financing, and operation and maintenance services. A second round of reshuffling in the wind power equipment industry will emerge during this process of wind power expansion. This will further strengthen the competitive advantage of these key players."

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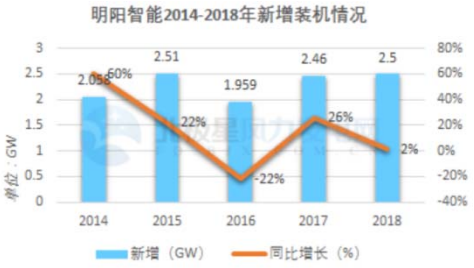

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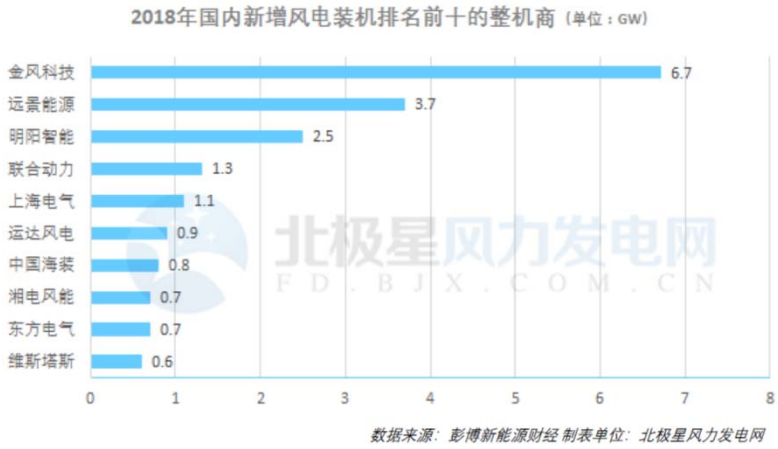
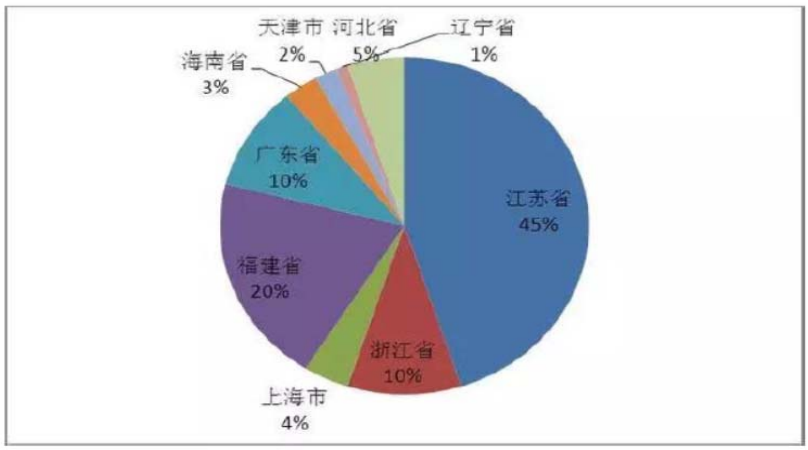


数据来源：彭博新能源财经 制表单位：北极星风力发电网

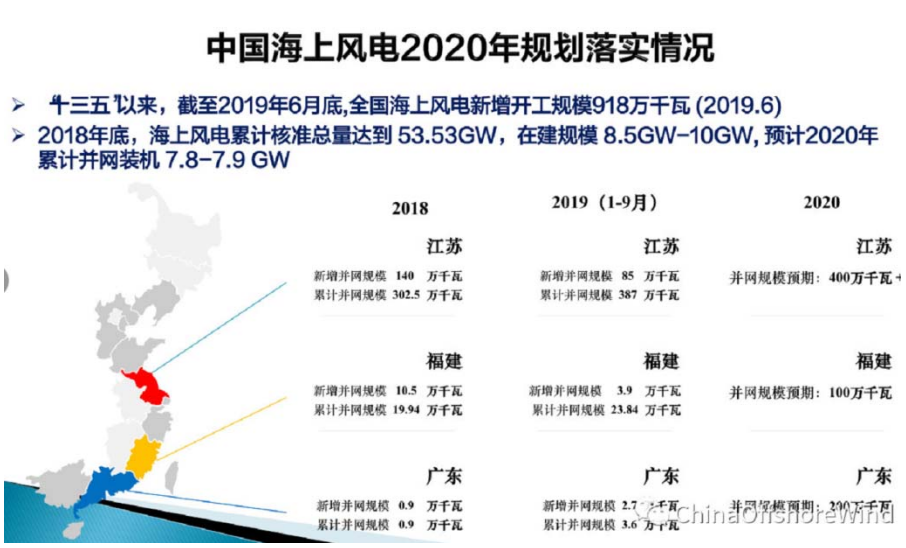
According to the 13th Five-Year-Plan, construction of offshore wind power installations with a capacity of 10GW will be initiated in 2020 and grid-integrated capacity will reach 5GW. The chart below shows the size and distribution by province of planned installations.

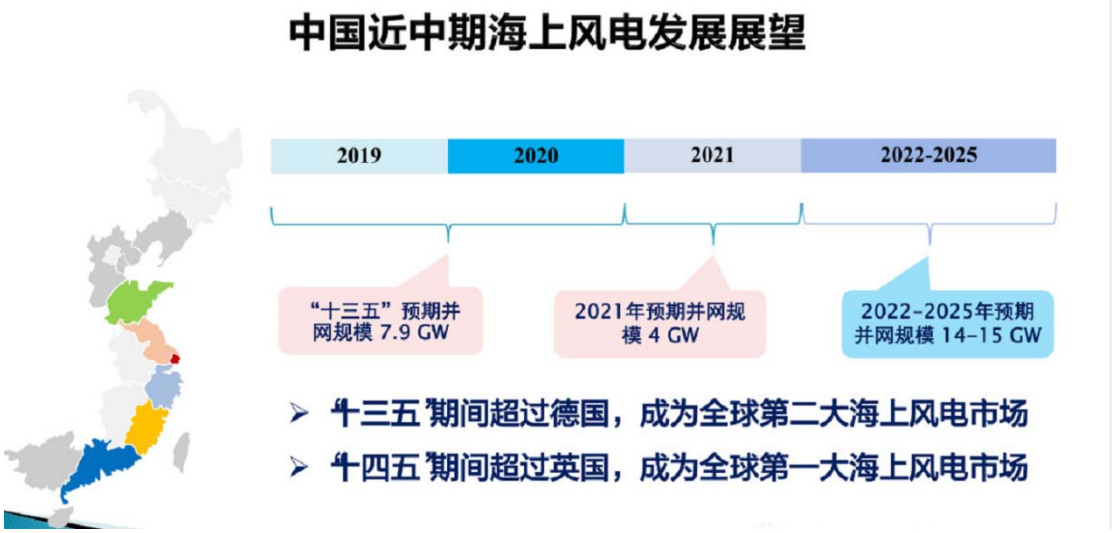
近年来中国海上风电行业发展趋势分析

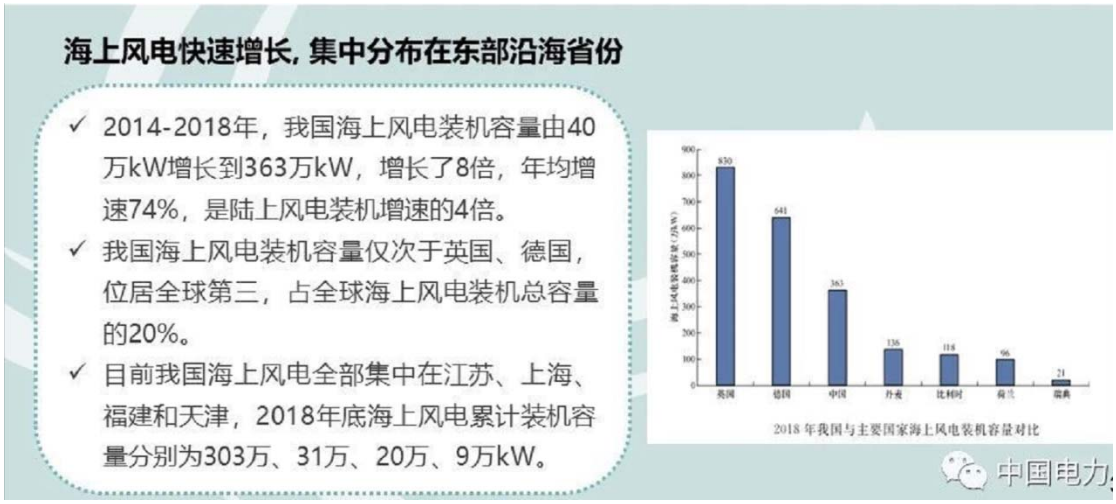


图表：2020年海上风电开工规模目标区域分布

【来源：中研网】







China accounts for around 50% of the global demand for offshore wind power. This includes 13 wind power projects with a projected investment volume of US$ 11.4 billion starting from the groundbreaking ceremony. Offshore wind power development is heavily tilted toward China. In the past, European countries such as the UK and Germany dominated the offshore wind power industry. In the future, these countries will continue to play a key role in this industry, but China has already replaced Europe as the primary market. Wind farm developers have also expressed strong interest in new locations (Taiwan and the US East Coast). Due to the impact of the China-US trade war, the Chinese government has reduced its export volume to the US market. However, the order volume of Chinese wind turbine providers has greatly benefited from the fact that domestic GDP has to be maintained. By 2020, the tariffs for wind and thermal power will be identical, which will provide a further impetus for wind farm developers.

Offshore wind turbines with high power ratings have turned into the mainstay of global offshore wind power development. The market share of 8-MW offshore wind turbines is expected to expand further between the second half of 2019 and the first half of 2020. On December 19, 2018, Shanghai Electric's first 7-MW offshore turbine was shipped. In February 2019, Mingyang's 7.25-MW turbine was successfully erected in Jieyang, Guangdong.

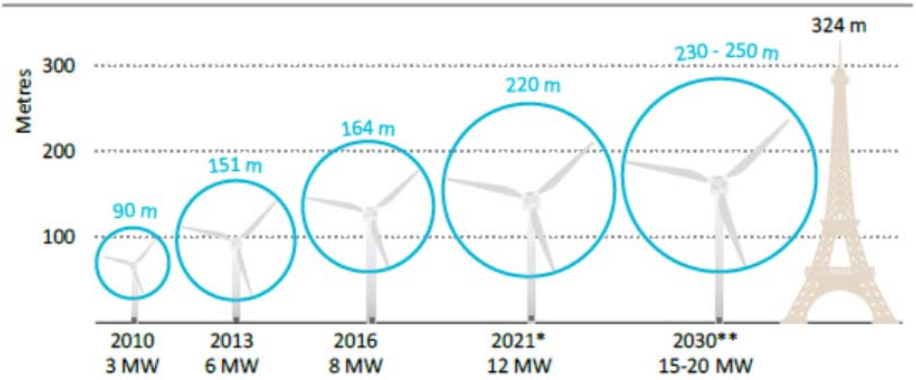
On January 17, 2019, SGRE launched its SG10-193DD turbine. This 10-MW turbine will be commercialized on a large scale in 2022. At around the same time, Vestas introduced its upgraded 9.5-MW turbine. Commercialization of this turbine was initiated simultaneously. GE's 12-MW turbine also became available in Summer 2019. Commercialized mass production will be initiated in 2021. Scaling up of offshore wind power turbines has also turned into a general trend in China. In

2018, Goldwind and Mingyang successfully installed 6.7-MW and 7.25-MW turbines in 2018 and 2019, respectively. Launch of 8MW and 10MW models is planned for the near future.

In February 2018, 154/6700 GW offshore wind turbines of Golden Wind Science&Technology were installed in Xinghua Bay, Fujian Province.

In February 2019, 7.25MW offshore wind turbines of Mingyang Smart were completed installed in Jieyang City, Guangdong Province.

Figure 3 ▷ Evolution of the largest commercially available wind turbines



* Announced expected year of commercial deployments. ** Further technology improvements through to 2030 could see bigger turbines sizes of 15-20 MW.

Conclusion

There are also significant differences in the sales markets of major turbine manufacturers. For instance, over 90% of all new installations of Goldwind were located in China in 2017, while Enercon's newly added capacity is mostly concentrated in Europe. GE Wind sells significantly more turbines in the Americas than in any other area, while Vestas and Siemens Gamesa onshore turbines are mostly sold in the following three regions: Europe, Middle East and Africa, the Americas, and Asia-Oceania.

"Mr. Albert Cheung, Head of Global Analysis of Bloomberg New Energy Finance, points out that "a trend of mergers and acquisitions emerged in the wind turbine industry in the past few years. For instance, Siemens merged with Gamesa and Nordex acquired Acciona Windpower. In addition to the four key players, there are numerous small-sized manufacturers. We therefore expect a further

consolidation of the industry in the upcoming years."

How many providers of complete wind power solutions will survive? SGRE CEO Markus Tacke believes that **only four complete solution providers will remain outside China** in the future. Only two of these providers will have powerful capabilities.

There are currently six major providers of complete wind power solutions outside China: Vestas, Siemens Gamesa, GE, Enercon, Nordex, Senvion, and Suzlon.

As for the two manufacturers with the most powerful capabilities, Tacke would, of course, include his own Company as one of the two key players in the wind power industry, which seems justified in view of the dominant position of the Company evidenced by Siemens Gamesa's ranking in the top five in the global wind industry and its top ranking in offshore wind power. The other key player is probably Vestas, which has occupied the top position in the industry for many years. Tacke is fully aware of this rivalry and concedes that Siemens Gamesa views Vestas as its main competitor that the Company tries to catch up with or surpass. So who are the other two survivors?

GE secured orders amounting to 4.8GW in the US and the UK this year. The company also successively acquires orders in China. Construction of the production base for large 12-MW turbines in Jieyang, Guangdong was officially initiated this year. In consideration of GE's global market performance and strategic layout, GE should definitely be on the list. Who is the final survivor?

Enter Nordex. The Company had big plans after its acquisition of Acciona Windpower, but it experienced a major setback and deep trouble as a result of the dire state of onshore wind power in Germany. Fortunately, Acciona, the parent of the merged company, offered a helping hand by investing EUR$ 95 million in the repurchase of shares. It also offered a full takeover to help the Company weather the storm. Enercon, on the other hand, is not engaged in the offshore wind sector. It has always focused on onshore wind power and has therefore been dubbed "Uncrowned King" of global onshore wind power. The company's recent troubles, however, bode ill for its survival.

It therefore seems likely that the final slot goes to Acciona Nordex, which has the most powerful backing. Incidentally, the renowned international energy research institute Wood Mackenzie also places its bet on Nordex as the final survivor besides Vestas, Siemens Gamesa, and GE. Based on the institute's research findings, Nordex' newly installed win power capacity will reach a record-breaking

5.5GW in 2020 and 2021, which represents a substantial increase by 40% compared to 2019. Only the fittest will survive in a process of fierce competition and rigorous selection.

Injection molding machinery industry

Development trends of Injection molding machinery industry in recent years

A. Development of large-scale and micro machines

International currently focus on the development of large-scale and micro machines. Large-scale and micro machines in China are currently still in a fledgling stage.

The design and manufacture of large-scale and micro plastic machinery is inextricably linked to the national standard of machine production and materials technology. Emphasis must be placed on the establishment of a technology foundation and intellectual property right system in the initial stage. International brands such as Krauss-Maffei have already initiated the research and development of 8,000-12,000 ton models, while the Chinese brand Chende has launched the development of a 6,500 ton models.

Miniaturization represents the main development direction for all product categories. The obvious momentum in the fields of electronics, information, electrical appliances, medical treatment, and biology reflected in rising demand is evidence for this. The demand for production equipment for plastic tubes of a diameter of less than 0.5mm which can be used as artificial blood vessels and high-performance soft packaging film for a wide variety of industry fields such as food products, beverages, and new energy continues to surge. Plastic film multi-layer co-extrusion technologies are constantly innovated. For instance, Nissei currently focuses on the development of micro machinery.

B. Development of energy-saving plastic machinery

In view of a global trend of energy conservation and carbon reduction, the government has formulated new energy conservation benchmarks for all industries. Traditional plastic machinery has a certain potential for energy conservation due to the fact that the focus of past designs often lay on the maximization of machine productivity. The main plastic machinery production bases in China such as Ningbo, Foshan, and Dongguan therefore implement

stripped down designs for plastic machinery.

Production rates will no longer be the main consideration for the design of energy-saving plastic machinery, which will instead focus on the energy consumption generated by heavy goods of processing units. Optimized design of machinery structure, control modes, and operation technology conditions is therefore implemented based on the goal of minimization of energy consumption. Advanced energy conservation technologies are adopted. For instance, the power conversion efficiency of motors with variable frequency speed control is much higher than that of motors with electromagnetic speed control or direct current motors. Following the maturity of variable frequency speed control technologies and the decreasing cost of variable frequency speed regulators, these technologies are widely adopted in the field of plastic machinery and extruding equipment in particular.

C. Development of automated smart plastic machinery

The development of automated plastic machinery will greatly increase the stability and reliability of such machines. This will be conducive to the enhancement of high quality, efficiency, and energy conserving production functions and production rates and the reduction of labor intensity and costs as well as the improvement of labor conditions and maximization of equipment usage rates.

A large number of new control devices are being adopted. For instance, Programmable logic controllers (PLC) replace traditional relays. Programmed controllers and micro computers are used for process and parameter control of injection molding machines. These new control methods are extremely important for high-precision molded goods. They can automatically adjust the molding conditions and thereby guarantee the dimensions and quality of finished goods. The production process of machines for the manufacture of generic goods is fully automated from material input to the testing and packaging of finished goods. Machine safety is ensured through relevant safety devices. Safety is fully automated and centrally managed allowing unmanned operation.

D. Network-based smart management

The essence of “Industry 4.0” lies in the realization of an industrial Internet, or in other words the linkage of virtual and physical networks to form a highly effective production system.

Maximization of competitive advantages of this traditional industry is achieved through the Internet and big data analysis and clustering and linkage of competitive industry chains through innovative information installations In the face of upgrading pressures of the manufacturing industry and disappearance of demographic dividends, the plastic machinery industry realizes its own “Industry 4.0”. Industry development is fully linked to the Internet. Network-based management technologies from production management to after-sale services are non-equipment related technologies but are inseparable from relevant equipment. Auxiliary equipment and host machine manufacturers use network-based management systems as one of their equipment control functions.

E. Development of 5G Communication

5G base stations employ advanced technologies including multiple-antenna Massive MIMO (multiple-input, multiple-output) and new LDPC/Polar codes. These base stations must be newly constructed since it is impossible to upgrade 4G base stations to 5G. Plastic is a basic material for radio frequency devices and antenna and chip materials required for the establishment of the 5G industry chain. Metallic back covers of smartphones will be replaced with plastics. The MIMO technology employed by 5G requires the installation of a large number of antennas inside smartphones. However, metallic parts currently used for smartphone manufacture lead to signal interferences. IMT technology which has evolved from IML allows the manufacture of more aesthetic plastic parts. Since plastic surfaces emulate the 3D optical textures of glass back covers, they are favored by many CMF designers. Even if manufacturers select back covers made of ceramics or glass, they still utilize protective covers made of plastic due to the fragility of these materials. These parts most of which are injection molded lead to a significant increase in the demand for plastics.

Industrial machinery

The initial value of the US Markit manufacturing PMI in March 2020 was 49.2, dipping into the contraction zone. This marks the first decrease since July 2019 and the lowest level since 2009. It reflects the composite index of the manufacturing and service sectors which also hit a record low of 40.5 in early March.

Eurozone PMI index readings were also deeply affected by the epidemic. The PMI initial value of the Eurozone manufacturing sector in March was recorded at 44.8, hitting a new low in 92 months. The

German PMI index reading dropped to 43.7 in December 2019, which represents a significant setback from a 5-month high in November 2019. Despite the fact that the final value was slightly higher than the initial value of 43.4, it still remained below the watershed line of 50%, continuing a 12-month trend. The German economy recorded zero growth in the fourth quarter of 2019, which falls short of expectations and lies below the adjusted growth rate of +0.2% for the third quarter. Markets currently have a pessimistic outlook of the German economy.

The spread of the epidemic sent shockwaves through the global economy. Global PMI readings are disheartening. Due to the temporary closure of a rising number of factories as a result of the impact of the epidemic, an even greater drop in PMI values is expected for the second quarter.

Due to the impact of the epidemic, the PMI value for February 2020 published by Caixin Insight on March 2, 2020 was 40.3, which represents a dramatic drop of 10.8 % and a record low since initiation of the survey in April 2004. This PMI index reading is even lower than the value of 40.9 recorded during the outbreak of the global financial crisis in November 2008. In addition, the manufacturing sector is facing mounting import/export pressure. The new import and export orders indices were recorded at 28.7% and 31.9%, which represents a decrease by 20.0% and 17.1%, respectively, compared to the previous month. However, as the outbreak in China is gradually brought under control toward the end of March, the government and enterprises make an all-out effort to implement adjustments and make up for losses in the first quarter.

The Chinese manufacturing sector actively implements the “Made in China 2025” policy. Ningbo, which is the domicile of the Group in China, has been selected as the first pilot and demonstration city for “Made in China 2025” . The government has formulated 22 precise support policy measures to facilitate implementation of said policy. The ratio of the added value of enterprises above the designated size in strategic emerging, hi-tech, and equipment manufacturing industries to the added value of enterprises above the designated size of the whole city increased to 9.3%, 9.0%, and 1.2%, respectively. The ratio of the added value of enterprises above the designated size to GDP rose from 44.1% to 46.1%.

The quality and efficiency of traditional industries has been increased and the pace of conversion of new and old driving forces is accelerating. A group of SMEs with a long-term focus on the production of key parts and components and development and manufacture of fundamental materials are

gradually transforming into “professional, sophisticated, and specialized champion enterprises” of the industry. China relies on the following two competitive advantages in its efforts to realize the goal of turning China into a manufacturing superpower: 1. The ability to concentrate its capabilities on the realization of major achievements 2. Enormous market size. The government therefore insists on choosing the path of smart manufacturing on the foundation of a combination of government guidance and market orientation and the decisive role of the market in the allocation of resources.

Smart manufacturing is one of the key directions of the Chinese manufacturing sector. A research report of the CCID (Shanghai) Advanced Manufacturing Research Institute reveals that the smart manufacturing sector in China has entered a period of reshuffling characterized by accelerated decline which is reflected in a downward trend of the industrial robot and CNC machine tool industries. Despite this rapid decline, the overall outlook of the sector is still considered very positive on the foundation of the active support by the government. The following ten major trends have emerged:

Demand-orientation and focus on pain points will result in a transition of industrial AI from idealism to pragmatism. In contrast to smart industry products which are merely “icing on the cake”, sorely needed technologies are more readily accepted by manufacturing enterprises. For instance, the adoption of technologies such as product quality enhancement interpreted through Machine-vision (MV) surface quality inspection or production efficiency enhancement through Knowledge Graph-based smart CAD will be the favored development direction of enterprises.

Industrial big data will become a core area of smart manufacturing and industrial Internet development. Mr. Dong Kai, executive director of the CCID (Shanghai) Advanced Manufacturing Research Institute points out that the value of digital assets such as core industrial data and key technology patents for enterprises is rapidly increasing. The minimization of data security risks, enhancement of system security, and data security itself are therefore increasingly important reference indicators for digital transformations and upgrades. The guarantee of production and process safety is also a pressing task.

Big data-based industrial intelligence will generate numerous service-based application scenarios. Mr. Dong Kai cites industrial data-based fault diagnosis and predictive maintenance which are rapidly becoming available as perfect examples of such application scenarios.

Smart equipment status management systems will turn into new modes of remote operation maintenance. This will lead to the formation of data-centered closed-loop operation modes encompassing smart collection, analysis, diagnosis, and production scheduling, automated commissioning, push solutions, remote support, and smart testing, followed by a new round of smart collection.

In addition, smart manufacturing development trends also include the following: industrial blockchain services utilized for data security and decentralized smart production networks; cobots as the mainstream application of industrial robots; algorithm-based smart industrial platforms as the main foundation of application scenarios; cloud-edge coordination as the technology roadmap for smart industrial applications; time-sensitive networking (TSN) and 5G technologies as the driving force for industrial network development; smartification of process equipment as a driving force of breakthroughs in the transformation process of the manufacturing sector.

Based on the aforementioned trends, in-depth mining services should be encouraged to create corporate value. This also involves an active search for innovative, profitable, and customer-oriented models. Guidance through government policies and collaborative should be further strengthened to facilitate creation of smart and innovative remote operation maintenance centers and boost service-centered integration of diversified resources.

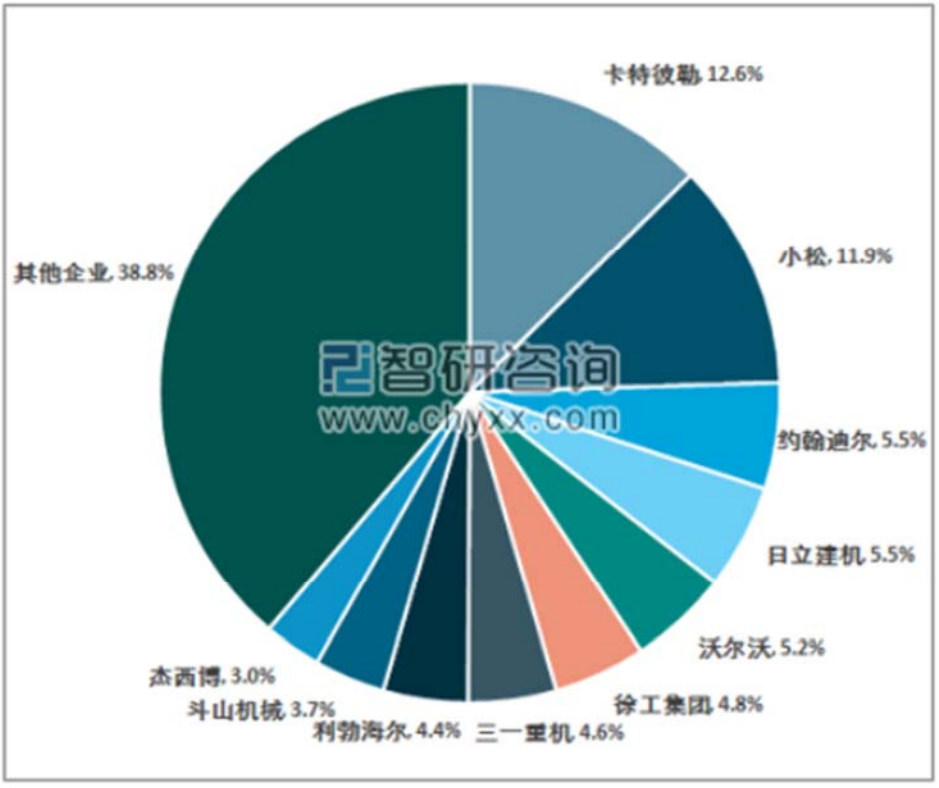
Engineering & construction machinery:

The engineering & construction machinery industry is gradually transitioning toward a new model characterized by “inventory updates + newly added demand”. During this transformation process, equipment replacement cycles and expansion of new application scenarios will generate shifts in demand. Engineering machinery is mostly utilized in the construction industry. Due to the fact that the constant increase of manpower costs is coupled with a constant decrease of machinery costs, the cost gap between these two inputs is narrowing. A significant increase in equipment efficiency in construction operations is another key factor. A rising number of workers will therefore be replaced by equipment based on the human-machine replacement logic.

Revenues of the ten leading manufacturers
of engineering machinery in 2019

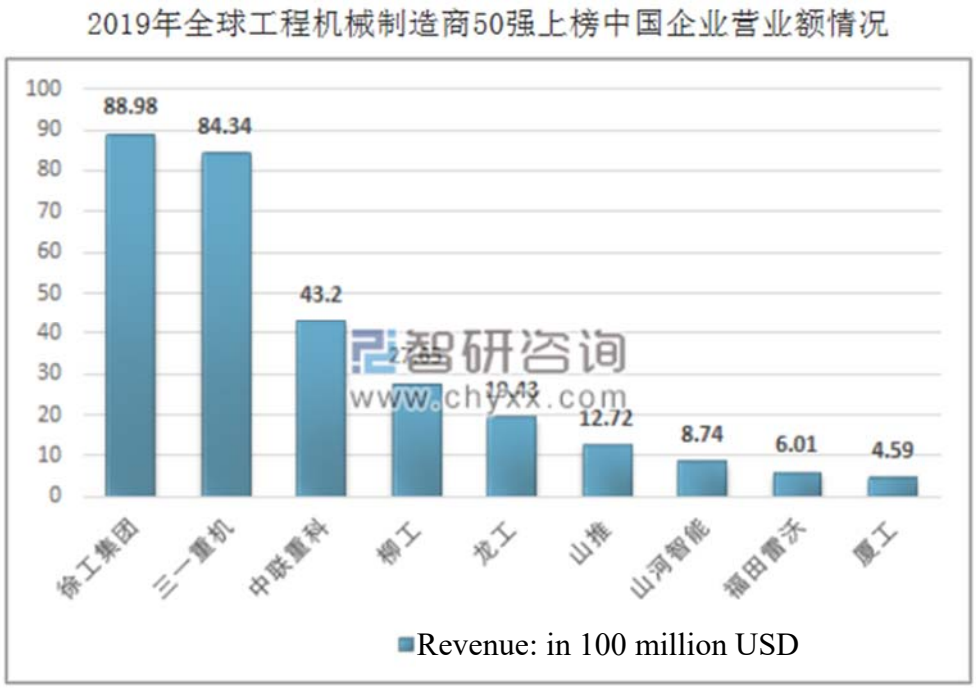
Source: International Construction

Market share of the ten leading manufacturers of engineering machinery in 2019



Source: International Construction

Revenues of the Chinese manufacturers of engineering machinery ranked among the top 50 manufacturers worldwide in 2019



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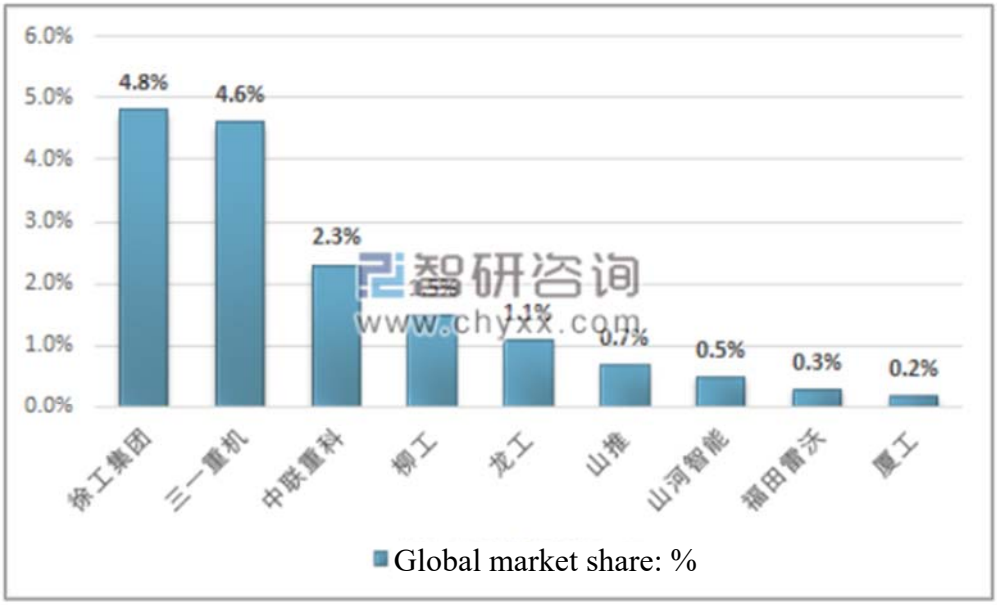
Market share of the Chinese manufacturers of engineering machinery ranked among the top 50 manufacturers worldwide in 2019

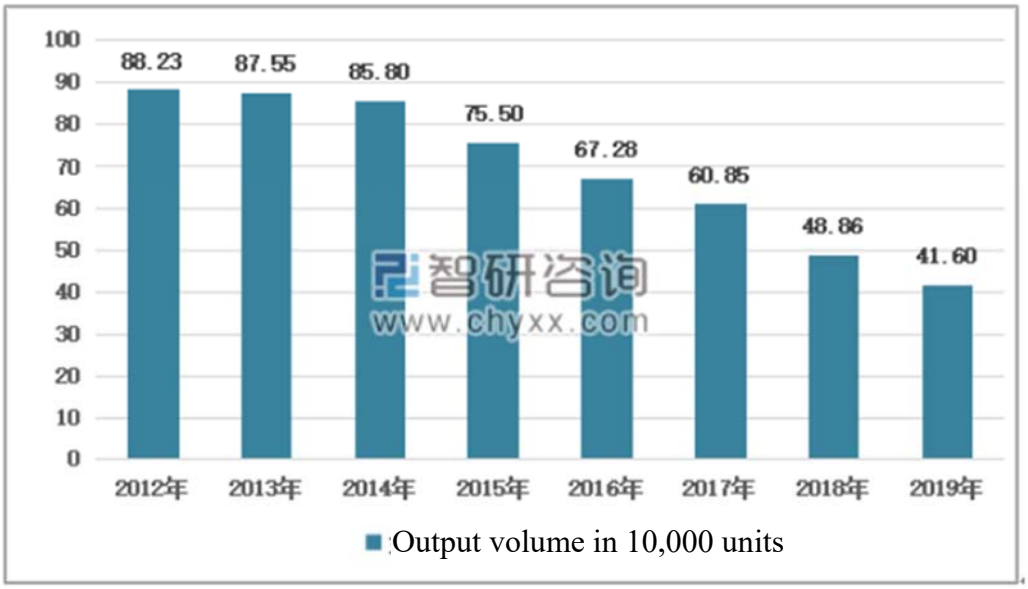


Source: International Construction

Machine tool and processing machinery

In contrast to metal-forming machine tools, the metal-cutting machine tool industry is characterized by a faster pace of development and higher technology standards. Due to the impact of capacity cuts, inventory reduction, and increased penetration rates of high-end machinery, the output volume of the Chinese metal-cutting machine tool industry is constantly declining.

Output volume of the Chinese metal-cutting machine tool industry 2012-2019



Source: National Bureau of Statistics

Air compressors

In 2019, industrial compressors had a market volume of US$ 14.04 billion. This value is expected to reach US$ 16.9 in 2025 with a projected CAGR of 3.33% in the forecast period (2020-2025). A constantly increasing demand for energy-efficient compressors will drive development of the market for industrial compressors. These compressors represent a key component of any heavy-duty industrial production line. Application areas range from heavy-duty air compressors utilized by industrial gas and petrochemical departments to simple spray-gun compressors for car manufacturing departments.

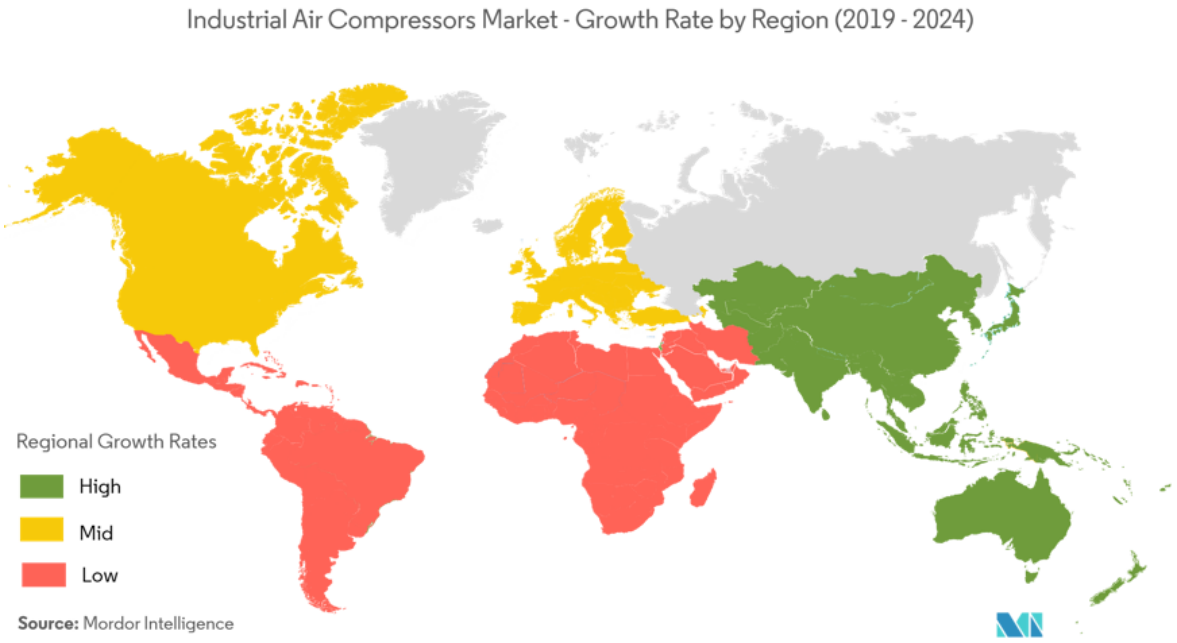
Application areas of industrial compressors further include the petroleum and natural gas industry, the food and beverage industry, the general manufacturing and construction industries as well as the mining industry and medical & healthcare industry. Air compressors are considered a safer and more

convenient alternative to other types of electric and hydraulic equipment. Compressed air is therefore frequently utilized as an obstacle-free method for generation of motive power in manufacturing environments. Due to the increased use of compressed air systems, industries have adopted highly effective systems in consideration of the fact that highly compressed air usually requires powerful pumps at the backstage to achieve adequate pressure levels. In addition, air compression systems also require additional liquid or air-cooling systems to distribute the generated heat, which adds to the overall cost. The EU and other countries have enacted numerous laws to decrease CO2 emissions and are expected to further promote market and efficiency related research activities.

The Asia-Pacific region will account for a significant market share

The Asia-Pacific Region has seen staggering industrial growth over the past 20 years. According to World Bank estimates, industrial and manufacturing activities contribute over 40% of the Gross Domestic Product of this region. The rapid growth in this region is expected to drive the demand for industrial compressors in the food and beverage, petroleum and natural gas, medical & healthcare, automotive, and manufacturing industries in particular. For instance, planned expansion of the oil refinery plants of Reliance Industries and investments of Russian and Saudi Arabian oil companies are expected to generate additional demand in the petroleum and natural gas industries within the forecast period. Due to high investments of developing countries such as China and India in power plants, the energy and power industries of the region will grow enormously and generate significant momentum for industrial growth, which is expected to stimulate the demand for industrial compressors.

Market forecast for the industrial compressor industry for the period from 2019 to 2024 – the Asia-Pacific Region is characterized by high demand growth



Despite existing uncertainties in the global economy, the sales volume of Atlas, our major client in the field of compressor castings, has increased by 5% compared to 2018. This growth momentum was mainly generated by new product launches and increased market penetration rates, which resulted in a growing order volume for large compressors. Global air compression equipment, air and gas processing equipment, and related service markets are characterized by customer base diversification. Customers demand reliable and highly effective solutions suited for specific applications.

Market trend analysis conducted by Atlas

- Continuing focus on energy efficiency, conservation, and recovery and reduction of CO2 emissions
- Increasing demand for services and monitoring of air compressors
- Focus on total solutions and full life cycle costs
- New applications for compressed air

Marine propulsion

According to the latest estimates, the global marine propulsion engine market will reach a volume of US$ 15 billion in 2024. CAGR is projected at 4.6% between 2016 and 2024. Marine propulsion is the mechanism or system used to generate thrust to move a ship or boat across water. Certain innovations have led to the development of advanced propulsion engine models which guarantee the safety and cost benefits of marine ecosystems. Ships utilize different types of propulsion engines. Diesel propulsion systems which are most widely used convert thermal into mechanical energy. In recent years, LNG-fueled engines have enjoyed a rising popularity in the shipbuilding industry due

to competitive advantages in the fields of emission reduction and cost effectiveness. Numerous regulations enacted over the years require the shipping industry to reduce GHG emissions, marine pollution, and other emission and discharges. For instance, the stated purpose of the International Convention for the Prevention of Pollution from Ships and other similar conventions lies in the prevention of pollution caused by incidents and daily operations such as chemical leakage and oil, trash, and sewage discharges through crew and passenger monitoring.

The global marine propulsion engine market is broken down by power source, ship type, and geographic location. Power sources include steam turbines, gas turbines, natural gas, and diesel, while cargo ships, oil tankers, bulk carriers, coastal vessels, and passenger ships represent the main ship types.

The marine propulsion engine market can also be broken down by geographic regions including North America, Europe, Asia-Pacific, and Rest of World (RoW). North America encompasses the USA, Canada, and Mexico, while Europe includes Germany, the UK, Italy, and Norway. Asia-Pacific encompasses China, Japan, and Korea, while RoW refers to South America, the Middle East, and Africa.

The main players are Caterpillar, Cummins, Rolls-Royce, Wartsila, MAN Energy Solutions, Hyundai, Misubishi, Scania, Yanmar, and Daihatsu.

The Company has acquired certifications from Lloyd's Register, DNV GL, China Classification Society, and the American Bureau of Shipping. It also has long-term partnerships with Rolls-Royce and Wartsila. Yeung Guan continues to enrich its capabilities in a determined effort to expand its customer base in the shipbuilding industry.

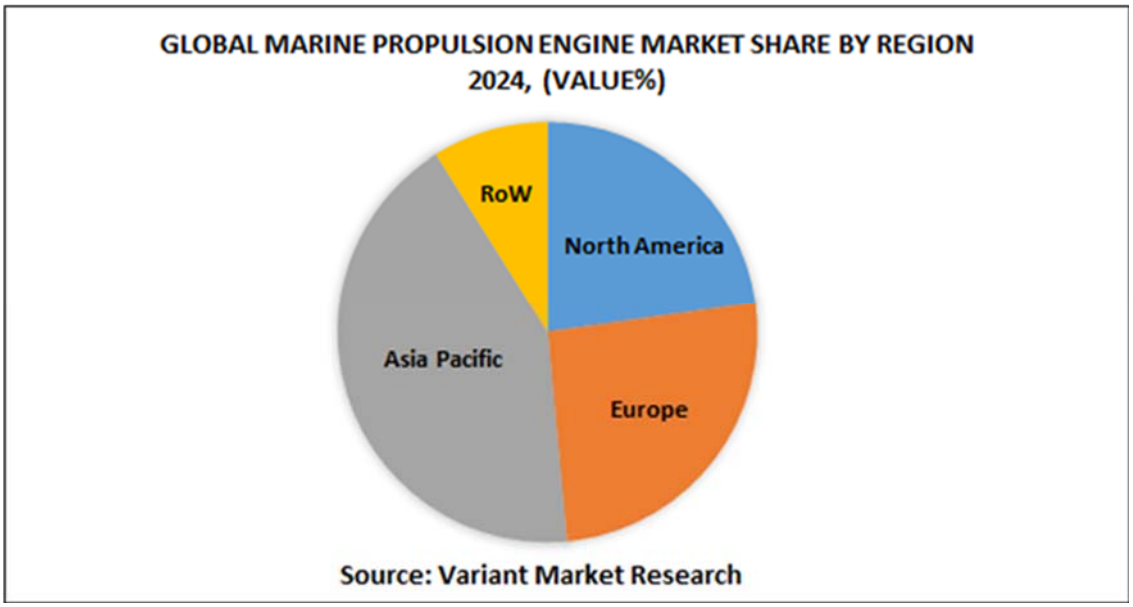
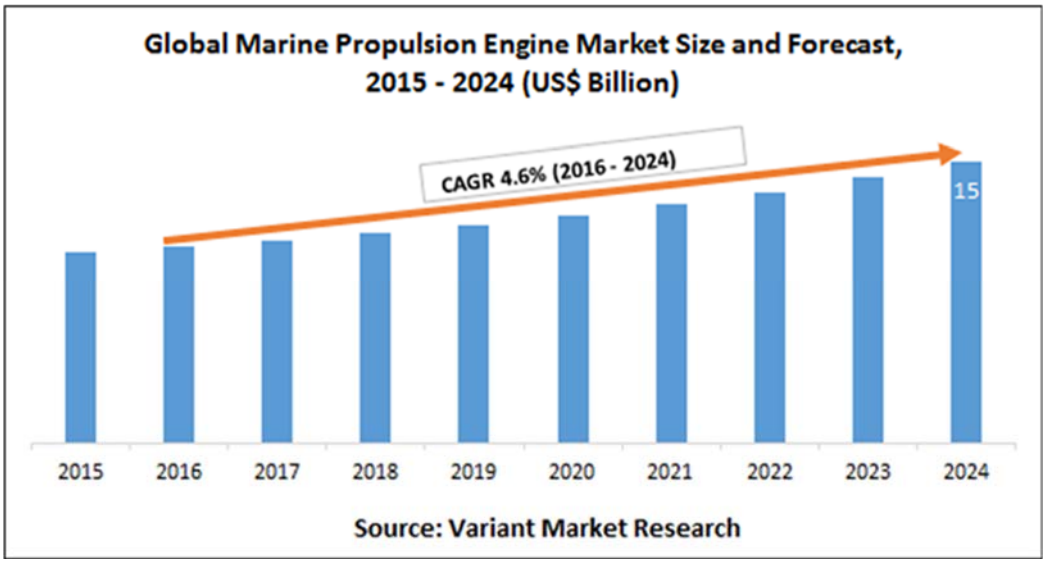


Chart above: Global Marine Propulsion Engine Market Share by Region in 2024
(Source: Variant Market Research)

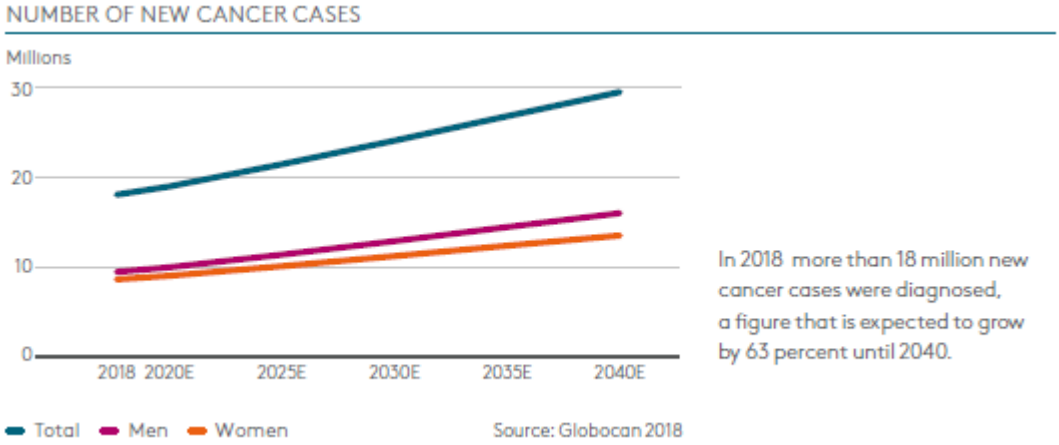
Chart below: Global Marine Propulsion Engine Market Size and Forecast
(Source: Variant Market Research)



Medical Equipment

Yeong Guan's main client is one of the leading manufacturers of radiation therapy equipment in the world. The client is firmly committed to providing assistance in clinical care and improvement of patient life quality. Despite the client is a multinational group with employees from numerous countries, a single project team is in charge of cross-departmental and multinational cooperation. The group is committed to concrete action and incorporates the company's vision into concrete business goals. The ultimate goal is to beat cancer and improve the lives of cancer patients through effective treatment of the disease. The client places high emphasis on business ethics and prevention of unethical conduct at the workplace. It needs suppliers (such as our company) that are committed to sustainable development and eco-friendliness. The development direction of the client is therefore consistent with ours.

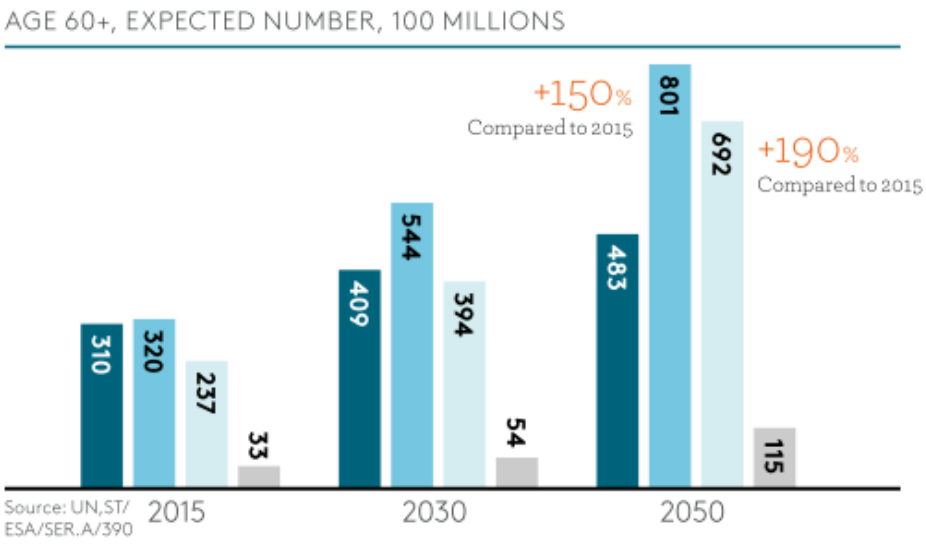
Each year, confirmed new cases of cancer exceed 15 million across the globe. In 2018, the number of newly diagnosed cases exceeded 18 million. This number is expected to increase by 63% until 2040. The world's population and average life expectancy continue to increase as time progresses. As a result, nursing capabilities in the field of cancer care face mounting pressure. Due to the rising number of cancer survivors, there is a growing demand for continued treatment.
Estimated number of new cancer cases across the globe over the past 20 years



A drastic increase in global market demand is driving investments. Elekta has acquired new capabilities in the fields of advanced systems and standardized solutions. Significant population growth in emerging markets will also generate promising opportunities in these markets. The ever-increasing demand for cancer treatment also signals that Yeong Guan must seize this business opportunity through the continued provision of high-quality products and services for its clients.

As a consequence of extensions of the human lifespan, accelerating population aging, and strengthening of supporting policies, the medical device market is constantly expanding. A majority of the world population currently lives in countries with below-average income levels. These countries are also the ones with the most rapidly increasing average life expectancy and senior population aged 60 or above. Given the fact that most cancer clinics and linear accelerators are located in high-income countries, the global market has a distinctive need for enhancement of the installation infrastructure for radiation therapy equipment.

Growth of the population aged 60 or above worldwide



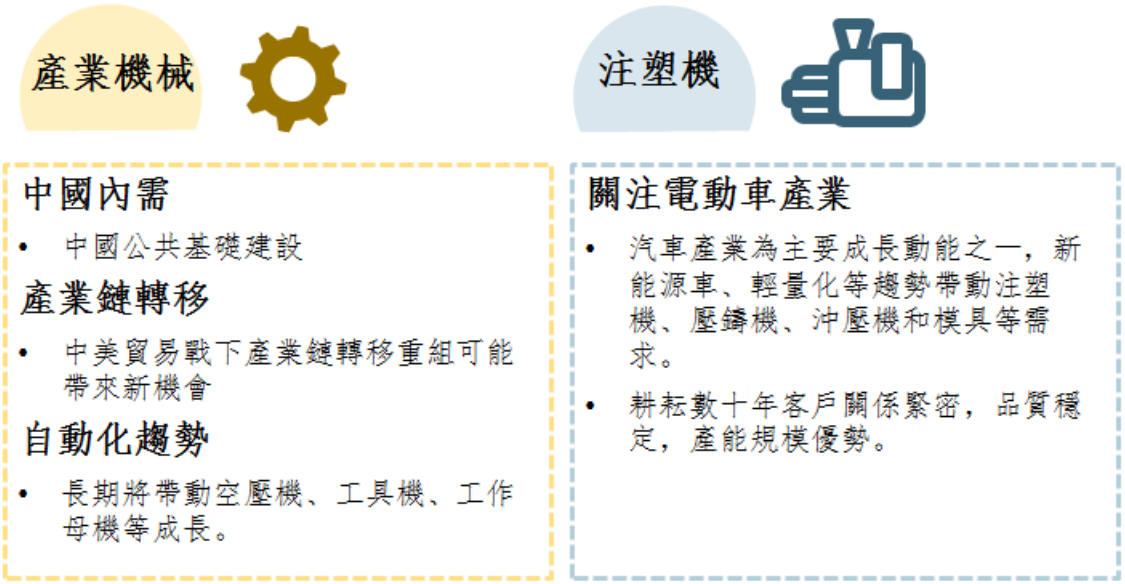
Creation of a niche

(1) Due to the group's over forty years' experience in the casting industry, it possesses exclusive metallurgy technologies and provides stable quality occupying a leadership position in the industry. Going forward, we plan to continue to invest in Taiwan Taichung Port and Thailand factory to meet with global wind power demand and ASEAN clients' demand in the future.

(2) In the field of production the group possesses vertically integrated capabilities in the field of casting and processing which enable it to provide customers with higher added-value services and maintain strong partnerships with its customers.

(3) The group continues to develop new products in close cooperation with its clients to maintain its market competitiveness.

(4) The industry has a wide range of application fields. Production, buyers, and application fields can be flexibly adjusted. In addition to existing wind power customers, the Company actively develops new industrial machinery customers and closely monitors the needs of injection molding machinery customers in the fields of e-vehicles and 5G communication equipment.



(5) Due to the fact that most of the group's customers are highly ranked large manufacturers in different fields and the group is cooperating with large-scale international raw material suppliers, the group is able to resist the impact of economic fluctuations in the areas of production and sales.

(6) We have extensive experience in castings production and possess large-scale production equipment, which enables us to satisfy all customer needs in the field of large-sized castings. Through the adoption of SCHIESS GmbH large machine tools, we have gained the ability to meet all customer needs in the field of processing equipment.

4. Favorable and unfavorable factors for long-range development and response strategies

(1) Favorable factors

(A) Components and parts for products with excellent mechanical properties and wide range of product areas

The company is mainly engaged in the manufacture of spheroidal graphite cast iron and gray cast iron high-grade castings and creation of hand-made molds. Products are customized and the main product applications include components and parts for products with excellent mechanical properties such as plastic injection molding machines, large-scale wind turbines, large-scale high-precision machine tools, large-scale gas turbines for power plants, large-scale air compressors, and medical equipment. The company is currently committed to spanning different industries by moving beyond the equilibrium in the field of product areas and increasing product types and categories. Production technologies may be utilized for different product categories to give product technologies a more comprehensive character.

(B) Integration of up-and downstream industries allows an effective reduction of production costs and enhanced delivery efficiency

To achieve a breakthrough in the field of services, Yeong Guan Energy Technology Group not only focuses on casting operations but has also created a main niche through a successful integration of secondary processing of metal. The company has established

five casting plants, two processing plants, one assembly plant, and one resource recycling plant (recycled scrap steel is used as a substitute raw material) in Dongguan in Guandong province, Ningbo in Zhejiang province, Liyang in Jiangsu, and in Taiwan. The group currently provides casting, processing, welding, assembly, and spray coating services and imports advanced processing lathes of international standard from Europe, Japan, and the US. The company also actively seeks cooperation with downstream subcontractors to gain the ability to provide customers with comprehensive and high-quality services and gain a firm grasp of high-end casting technologies with the goal of providing customers with outstanding and highly effective solutions. This enables the company to reduce customer costs, shorten delivery times, and satisfy customer demands in the field of casting and processing and thereby further raise the threshold for industry competition. Continued growth enables the group to gradually widen the gap between the group and same industry competitors as far as business scope and production capacity are concerned. Customer reliance will also gradually increase.

(C) Independent sales capabilities and international competitiveness

The business scope of the company is wider than that of generic same industry businesses and its technical standards are equivalent to European standards. The group has the ability to accept orders from large international manufacturers. The group's customers are leading industry brands with excellent standards. This clearly indicates that the company's technologies and quality are recognized by large international manufacturers. Due to the fact that the operations of these manufacturers are characterized by a high level of stability, the operation of Yeong Guan Energy Technology Group are also more stable than those of its same industry competitors which has earned the company the trust of large international manufacturers. In addition to existing customers in Europe and America, we aim to acquire customers in Japan and Taiwan and strengthen and intensify mutual cooperation. Currently, we already have stable scale of Japanese clients. The Company will also visit global clients regularly to enhance interaction and understand market conditions.

(D) Emphasis on environmental protection and EHS requirements

Small- and medium-sized foundries that fail to conform to environmental requirements of large international manufacturers and tightening requirements in Chinese

environmental and emission policies will be gradually eliminated. Since we pursue constantly upgrade and refine our equipment and raise the safety awareness of our personnel, we not only exceed the requirements of local governments but are frequently recognized as a green foundry and hi-tech enterprise. We meet the environmental and safe production requirements of all our customers and aim to provide our employees with safe and comfortable working environment. Constant enhancement of productivity and product quality facilitates the retention of existing and acquisition of new customers.

Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. has been recognized as one of the 100 model enterprises of the "100 million project" of Wujiang District in Suzou City in July 2019. A delegation of leaders of the Emergency Management Bureau of Wujiang District and the Fenhu Hi-Tech Industrial Development Zone proceeded to the Company accompanied by a team of experts to carry out an on-site review of the implementation status of the "100 million project". The results of the acceptance inspection were publicly announced on the WeChat Public Platform of the Emergency Management Bureau of Wujiang District.

Jiangsu Bright Steel Fine Machinery Co., Ltd. has been recognized as one of the first Pilot Enterprises in the field of industry-education integration in Jiangsu Province. The jury selected Jiangsu Bright Steel Fine Machinery Co., Ltd. as one of the first pilot enterprises in the field of industry-education integration in Jiangsu after a process of reporting, preliminary review by the National Development and Reform Commission, expert evaluations, and joint review by provincial departments pursuant to the Notice of the National Development and Reform Commission and the Ministry of Education on the Promulgation of Implementation Guidelines for the Establishment of Enterprises Characterized by Industry-Education Integration (implemented on a trial basis) (Ordinance No. 590 [2019] of the National Development and Reform Commission) and the Notice of the Provincial Development and Reform Commission, Provincial Department of Education, and the Provincial Department of Human Resources and Social Security on the Development of Pilot Sites for the Establishment and Cultivation of Enterprises Characterized by Industry-Education Integration (Ordinance No. 1023 [2019] of the Suzhou Development and Reform Commission). The company was also included in the database for "the Establishment and Cultivation of Enterprises Characterized by Industry-Education Integration in Jiangsu Province".

Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. has passed the second-level production safety standardization review of Jiangsu Province

关于全省二级安全生产标准化
达标企业的公告
（第三十八批）

发布日期：2019-12-05

苏安协〔2019〕15号

二、冶金等工贸行业二级安全生产标准化企业名单

A delegation of leaders of the Safety Inspection Bureau of Wujiang district and Lili township conducted on-site standardization (second-level) audits and acceptance inspections at Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. from October 10 to 12, 2019. Upon a careful review of the Company's safety ledger and completion of on-site inspections, the review unit announced on December 5, 2019 that the Company had met all required criteria (validity period of three years from the date of announcement). The review results were publicly announced on the official website of the Jiangsu Emergency Management Office.

(2) Unfavorable factors and response strategies

(A) Exchange rate fluctuations

Since most of the group's customers are located in Europe and America, the value of its exports accounts for a large proportion of revenues. Exchange rate fluctuations therefore have a considerable impact on actual revenues. Drastic fluctuations of the global

economic climate in recent years and frequent disasters caused by changes of the natural environment lead to dramatic changes of national economic climates. Exchange rate fluctuations in particular have a huge impact on the group's operations.

Response strategies:

To cope with exchange rate fluctuations, the company uses sales revenues in a certain currency to pay for purchases and related expenses in the same currency to achieve a natural hedging effect, lower the demand for currency exchange, and reduce risks associated with currency exchange losses. The company has adopted a response strategy which focuses on the reinforcement of currency exchange hedging related concepts among financial personnel and constant monitoring of exchange rate fluctuations through real-time online exchange rate systems. A real-time grasp of exchange rate developments and trends based on an analysis of financial data provided by banks and investment institutions provides a reference basis for foreign exchange settlement. In addition, the company has established a price adjustment and floating mechanism with its sales counterparties and actively expands marketing scopes and industry categories. Multi-currency sales serve the purpose of lowering currency exchange risks generated by large-scale single currency exchange rate fluctuations. With regard to foreign exchange net positions, the company has formulated Operating Procedures for the Trading of Derivative Financial Products which have been approved by resolution of the board and the shareholders' meeting and prescribe relevant procedures for derivative financial products. Required measures are adopted based on foreign exchange positions and exchange rate fluctuations to reduce exchange rate risks generated by the company's business operations. In addition, the company also actively adjusts its market dominance and equilibrium strategies under conditions of a rapidly changing global economy to balance domestic and foreign sales ratios and buffer the impact of changes of the economic environment.

(B) Raw material price fluctuations

The main raw materials of the casting industry which are characterized by large market price fluctuations are pig iron, scrap steel, and iron ore fines. Futures trading prices frequently fluctuate before the actual market demand situation is reflected. Spot or futures operations therefore involve a higher risk. Contract breach damages incurred by suppliers

for scheduled transactions are usually lower than the actual price increases. In addition, large storage spaces are required complicating the stock-up process and affecting production.

Response strategy:

To prevent contract breach on the part of suppliers or higher purchase costs caused by emergency feedstock preparation in case of large-scale price increases of raw materials, the company actively seeks to secure raw material sources through cooperation with large international raw material suppliers and previously rated upstream suppliers. It also selects a spread out range of countries of origin for supplied materials and prepares feedstock in batches in advance to ensure that the production process and realized revenue are not affected by a shortage of raw materials.

In addition, the company has taken account of the fact that the available warehouse space in its subsidiaries is not sufficient for the storage of large quantities of pig iron. Several factory buildings of the Qing Zhi plant of Ningbo Yeong Shang Casting Iron Co., Ltd. have therefore been converted into storage space for pig iron. This allows the company to order large quantities of pig iron when prices are relatively low, which helps reduce pig iron unit costs and allows the company to effectively distribute pig iron to all subsidiaries. In the future, the group plans to integrate upstream raw material industries to achieve self-sufficiency in the field of raw materials or strategic alliances with upstream industries, which in turn will ensure an optimized production efficiency as well as an adequate supply of raw materials.

(C) Corrosion at sea affects product quality

In recent years, the development of wind power products has seen significant changes with a gradual shift from land-based wind power installations to offshore wind power. The techniques, design, and processing capabilities employed during the casting process are different from those utilized for the manufacture of onshore wind turbines. Corrosion at sea poses a serious problem that affects product quality and life cycles.

Response strategy:

In view of the harsh marine environment which causes serious corrosion, it is necessary to strengthen the corrosion resistance and enhance the quality of products to make them more resistant against corrosion caused by the sea wind. Based on the abovementioned considerations, Yeong Guan Energy Technology Group has obtained the ISO12944 Corrosion protection certification allowing it to provide the highest C5 grade corrosion protection for offshore wind turbines. The company has constructed new factory buildings at Jiangsu Bright Steel Fine Machinery Co., Ltd. and Ningbo Yeong Shang Casting Iron Co., Ltd. that provide anti-corrosion coating capabilities including sand blasting, spray painting, and zinc spraying. These facilities specialize in the coating of offshore wind power products to maximize the benefits of vertical integration of casting and spray coating processing and enable the company to further expand its offshore wind power business.

(D) China-US Trade War Impacts Customer's End Demand

Since the China-US trade war started in 2018, both parties' continued commerce negotiation and tariff increase have indeed impacted end customer' investment willingness and purchase decisions. It has been decided to continue the temporary suspension of additional customs duties of 10% and 5% on products manufactured and imported from the US (levying of additional duties was original planned starting from December 15, 2019, 00:01). Suspension of additional customs duties on cars, parts, and components produced in the US will be continued. Apart from the aforementioned measures, additional customs duties on US products will be levied as prescribed in relevant regulations. Other operations will continue as planned.

Responding Strategy:

Most of the Company's customers are globalized customers. Specifically, China-US trade war has an impact on customers' global factory production strategy. However, the Company shall exert its best effort to work with customers in transferring orders originally with shipments from China factories to orders with shipments from factories in Europe or other Asian areas for the purpose of avoiding extra taxes imposed on exports to U.S. The Company will be engaged in close contact and exchange with customers in order to understand China-US trade war impact to customer's end needs, and will enhance interaction and collaboration with customers for the purpose of minimizing impact to both

parties' orders and delivery.

(E) The COVID-19 epidemic has a deep impact on the global economy

In early 2020, national governments started to implement lockdowns and work stoppages due to their inability to control the outbreak. This resulted in a suspension of commercial and manufacturing activities.

Response strategies:

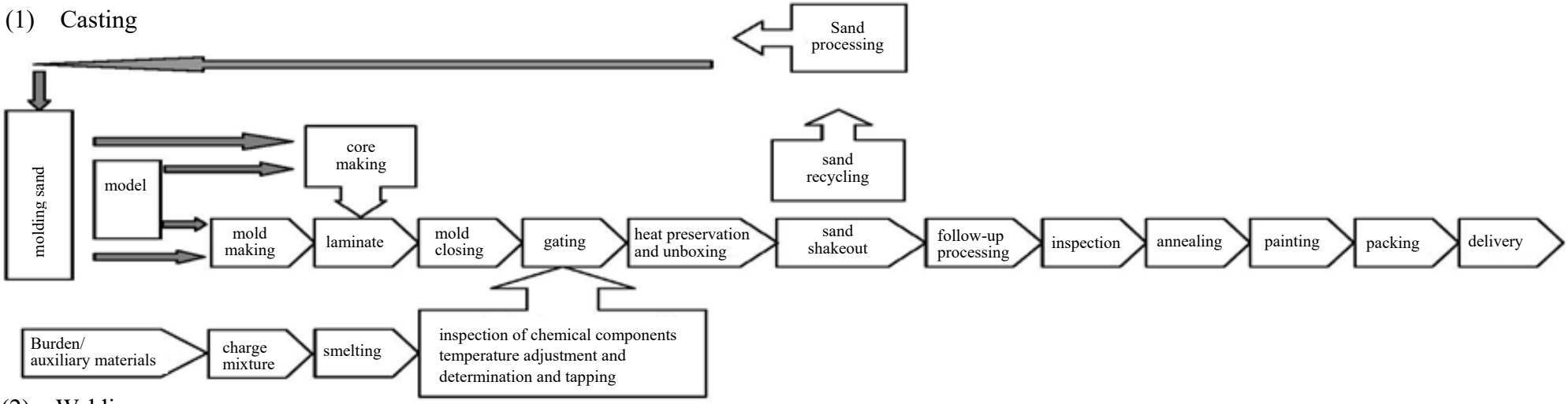
We maintain close contact with international customers and a firm grasp of customer order demands to facilitate implementation of corresponding adjustments. As for domestic demand in China, the demand for public infrastructure in China remains unaffected and the market status quo prior to COVID-19 is gradually restored. In addition, the Company actively pursues more opportunities for cooperation with 5G-related industries and the printing industry to cope with changing market conditions after the epidemic.

(b) Main uses and production procedures of major products

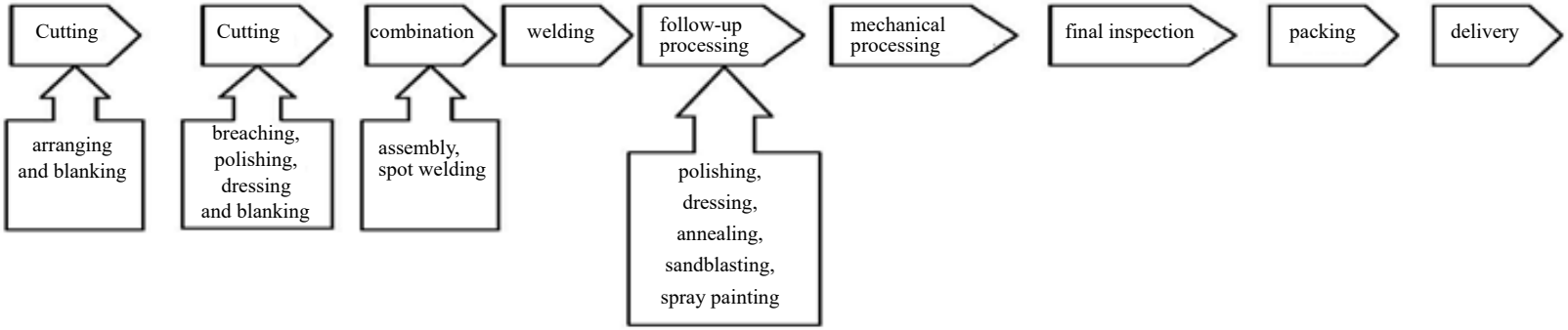
1. Main uses of major products: Provision of key components for industrial machinery equipment of different industrial fields including wind energy and injection molding machinery.

2. Production procedures:

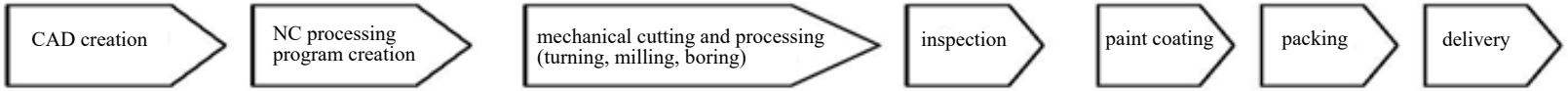
(1) Casting



(2) Welding



(3) Mechanical processing



(c) Supply status of main materials

Main raw materials	Main suppliers	Supply status
Pig iron	Ningbo Mingyuan Trading Co., Ltd., Jongmeixin Industry & Trading Compay, Benxi Shentie Iron Co., Ltd., Ningbo Yijung Trade Company, Ningbo Qi Chang Trading Co., Tiyuan Jinmingda Trade Company, Guangdong Hungde Foundry Materials Company	Good
Scrap steel	Ningbo Yinzhou Hongli Metal Recycling Co., Ltd., Ningbo Zhonglie Renewable Resource Recycling Co., Ltd., Wenling City Hua Tai Resource Recycling Co., Ltd., Ningbo City Yinzhou Chihao Recycling Co., Ltd., Dongguan City Youxin Recycling Co., Ltd., Anhui Shuangying Recycling Company, Shenzhen City Xinlan Recyclable Resources Company, Jiangyin City Hengren Metal Company, Jiangsu Giants Renewable Resources Company, Wuhu Qichuan Renewable Resources Company, Ningbo Jinyue Metal Company, Ningbo Yinzhou Honglin Resource Recycling Co., Ltd., Wuhu Yaxin Foundry Materials Company, Ningbo Chenhui Metal Company, Ningbo Juiyang Resource Recycling Co., Ltd., Ningbofa Resource Recycling Co., Ltd., Wenling City Hua Tai Resource Recycling Co., Ltd., Yuhuan Xinduo Scrap Metal Company.	Good
Resin	Kao Chemical Corporation Shanghai (hereinafter referred to as Kao Shanghai), Jinan Shengquan Group Co., Ltd., Suzhou Xingyeh Materials Company	Good
Nodulizer	Sanxiang Advanced Materials Co., Ltd., Metal Industry (Baotou) Co., Ltd., Sanxiang Advanced Materials (Ningxia) Co., Ltd.	Good

The company maintains positive and stable cooperative relationships with its main raw material suppliers. In addition to a firm grasp of raw material sources, the company also implements rigorous controls in the field of quality and delivery times to guarantee a stable supply of main raw materials. No shortages or disruptions of material supply occurred in the last three years and the application year. Supply sources have been stable.

(d) Major suppliers and clients

1. Suppliers that account for over 10% of total purchases of materials in any of the last two calendar years as well as purchase amounts, ratios, and specification of reasons for increases/decreases

Unit: 1000 NTD; %

	2018				2019				1st Quarter of 2020			
Item	Company name	Amount	Percentage of annual net purchases (%)	Relation with issuer	Company name	Amount	Percentage of annual net purchases (%)	Relation with issuer	Company name	Amount	Percentage of annual net purchases (%)	Relation with issuer
1	Kao Shanghai	285,477	8.23%	None	Benxi Shentie (Group)	583,171	13.13%	None	Benxi Shentie (Group)	109,943	15.08%	None
2	Benxi Shentie Iron Co., Ltd.	261,497	7.54%	None	Wu Hu Yaxin Casting Materials Limited	292,286	6.58%	None	Ningbo Yijung Trade Company	75,971	10.42%	None
3	Other	2,920,467	84.23%	None	Ningbo Yijung Trade Company	286,185	6.45%	None	Wu Hu Yaxin Casting Materials Limited	52,668	7.23%	None
4					Other	3,278,459	73.84%	None	Other	490,253	67.27%	None
	Net purchases	3,467,441	100%		Net purchases	4,440,101	100%		Net purchases	728,835	100%	

Explanation on Reasons for Changes on Increase/Decrease:

1. The Company purchases more products from Benxi Shentie because of its premium product quality, excellent collaboration relationship with the Company and product delivery which meets the Company's needs.
2. Wu Hu Yaxin Casting Materials Limited is a scrap steel supplier. Increase in scrape steel adding proportion results from production plan for the 1st quarter of 2019 as well as under proportion requirements between pig iron and scrape steel.
3. Ningbo Yijung Trade Co., Ltd. is a supplier of pig iron. Due to 2019 production plans and requirements regarding pig iron to scrap steel ratios, the ratio of added pig iron has been increased.
4. Due to the addition of other suppliers and the increase of pig iron to scrap steel ratios, Kao Shanghai has temporarily dropped to rank 4.

2. Clients that account for over 10% of total sales in any of the last two calendar years as well as sales amounts, ratios, and specification of reasons for increases/decreases

Unit: 1000 NTD; %

	2018				2019				1st Quarter of 2020			
Item	Company name	Amount	Percentage of annual net purchases (%)	Relation with issuer	Company name	Amount	Percentage of annual net purchases (%)	Relation with issuer	Company name	Amount	Percentage of annual net purchases (%)	Relation with issuer
1	IO	540,160	8.72%	None	N	1,318,772	16.69%	None	N	226,863	20.08%	None
2	Other			None	E	1,220,359	15.45%	None	E	154,520	13.67%	None
3					IO	952,219	12.05%	None	O	132,048	11.68%	None
	Other	5,168,142	91.28%		Other	4,408,635	55.81%	None	Other	616,768	54.57%	None
	Net purchases	6,195,855	100.00%		Net purchases	7,899,985	100.00%		Net purchases	1,130,199	100%	

Explanation on Changes of Increase/Decrease:

1. Company N: The new items that the Company developed for the customer prior to 2019 entered mass production in 2019. This has led to an increase in product categories and quantities sold to Customer N. In addition, Customer N's business has seen significant growth in 2019, which resulted in a further increase of the customer's order volume.
2. IO: The new items that the Company developed for the customer prior to 2019 entered the mass production stage in 2019. This has led to an increase in product categories and quantities sold to IO. The order volume of IO's onshore business reached 9389MW in 2019, which represents an increase by 4.8% compared to 2018. The offshore business recorded double-digit growth of 10.9%.
3. Company E: The Company initiated development of new items for Company E in Q4 2018. These items successively entered batch production in 2019, which led to an increase of visionary product categories and sales volumes. Company E also notified us that we are their preferred supply partner, which is expected to result in a higher order volume. Company E's installed capacity grew by 15% compared to 2018, which can mainly be attributed to increased demand in Shanghai.

(e) Production volume and value over the last two years

Unit: tons; 1000 NTD

Year / Production volume/value / Production categories	2018			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Casting products	211,800	137,433	4,355,650	189,200	167,817	5,021,993
Precisely processed products(Note1)	348,507 (hour)	261,005 (hour)	1,190,963	417,240 (hour)	268,194 (hour)	1,058,331
Pressed scrap steel blocks	42,000	25,325	282,691	42,000	23,828	282,592
Other	Note 2	Note 2	324,899	Note 2	Note 2	365,501

Note 1: Processing production capacity and production volume units are calculated in hours

Note 2: Other categories include welded and assembled products. Manpower is dispatched to conduct processing operations based on client order types. Due to the fact that different types of services are provided and measurement units are not consistent, production capacities and volumes are not comparable.

Note 3. Due to the fact that measurement units are inconsistent, total annual production volumes cannot be indicated.

Reasons for Changes of Increase/Decrease:

(1) The production capacity for casting products was slightly revised downward in 2019 based on the premise of EHS conformity. However, the actual production capacity and production value increased by 15-20% compared to 2018, which can mainly be attributed to a rapidly rising demand for wind power castings.

(2) The production capacity and output volume of processed products increased in 2019. This can mainly be attributed to the commissioning of new processing equipment, which resulted in increased efficiency. However, due to transparent market conditions in the wind power industry, prices have been adjusted.

(3) The output volume and value of pressed scrap steel blocks slightly differed from the same period of the previous year.

(f) Sales volume and value over the last two years

Unit: tons; 1000 NTD

Year / Sales volume/value / Main products	2018				2019			
	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Energy product castings	9,426	468,143	25,931	1,232,816	37,662	1,797,137	51,704	2,582,440
Injection molding machine castings	26,237	979,260	33,476	1,242,505	17,207	660,035	23,824	919,122
Other castings	26,269	1,399,188	12,223	873,943	23,919	1,324,275	9,801	616,977
Total	61,932	2,846,591	71,650	3,349,264	78,788	3,781,447	85,329	4,118,539

3. Number, average years of service, average age, and level of education of employees engaged in different fields in the two most recent fiscal years up to the publication date of the annual report

Year		2018	2019	1st Quarter of 2020
Number	Executives	71	86	89
	Production line staff	1,741	1,880	1,922
	General staff	449	402	403
	R&D personnel	74	77	86
	Total	2,335	2,445	2,500
Average age		38.36	37.79	38.98
Average years of service		6.57	6.57	7.49
Distribution of level of education (%)	PhD/MA	0.51%	0.45%	0.36%
	BA	6.85%	8.47%	8.32%
	Junior college or below	92.63%	91.08%	91.32%

4. Environmental protection expenses

Total amount of losses (including compensations) and fines in the most recent fiscal year up

to the publication date of the annual report due to environmental pollution as well as future response strategies (including improvement measures) and potential expenses (including estimated amounts of potential losses, fines, or compensations due to failure to adopt response strategies; if reasonable estimates are not possible, a corresponding statement shall also be included): NA

5. Labor-Management Relationship

(a) Employee welfare measures, advanced education, training, retirement system and implementation status, labor-management agreements, and measures to safeguard employee rights and interests

1. Employee welfare measures

The company allocates statutory contributions in accordance with Chinese law including social security contributions (old-age insurance, medical insurance, occupational injury insurance, unemployment insurance, and childbirth insurance) as well as contributions to the housing provident fund. In addition, new-year bonuses, marriage and childbirth cash gifts are also granted and regular contributions are made to welfare funds. Staff trips, dinner parties, and recreation activities are organized on a non-scheduled basis to enhance the mental and physical health of the staff and promote staff engagement and emotional attachment.

2. Advanced education and training

The company organizes professional and safety-related educational training on a non-scheduled basis to enhance the professional skills of its staff in order to ensure they are qualified for their jobs and able to realize their potential. The goal is to strengthen the innovative energy of the company and achieve the target of sustainable operations through an increased refinement and core competitiveness of the staff.

3. Retirement system and implementation status

Retirement system and implementation conditions

For all subsidiaries of the company which lie within the territory of the Republic of China, the company contributes 6% of monthly salaries to the pension fund in accordance with the Labor Pension Act. These funds are deposited in individual labor pension accounts.

Companies within the territory of China make monthly contributions to pension insurance fund as prescribed in local laws and regulations to care for retired employees. In accordance with local social insurance operation modes, pension insurance is included in social insurance (including medical care, childbirth, pension, occupational injury, unemployment). After implementation of social insurance registration procedures, the company has started to fulfill its obligations in the field of pension contributions.

4. Labor-Management Agreements

In addition to labor contracts concluded in accordance with relevant laws after employees assume their duties, the company has also established a grievance channel and a labor union to provide open communication channels between labor and management.

5. Measures to safeguard employee rights and interests

The company safeguards employee rights and interests in accordance with the law and has formulated welfare management guidelines that clearly state various benefits, rights, and interests. Actual implementation is based on these guidelines.

(b) Losses caused by labor-management disputes in the most recent fiscal year up to the publication date of the annual report and disclosure of estimated current and future amounts and response measures. If reasonable estimates are not possible, a corresponding statement shall also be included.

For the latest year and as of the publication date of annual report hereto, total amount paid by the Company with respect to labor/compensation dispute arbitration result is RMB4,000.

Responding measures are as follows:

1. A census over employee agreement entering will be conducted and the list will be updated regularly.
2. Physical check on employee occupational injury will be enhanced.
3. Understanding of employee's occupational injury conditions is needed, and identification and assessment of occupational injury shall be conducted within effective time period.
4. Promotion of working together in harmony will be conducted more frequently. Controls will be enhanced and execution shall be conducted in accordance with management requirements.

   In the meantime, the Company currently is not engaged in litigations of labor/management dispute cases.

6. Critical Contracts

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Insurance	Insured: Ningbo Yeong Shang Insurance company: PICC P&C	2019-6-29~2020-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Ningbo Yeong Shang	2019-7-5~2020-7-4	Property Insurance	Nil
Insurance	Insured: Ningbo Yeong Shang Insurance company: China Pacific Insurance	2019-10-24~2020-10-24	Liability Insurance of Safe Production	Nil
Insurance	Insured: Ningbo Lu Lin Insurance company: PICC P&C	2019-6-29~2020-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Ningbo Lu Lin	2019-7-5~2020-7-4	Property Insurance	Nil
Insurance	Insured: Ningbo Lu Lin Insurance company: China Pacific Insurance	2020-2-9~2021-2-9	Liability Insurance of Safe Production	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Jiangsu Bright	2019-7-5~2020-7-4	Property Insurance	Nil
Insurance	Insured: Jiangsu Bright Insurance company: Ping An Property & Casualty Insurance	2020-1-10~2021-1-9	Liability Insurance of Safe Production	Nil
Insurance	Insured: Dongguan Yeong Guan Insurance company: PICC P&C	2019-6-29~2020-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Dongguan Yeong Guan	2019-7-5~2020-7-4	Property Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty	2019-7-5~2020-7-4	Property Insurance	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
	Insurance Party B: Shanghai No.1 Machine Tool Foundry			
Insurance	Insured: Shanghai No.1 Machine Tool Foundry Insurance company: Cathay Insurance	2019-6-28~2020-6-27	Liability Insurance of Safe Production	Nil
Insurance	Insured: Ningbo Yeong Chia Mei Insurance company: PICC P&C	2019-6-29~2020-6-28	Employer Liability Insurance	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Jiangsu Bright	2019.01.05	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Lu Lin	2019.01.05	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Yeong Shang	2019.01.05	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Shanghai No.1 Machine Tool Foundry	2019.01.05	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yijung Trade Company Purchaser: Ningbo Yeong Shang	2019.03.09	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yijung Trade Company Purchaser: Shanghai No.1 Machine Tool Foundry	2019.03.09	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yijung Trade Company Purchaser: Jiangsu Bright	2019.03.09	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Yeong Shang	2019.03.09	Pig iron	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Shanghai No.1 Machine Tool Foundry	2019.03.09	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Lu Lin	2019.03.09	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Jiangsu Bright	2019.03.09	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tiyuan Jinmingda Purchaser: Dongguan Yeong Guan	2019.05.02	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yijung Trade Company Purchaser: Shanghai No.1 Machine Tool Foundry	2019.06.11	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Yeong Shang	2019.06.11	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Shanghai No.1 Machine Tool Foundry	2019.06.11	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Lu Lin	2019.06.11	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yijung Purchaser: Shanghai No.1 Machine Tool Foundry	2019.07.22	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yijung Purchaser: Jiangsu Bright	2019.07.22	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Lu Lin	2019.07.22	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Jiangsu Bright	2019.07.22	Pig iron	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Shanghai No.1 Machine Tool Foundry	2019.07.22	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tiyuan Jinmingda Purchaser: Dongguan Yeong Guan	2019.09.05	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yijung Purchaser: Shanghai No.1 Machine Tool Foundry	2019.10.16	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yijung Purchaser: Jiangsu Bright	2019.10.16	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yijung Purchaser: Ningbo Lu Lin	2019.10.16	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Lu Lin	2019.10.16	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Shanghai No.1 Machine Tool Foundry	2019.10.16	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Jiangsu Bright	2019.10.16	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yijung Purchaser: Ningbo Yeong Shang	2019.11.05	Pig iron	Nil
Sales & Purchase Contract	Supplier: Guangdong Hongde Purchaser: Ningbo Yeong Shang	20.19.11.8	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tiyuan Jinmingda Purchaser: Dongguan Yeong Guan	2019・11.29	Pig iron	Nil
Sales & Purchase Contract	Supplier: Wenlin Huatai Purchaser: Ningbo Lu Lin	2015.01.02 long-term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Supplier: Yuhuan Xinduo Purchaser: Ningbo Lu Lin	2017.10.09 long-term	Scrap Steel Sales & Purchase Contract	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Sales & Purchase Contract	Supplier: Ningbo Hofa Purchaser: Ningbo Lu Lin	2019.05.05 long-term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Supplier: Ningbo Ruiyang Purchaser: Ningbo Lu Lin	2018.04.02 long-term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Supplier: Changzhou Digital Control Purchaser: Jiangsu Bright	2014.3.11-2014.8.12	Machinery and equipment	Nil
Sales & Purchase Contract	Supplier: Ningbo Fangli Purchaser: Jiangsu Bright	2017.6.23-2020.5	Machinery and equipment	Nil
Sales & Purchase Contract	Supplier: Ningbo Fangli Purchaser: Jiangsu Bright	2017.10.20-2020.8	Machinery and equipment	Nil
Sales & Purchase Contract	Supplier: Wuxi Xiyang Purchaser: Jiangsu Bright	2017.8.11-2020.8	Machinery and equipment	Nil
Sales & Purchase Contract	Supplier: Zhucheng Wan Tong Purchaser: Jiangsu Bright	2017.8.11-2020.8	Machinery and equipment	Nil
Sales & Purchase Contract	Supplier: Wuxi Xiyang Purchaser: Jiangsu Bright	2015.4.30-2019.7.15	Machinery and equipment	Nil
Sales & Purchase Contract	Supplier: Nederman Purchaser: Jiangsu Bright	2017.8.11-2018.5.30	Machinery and equipment	Nil
Sales & Purchase Contract	Supplier: Jiangsu Nanhua Purchaser: Jiangsu Bright	2019.5.4-2019.11.20	Machinery and equipment	Nil
Sales & Purchase Contract	Supplier: Wuxi Nomex Purchaser: Jiangsu Bright	2019.5.13-2019.6.23	Machinery and equipment	Nil
Sales & Purchase Contract	Supplier: Changzhou Thinks Purchaser: Jiangsu Bright	2019.8.8-2019.12.05	Machinery and equipment	Nil
Sales & Purchase Contract	Supplier: Jiangsu Nanhua Purchaser: Ningbo Lu Lin	2018.7.20-2018.11.25	Machinery and equipment	Nil
Sales & Purchase Contract	Supplier: Ningbo Yaoda Purchaser: Ningbo Lu Lin	2019.10.9-2019.12.25	Machinery and equipment	Nil
Sales & Purchase	Supplier: Ningbo PainTing technology	2018.9.1-2020.3	Machinery and equipment	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Contract	Purchaser: Ningbo Yeong Shang			
Sales & Purchase Contract	Supplier: General Electric Company Purchaser: Ningbo Yeong Shang、Ningbo Lu Lin	2018.5.12-2020.06.30	Technology Service	Nil
Collateral contract	Pledger: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2019.12.06~2029.12.05	The pledger provides 110,933 m2 of land and 93,072 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from December 6, 2019 to December 5, 2029 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 220 million.	Nil
Collateral contract	Pledger: Ningbo Lu Lin Debtor: Ningbo Lu Lin Creditor: Bank of China	2015-7-13~2020-7-13	The pledger provides 33,333 m2 of land and 23,502 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from July 13, 2015 to July 13, 2020 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 37.5 million.	Nil
Collateral contract	Pledger: Ningbo Lu Lin Debtor: Ningbo Lu Lin Creditor: Bank of China	2015-9-22~2020-9-22	The pledger provides 12,697 m2 of land and 3,786 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from September 22, 2015 to September 22, 2020 or about to be concluded. Secured claims shall not exceed the principal of	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
			RMB$ 12.5 million.	
Collateral contract	Pledger: Jiangsu Bright Debtor: Jiangsu Bright Creditor: Bank of China	2019-1-16~2022-1-15	The pledger provides 144,714.3 m2 of land and 90,432.53 m2 of factory as collateral for loan, trade finance, guarantee letter, financial service, and other credit service contracts concluded with the creditor valid from January 16, 2019 to January 15, 2022 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 120 million.	Nil
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Lender: Shanghai Commercial & Savings Bank	2020-1-15~2021-1-14	Shanghai Commercial & Savings Bank provides Jiangsu Bright Steel with a working capital of US$ 2.5 million.	Nil
Credit Contract	Borrower: Jiangsu Bright Lender: Citibank	2019-8-15~2020-8-15	Citibank provides Jiangsu Bright Steel with a working capital of US$ 5 million.	Nil
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Lender: Shanghai Commercial & Savings Bank	2020-1-15~2021-1-14	Shanghai Commercial & Savings Bank provides Jiangsu Bright Steel with a working capital of US$ 2.5 million.	Nil
Credit Contract	Borrower: Shanghai No.1 Machine Tool Foundry Lender: E SUN BANK	2020-1-31~2021-1-31	E SUN Bank (China) Shenzhen Branch provides Shanghai No.1 Machine Tool Foundry with a working capital of RMB 20 million.	Nil
Credit Contract	Borrower: Shanghai No.1 Machine Tool Foundry Lender: Chinatrust	2019-9-10~2020-9-10	CTBC Bank provides Shanghai No.1 Machine Tool Foundry with a working capital of RMB 20 million.	Nil
Foreign Exchange Loan Contract	Borrower: Shanghai No.1 Machine Tool Foundry Lender: E SUN BANK	2020-3-2~2021-3-1	E SUN Bank OBU provides Shanghai No.1 Machine Tool Foundry with a working capital of US$ 2.5 million.	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Credit Contract	Borrower: Yeong Guan Energy Lender: BANK SINOPAC Hong Kong Branch	2019-9-30~2020-9-30	Bank SinoPac Hong Kong Branch provides Yeong Guan Energy with a revolving line of credit of US$ 6 million.	Nil
Credit Contract	Borrower: Yeong Guan Energy Lender: Taiwan Cooperative Bank	2020-1-2~2021-12-28	Taiwan Cooperative Bank provides Yeong Guan Energy with a revolving line of credit of US$ 10 million.	Nil
Credit Contract	Borrower: Yeong Guan Energy Lender: CTBC Bank	2019-8-1~2020-7-31	CTBC Bank provides Yeong Guan Energy with a revolving line of credit of US$ 10 million.	Nil
Credit Contract	Borrower: Yeong Guan Energy Lender: Citibank	2019-9-1~2020-8-31	Citibank provides Yeong Guan Energy with a revolving line of credit of US$ 2 million.	Nil
Credit Contract	Borrower: Yeong Guan Energy Lender: BNP Paribas	2019-11-4~2020-11-4	BNP Paribas provides Yeong Guan Energy with a revolving line of credit of US$ 6 million.	Nil
Credit Contract	Borrower: Yeong Guan Energy Lender: EnTie Bank	2019-05-15~2020-5-15	EnTie Bank provides Yeong Guan Energy with a revolving line of credit of US$ 5 million.	Nil
Credit Contract	Borrower: Yeong Guan Energy Lender: Jih Sun International Bank	2019-10-24~2020-10-24	Jih Sun International Bank provides Yeong Guan Energy with a revolving line of credit of US$ 3 million.	Nil
Credit Contract	Borrower: Yeong Guan Energy Lender: DBS Bank	2019-08-30~2020-08-31	DBS Bank provides Yeong Guan Energy with a revolving line of credit of US$ 10 million.	Nil
Credit Contract	Borrower: Yeong Chen Asia Pacific Lender: Land Bank of Taiwan	2019-11-11~2020-11-11	Land Bank of Taiwan grants Yeong Chen Asia Pacific a short-term secured loan and a total financing line of NT$ 300 million. Yeong Chen Asia Pacific provides land and factory buildings for a maximum	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
			mortgage of NT$ 360 million. The bank provides the company with an additional US$ 0.4 million for financial derivative operations.	
Credit Contract	Borrower: Yeong Chen Asia Pacific Lender: CTBC Bank Joint guarantor: Yeong Guan Energy	2019-08-01~2020-07-31	CTBC Bank provides Yeong Chen Asia Pacific with a revolving line of credit of US$ 150 million, interest shall be payable once every month. The bank provides the company with an additional US$ 20 million for financial derivative operations.	Nil
Credit Contract	Borrower: Yeong Guan Energy Technolgy Group Co., Ltd., Yeong Guan Holdings Co., Limited Taiwan Branch, Yeong Chen Asia Pacific Co., Ltd. Lender: Total 10 banks, including Land Bank of Taiwan Joint guarantor: Yeong Guan Energy	2018-07-10~2023-07-10	Credit line with the total amount of NTD4.2 billion or foreign currency of equivalent value with credit extension period starting from the date of first appropriation until 5-year expiration date.	Nil

VI. Financial Summary

1. Summarized balance sheets and consolidated income statements for the last five years

(1) Summarized Balance Sheet & Income Statement

1-1 Summarized Consolidated Balance Sheet

Unit: NTD in thousands

Item \ Year		Financial data for the last five years (Note 1)					Current Financial Data as of March 31st, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Current Asset		9,557,290	8,127,766	7,312,847	7,805,153	6,783,485	6,666,242
Property, Plant and Equipment		5,251,823	5,700,681	6,279,225	5,920,262	5,734,533	5,623,226
Intangible Asset		133,214	145,208	144,002	139,618	137,409	137,043
Other Asset		647,429	1,078,734	746,716	665,604	865,578	843,268
Total Asset		15,589,756	15,052,389	14,482,790	14,530,637	13,521,005	13,269,779
Current Liability	Before allocation	2,473,907	2,546,022	4,657,277	3,571,359	3,097188	3,052,060
	After Allocation	3,478,095	2,932,179	4,486,090	3,571,359	Note 2	Note 2
Non-current Liability		2,461,407	2,428,059	110,326	2,678,315	2,601,750	2,615,164
Total Liability	Before allocation	4,935,314	4,974,081	4,767,603	6,249,674	5,698,938	5,667,224
	After Allocation	5,939,502	5,360,238	4,596,416	6,249,674	Note 2	Note 2
Owner's Equities Attributed to Parent Company		10,542,667	9,774,150	9,423,372	8,131,634	7,661,102	7,452,120
Share Capital		1,179,796	1,188,175	1,188,175	1,116,175	1,056,175	1,056,175
Additional Paid-in Capital		6,091,651	6,204,774	6,204,774	5,837,900	5,553,059	5,553,059
Retained Earnings	Before allocation	2,998,411	3,002,521	2,869,086	2,298,397	2,455,384	2,342,968
	After Allocation	1,994,223	2,616,364	2,697,899	2,298,397	Note 2	Note 2
Other Equities		272,809	(621,320)	(838,663)	(1,021,629)	(1,403,516)	(1,500,082)
Treasury Share		0	0	0	99,209	0	0
Non-controlling Equities		111,775	304,158	291,815	149,329	160,965	150,435
Total Equities	Before allocation	10,654,442	10,078,308	9,715,187	8,280,963	7,822,067	7,602,555
	After Allocation	9,650,254	9,692,151	9,544,000	8,280,963	Note 2	Note 2

Note 1: Financial data for last 5 years and those as of March 31st, 2020 have all been audited or reviewed by certified

accountants.

Note 2: As of May 5, 2020, 2019 earnings distribution has yet to be approved by shareholder meeting resolution.

2-1 Summarized Consolidated Income Statement

Unit: NTD in thousands except for EPS

Item \ Year	Financial data for the last five years (Note 1)					Current Financial Data as of March 31st, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Operation Revenue	8,122,470	7,373,888	6,404,342	6,195,855	7,899,986	1,130,199
Operation Profit Margin	2,668,103	2,418,746	1,432,199	830,936	1,371,353	126,516
Operation Income	1,515,908	1,143,881	295,449	(245,012)	212,460	(111,358)
Non-operation Revenue & Expenses	272,605	180,777	46,318	13,111	8,868	(16,668)
Pre-tax Net Profit	1,788,513	1,324,658	341,767	(231,901)	221,328	(128,026)
Current Net Profit for Continuing Operations	1,349,123	997,419	257,924	(274,073)	163,526	(112,830)
Discontinued Operations Loss	0	0	0	0	0	0
Current Net Profit	1,349,123	997,419	257,924	(274,073)	163,526	(112,830)
Current Other Consolidated Income (after tax net amount)	(261,237)	(899,614)	(217,094)	(179,993)	(376,790)	(106,682)
Current Consolidated Income Total Amount	1,087,886	97,805	40,830	(454,066)	(213,264)	(219,512)
Net Profit Attributed to Parent Company Owner	1,350,717	1,008,298	270,474	(278,658)	162,976	(112,416)
Net Profit Attributed to Non-controlling Equities	(1,594)	(10,879)	(12,550)	4,585	550	(414)
Consolidated Income Total Attributed to Parent Company Owner	1,096,129	114,619	53,131	(461,624)	(218,911)	(208,982)
Consolidated Income Total Attributed to Non-controlling Equities	(8,243)	(16,364)	(12,301)	7,558	5,647	(10,530)
Earnings Per Share	12.24	8.50	2.28	(2.48)	1.54	(1.06)

Note 1: Financial data for last 5 years and current financial data as of March 31st, 2020 have already been audited by accountants.

(2) Certified accountants and their audit comments for the last five years

Year	Name of Accounting Firm	Certified Accountants	Audit Comments
2015	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gong, Zhe-Li	No Reservation
2016	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gong, Zhe-Li	No Reservation
2017	Deloitte Touche Tohmatsu Limited., Taiwan	Chen, Chih-Yuan Chang, Ching-Ren	No Reservation
2018	Deloitte Touche Tohmatsu Limited., Taiwan	Chen, Chih-Yuan Chang, Ching-Ren	No Reservation
2019	Deloitte Touche Tohmatsu Limited., Taiwan	Chen, Chih-Yuan Chang, Ching-Ren	No Reservation

2. Financial analysis for the last five years

I. Financial Analysis

Items Analyzed (note4) \ Year		Financial analysis for the last five years					Current Financial Data as of March 31st, 2020
		2015	2016	2017	2018	2019	
Finance Structure	Debt Ratio (%)	31.66	33.05	32.92	43.01	42.15	42.71
	Long Term Fund to Fixed Asset Ratio (%)	247.61	214.05	151.83	182.59	178.97	179.03
Repayment Capability	Current Ratio (%)	386.32	319.23	157.02	218.55	219.02	218.42
	Quick Ratios (%)	327.24	260.02	124.2	172.74	171	166.58
	Times Interest Earned	41.69	23.16	5.99	-0.74	2.37	-3.1
Operating Performance	Account Receivables Turnover Rate (Times)	3.61	3.14	3.04	2.97	3.11	1.75
	Average Collection Days	101	116	120	123	117.36	208
	Inventory Turnover Rate (Times)	3.92	3.72	3.69	3.76	4.65	2.91
	Account Payable Turnover Rate (Times)	4.67	4.44	4.45	4.91	6.40	4.45
	Average Inventory Turnover Days	93	98	99	97	78	125
	Fixed Asset Turnover Rate (Times)	1.70	1.35	1.07	1.02	1.36	0.8
	Total Asset Turnover Rate (Times)	0.60	0.48	0.43	0.43	0.56	0.34
Profitability	Return on Asset (%)	10.19	6.86	2.13	-1.06	2.21	-0.63
	Return on Equity (%)	14.60	9.82	2.69	-3.17	2.06	-1.49
	Pre-tax Net Profit to Paid-in Capital (%)	20.85	17.92	4.62	-3.33	3.35	-1.94
	Net Margin Rate (%)	16.61	13.53	4.03	-4.42	2.07	-9.98
	Earnings Per Share (NTD)	12.24	8.5	2.28	-2.48	1.54	-1.06
Cash Flow	Cash Flow Ratio (%)	60.22	52.6	14.43	-3.84	-10.50	13.73
	Cash Flow Adequacy Ratio (%)	Note 1	96.95	77.95	64.50	44.90	42.38
	Cash Re-investment Ratio (%)	5.30	2.27	2.25	-2.16	-2.35	3.05
Leverage	Operating Leverage	2.40	2.96	2.69	-1.19	3.63	-0.24
	Financial Leverage	1.03	1.05	1.30	0.65	4.18	0.78
	Reasons for changes of various financial ratios within the last two years (analysis is exempted for changes of increase/decrease less than 20%) 1. Inventory Turnover Rate increases over the same period of last year and Average Inventory Turnover Days decreases over the same period of last year. Main reason for this is that increased sales capability for this period has continued to sell inventory. 2. Account Payable Turnover Rate increases over the same period of last year. This is mainly due to change of payment methods for the purpose of lowering procurement costs in this period. 3. Fixed Asset Turnover Rate and Total Asset Turnover Rate both increase over the ones for the						

	same period of last year. This is mainly due to increase of sales amount for this period. 4. Times Interest Earned, Return on Equity, Pre-tax Net Profit to Paid-in Capital, Net Margin Rate, Earnings Per Share, Operating Leverage and Financial Leverage: This is mainly because of increased profit driven by increased sales revenue. 5. Cash Flow Ratio and Cash Flow Adequacy Ratio both decrease over the same period of last year. This is mainly because that dramatic increase of sales revenue for this period leads to increase in year-end account receivables and as a result of lowered cash flow from operating activities.

Note 1: No calculation conducted because application of IFRS is less than five years.

Note 2: Calculation formulas are as follows:

1. Financial Structure

(1) Debt Ratio = Total Liabilities／Total Assets

(2) Long Term Fund to Fixed Asset Ratio = (Total Equities＋Non-Current Liability)／Net Fixed Asset

2. Liquidity

(1) Current Ratio = Current Assets／Current Liabilities

(2) Quick Ratio = (Current Assets－Inventories－Prepaid Expenses)／Current Liabilities

(3) Times Interest Earned = Net Income before Income Tax and Interest Expense／Current Interest Expense

3. Operating Performance

(1) Account Receivable (including Account Receivable and Operating Notes Receivables) Turnover Rate = Net Sales／Average Account Receivable (including Account Receivable and Operating Notes Receivables) Balance

(2) Average Collection Days = 365／Account Receivable Turnover Rate

(3) Inventory Turnover Rate = Cost of Sales／Average Inventory

(4) Account Payable (including Account Payable and Operating Notes Payables) Turnover Rate = Cost of Sales／Average Account Payable (including Account Payable and Operating Notes Payables) Balance

(5) Average Days of Sales = 365／Inventory Turnover Rate

(6) Fixed Asset Turnover Rate = Net Sales／Net Average Fixed Asset

(7) Total Asset Turnover Rate = Net Sales／Average Total Asset

4. Profitability

(1) Return on Asset =〔Income After Tax＋ Interest Expense × (１－ Tax Rate)〕／ Average Total Asset

(2) Return on Equity = Income After Tax／Average Total Equity

(3) Net Margin Rate =Income After Tax／Net Sales

(4) Earnings Per Share = (Income Attributed to Parent Company Owner－ Preferred Share Dividend)／Weighted Average Number of Outstanding Shares

5. Cash Flow

(1) Cash Flow Ratio = Operating Activity Net Cash Flow／Current Liability

(2) Net Cash Flow Adequacy Ratio = Operating Net Cash Flow for the Last Five Years／(Capital Expenditure＋Increased Inventory＋Cash Dividend) for the Last Five Years

(3) Cash Re-Investment Ratio =(Operating Activity Net Cash Flow－Cash Dividend)／(Gross Fixed Asset＋Long Term Investment＋Other Non-Current Asset＋Working Capital)

6. Leverage:

(1) Operating Leverage=(Net Sales－Variable Operating Cost & Expense) ／Operating Income

(2) Financial Leverage = Operating Income／(Operating Income－Interest Expense)

3. **Audit Committee's Review Report over the Latest Year Financial Statements**

Yeong Guan Energy Technology Group Company Limited

Audit Committee's Review Report

To: Shareholders' Annual General Meeting for Year 2020

The Board of Directors has prepared and submitted to the undersigned, Audit Committee of the company the 2019 Business Report, Consolidated Financial Statements and Dividend Distribution proposal. The above Business Report, Consolidated Financial Statements and Dividend Distribution proposal have been examined and determined to be correct and accurate by the undersigned. This Report is duly submitted in accordance with applicable laws.

Yeong Guan Energy Technology Group Company Limited
The Audit Committee, Chairman:

March 12, 2020

4. **The Latest Year Financial Statement: Please refer to Appendix 1.**

5. **Latest individual financial statements audited and attested by CPAs but without detailed lists of the main accounting items: NA**

6. **In the latest year and as of the date when annual report was published, occurrence of financial difficulty which poses influences over the Company's financial situation: None.**

VII. Financial Status and Financial Performance Analysis and Risk Issues

1. Financial Status

Unit: NTD in thousands

Item \ Year	2018	2019	Difference	
			Amount	%
Current Asset	7,805,153	6,783,485	(1,021,668)	-13.09%
Property, Plant and Equipment	5,920,262	5,734,533	(185,729)	-3.14%
Intangible Asset	139,618	137,409	(2,209)	-1.58%
Other Asset	665,604	865,578	199,974	30.04%
Total Asset	14,530,637	13,521,005	(1,009,632)	-6.95%
Current Liability	3,571,359	3,097,188	(474,171)	-13.28%
Non-Current Liability	2,678,315	2,601,750	(76,565)	-2.86%
Total Liability	6,249,674	5,698,938	(550,736)	-8.81%
Share Capital	1,116,175	1,056,175	(60,000)	-5.38%
Paid-in Capital	5,837,900	5,553,059	(284,841)	-4.88%
Retained Earnings	2,298,397	2,455,384	156,987	6.83%
Other Equities	(1,021,629)	(1,403,516)	(381,887)	37.38%
Treasury Stock	(99,209)	0	99,209	-100.00%
Non-controlling Interest	149,329	160,965	11,636	7.79%
Total Interest	8,280,963	7,822,067	(458,896)	-5.54%

Main reasons and impacts of major changes (increase/decrease by over 10% in two years; total amounts of increases/decreases are equivalent to 1% of the total asset value of the respective year):

1. Current Assets and current liabilities: This is mainly because capital held by the company has been utilized to repay bank loan as well as to exercise payable corporate bond with put option.
2. Other assets: This is mainly because the Company applies IFRS16 Lease requirements and recognizes related utilization rights assets for this year.
3. Decrease in other equities: Because of RMB depreciation, exchange differences from calculating offshore business institute financial statements decreased as compared with the ones for last years.

2. Financial Performance

(1) Operating Performance Analysis Table

Unit: NTD in thousands

Item \ Year	2018	2019	Difference	
			Amount	%
Operating Income	6,195,855	7,899,986	1,704,131	27.50%
Operating Cost	5,364,919	6,528,633	1,163,714	21.69%
Operating Gross Margin	830,936	1,371,353	540,417	65.04%
Operating Expense	1,075,948	1,158,893	82,945	7.71%
Operating Net Income	(245,012)	212,460	457,472	-186.71%
Non-Business Income & Expense	13,111	8,868	(4,243)	-32.36%
Pre-Tax Net Income	(231,901)	221,328	453,229	-195.44%
Income Tax Expense	42,172	57,802	15,630	37.06%
Current Net Income	(274,073)	163,526	437,599	-159.67%

Explanations on items with significant changes (items with changes exceeding 10% and with change amount reaching 1% of current year total asset amount)

1. Operating Income, Operating Cost, Operating Gross Margin, Operating Net Income, Pre-Tax Net Income and Current Net Income: This is mainly because that significant increase in demands for renewable energy casting products has led to improvements of related operating statistics.

(2) Expected Sales and Reasons

The Company maintains a neutral and conservative attitude with regard to overall sales income for 2020 will maintain. This mainly comes from considerations of changes in macroeconomic environment, industry prospect, the Company's future development direction as well as operating target which is established based on the Company's operating status.

(3) Potential Effects on The Company's Future Finance Business and Responding Plan

The Company will closely monitor changes of economic situation and trend of market demand in order to expand market share and increase the Company's profit. As such, the Company's future business is expected to grow continuously while its financial conditions will also remain in good shape.

3. Cash Flow

(1) Analysis of Cash Flow Changes in Recent Years

Unit: NTD in thousands

Item \ Year	2018	2019	Increased (Decreased) Amount %	Increased (Decreased) Percentage %
Operating Activity	-137,115	-325,338	-188,223	137.27%
Investment Activity	-774,859	-290,751	484,108	-62.48%
Financing Activity	840,127	-824,705	-1,664,832	-198.16%
Analysis of Changes: 1. Operating Activity: 2019 net cash flow for operating activities decreased mainly because of synchronized increase of account receivables from growth of operating revenue this year. 2. Investment Activity: 2019 net cash flow for investment activities increases mainly because of this year's disposition of financial assets and subsidiaries. 3. Financing Activity: 2019 net cash flow for financing activities decreases mainly because of decrease in this year's loans.				

(2) Cash flow liquidity analysis and liquidity insufficiency improvement plan for the upcoming year

The Company still plans capital expenditures in fixed assets for 2019, but will adopt a neutral and conservative attitude and carefully assess investment scope and efficiency. It is expected that net cash outflows will be generated by non-investment activities in the context of development of new orders in 2019, but an assessment of the current capital situation of the company indicates that sufficient capital is available to meet these expenses and no liquidity risks exist.

4. Influence on finance business from major capital expenditure in the latest year:

The Company's goal for the latest year's capital expenditure is to expand operating scale for the purpose of preparing for this industry's future development trend as well as strengthening competitiveness. As such, the Company plans to collaborate with Taiwan government's renewable energy policy to build up a factory and purchase equipment in Taichung. With this, it is expected to generate long-term growth synergy, enhancement of global competitiveness and fulfilment of sustainable operation. It is planned that equity fund will be first utilized for funds needed for building the factory, and financing measures such as obtaining loans will be utilized in the event of insufficiency in funds.

5. Investment strategy for the latest year, main reason(s) for gain or loss, improvement plan and investment plan for the upcoming year

(1) The Company's Investment Strategy

The Company's management over invested enterprise is based on investment cycle requirements of internal control system. Additionally, management is also based on the Company's drafted requirements of "Operation guidelines for business operating and finance transaction among group enterprise, designated company and related party," "Operation guidelines for subsidiary monitoring," and "Operation guidelines for subsidiary operation and management." Under considerations of domestic laws and actual operations for respective invested companies, assistance is offered accordingly for respective invested companies to establish appropriate internal control system. With respect to organization structure, directors for respective invested companies are established in accordance with domestic laws and are designated by parent company. As for management level for respective invested companies, all general managers are designed by parent company while other managers are designed or recruited by authorized respective invested companies' general managers. However, employment of finance head shall be submitted to parent company for approval or be designated by parent company. Furthermore, the Company regularly receives related financial statement materials, operation reports as well as CPA certified financial statements for the purpose of in-time analysis and assessment over invested enterprise's operation condition and income status. The Company's internal audit department will also dispatch personnel, regularly or randomly, to conduct auditing operation over subsidiary, and establish related auditing plan as well as prepare audit report in order to monitor internal control system deficiency and rectification over irregularity matter.

(2) Main reasons for gain or loss on investments for the latest year (2019)

Unit: NTD in thousands

Invested Enterprises	Recognized Investment Gain/Loss Amount	Reason for Gain or Loss	Improvement Plan
Yeong Guan International Co., Limited	218,736	This is mainly because investment income is assessed using equity method.	—
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	-1,156	This is mainly because invested enterprise is still in its opening phase and business has not yet started.	Nil
Yeong Guan International Co., Ltd.	196,294	This is mainly because investment income is assessed using equity method.	—
Shin Shang Trade Co., Ltd.	-4,437	It is mainly because orders are transferred to other trading companies.	—
Yeong Chen Asia Pacific Co., Ltd.	10,544	This is mainly because of order transfer benefits from shipments to Europe/US customers, and profit for main business remains steady.	—
Ningbo Yeong Shang Casting Iron Co., Ltd.	65,215	Profit for main business remains steady.	—
Dongguan Yeong Guan Mould Factory Co., Ltd.	45,246	P Profit for main business remains steady.	—
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	54,414	Profit for main business remains steady.	—
Jiangsu Bright Steel Fine Machinery Co., Ltd.	58,751	Profit for main business remains steady.	—
Ningbo Yong Jia Mei Trade Co., Ltd.	104	Profit for main business remains steady.	—
Shanghai No.1 Machine Tool Foundry (Su Zhou) Co., Ltd.	-908	Losses incurred from main business are reduced dramatically over the ones for last year. Operation has obviously been improved.	Continue to place orders and improve production momentum.
Qing Dao Rui Yao Building Material Co., Ltd.	736	This is still within in launching period and profit is from interest revenue.	—
Jiangsu Yeong Ming Heavy Industry Co., Ltd.	—	Launching period	

(3) Investment plan for the upcoming year

The Company continues its investments to establish Thailand plant and Taichung plant.

In view of the rising global awareness of climate change issues, “Green Home” and “Investment in Green Energy” have replaced traditional energy policies centered around coal, natural gas, and nuclear energy. These new concepts gradually turn into the mainstream of economic strategies and public administration all over the world. In line with the global trend of energy conservation and carbon reduction, development and application of new energy technologies, a constantly rising demand for green energy worldwide, and promotion of vigorous development of relevant industries, the Company continues its commitment to serve as a driving force for the development of green energy industries. It also constructs new and expands existing up- and downstream casting, processing,

and spray coating plants to extend and expand industry standards. In addition to an increase of "hard power" through plant expansion investments, the Company develops its soft power by adopting a long-term strategic perspective. The goal is to strengthen the capabilities of the company in the field of material and technology development as well as make an active commitment to corporate social responsibility and safe production. EHS development is conducive to strengthening the future international competitiveness of the Company, gives a strong impetus to sustainability.

6. Risk Analysis and Assessment

(1) Interest rate, change of exchange rate and inflation's influence over the Company's gain or loss as well as future responding measures

I. Interest Rate

The Company's interests paid in cash for 2018 and 2019 are NTD95,509 thousands and NTD160,678 thousands with percentages of 1.54% and 2.03% to respective current year operating income. These percentages are extremely small and therefore change of interest rate does not have a significant influence over the Company. Although currency market interest rates for the latest year decrease slowly, they're still relatively low. Therefore the Company's borrowing interest rates did not change a lot. However, in the event of larger fluctuation for interest rates going forward and the Company still has needs for loan, the Company will then raise capital through other fund raising instruments in capital market. Additionally, the Company will observe interest rate trends and select fixed or floating interest rate loan to avoid interest rate fluctuation risk.

II. Exchange Rate

Given the fact that forty percent (40%) of the Company's sales territories are in China with sales are denominated in RMB, and forty percent (40%) are in Europe and U.S. with sales denominated in EUR and USD, while goods purchased are mainly denominated in RMB, offset incurred accordingly between purchase in RMB and sales in RMB. Meanwhile, exchange rate changes among different currencies still come with offset effect. As a result, in addition to natural hedging on exchange rate differences, the Company is also engaged in selling forward exchange to evade risks on foreign currency positions held. The Company's net exchange gains (losses) for 2018 and 2019 are NTD13,018 thousands and NTD86,901 thousands respectively accounting for 0.21% and 1.10% of respective current operating net income. Influences are extremely small and therefore there are no significant exchange risks as a whole.

The Company is committed to foreign exchange risk control. Our responding measures are as follows after careful assessments:
(1) The Company shall continue to enhance its financial staff's foreign exchange hedging expertise and study changes in international politics and economics in order to predict foreign exchange trend and enhance the Company's foreign exchange hedging strategies.
(2) Payments for purchase and related expenses shall be made from revenue of same currencies to enhance effectiveness of natural hedging.

III. Inflation

The Company continues to maintain close and good interaction relationship with suppliers and customers, adjusts purchase and sales strategies in a flexible way and keeps well informed of upstream material price changes in order to mitigate influence on the Company's income from change of inflation. In the latest year and as of the date when annual report was published, there are no significant changes on financial market and prices and there is no significant influence on the Company's income.

(2) Policy for conducting high risk/high leveraged investment, lending capital to others, endorsement/guarantee and derivative transactions; Major reasons for gain or loss and future responding measures

The Company has already drafted guidelines of "Handling Process for Asset Acquisition and Disposition," "Operation Procedure for Capital Lending to Others," "Operation Procedure for Endorsement/Guarantee," and "Handling Process for Derivative Product Transactions" which shall serve as compliance basis for the Company and subsidiary when engaged in related behavior.

As of the date when this annual report was published, the Company is not engaged in Endorsement/Guarantee or lending of capital to other companies except for the ones between the Company and its subsidiaries, or the ones between its subsidiaries. Aforementioned endorsement/Guarantee or lending of capital are all conducted in accordance with related operation process regulations and, in general, they do not have significant influence over consolidated income. Furthermore, the Company is always focused on the operating of its main businesses and has never stepped into other high risk industries. The Company's finance policy is based on the principle of being stable and conservative and never engages itself in high risk/high leveraged investment or transaction. As such, related risks should be limited.

(3) Future R&D plan and expected R&D expenditure

1. Future R&D plan

(a) The Company's future R&D plan utilizes new auxiliary materials to enhance casting product quality, reduce defected product, enhance casting product material conversion rate and develop high power wind power products.

(b) Development and improvement of new techniques and production technologies to reduce defect rates and thereby enhance product competitiveness and quality consistency.

(c) Development of new industry materials and alloys to achieve a breakthrough in existing casting technologies; provision of more professional services to meet future customer demands through upgrades of welding capabilities and acquisition of professional system certifications

2. Projected R&D expenses

(a) Projected R&D expenses account for a fixed ratio of 1-3% of the operating revenue in 2020. Future R&D expenses will be determined by optimizations and improvements of new products, production processes, and molds developed by customers as well as yield rate enhancement, energy conservation, and waste reduction.

(4) Influence from domestic/offshore important policies and changes of law on the Company's finance business as well as responding measures

The Company is registered in British Cayman Islands while its important subsidiaries are registered in Taiwan, British Virgin Islands, Hong Kong and China. The Company does not operate in British Cayman Islands. Fluctuation for China's internal exchange rate is stable. Political relationship between Taiwan and China is stable. The Company and its important subsidiaries conduct all their businesses in accordance with regulations of their respective territories. The Company's major products include large wind power generator (wheel hub and base) and steam turbine for large power plant. Therefore, this industry should not be a franchising or a restricted industry. Therefore in the latest year and as of the date when this annual report was published, critical policy changes or regulation changes in British Cayman Islands, British Virgin Islands, Taiwan, Hong Kong and China are not expected to pose significant influence on the Company's finance business. Most of the Company's major customers and suppliers are located in Asia. Given special political situations in some Asian countries, the Company and its customers' finance business may be affected by politics, economy and laws. Therefore, in the event of changes in respective government's policy, economy, tax or interest rate, or in the event of incidents involving politics, diplomacy or society, business of the Company's client or the Company might be affected accordingly.

(5) Influence on the Company's finance business from changes of technology and industry as well as responding measures to such influence

Global technological development has an inevitable impact on industries! We are firmly committed to continuous responses to future developments in the field of market demand as well as technology-directed upgrades and improvements. We also constantly collect information on new technologies, trends, and risk coefficients associated with the ever-changing market in line with gradually intensifying trends and changes in the field of technological development. We also have clearly formulated guidelines in place for the development of future strategies. The Company constantly explores market changes in the current stage of stable development to gain a firm grasp of current conditions and implement adjustments accordingly. In the field of quality management, ultimate emphasis is placed on stable quality, enhanced efficiency, and cost down to boost bidirectional development in the fields of market demand analysis and technological innovation.

(6) Influence to enterprise crisis management from enterprise image change as well as responding measures to such influence

The company has always been dedicated to the development goal of honesty and sustainable operation while focusing on high quality casting products technology enhancement of spherical graphite cast iron and grey cast iron as well as development and manufacturing of energy and injection molding machine products with the goal of meeting market demands. The Company enjoys good business reputation in international market and this has established the Company's credibility and position in this industry. There is no change of company image which leads to crisis management in the latest year and as of the date when annual report was published.

(7) Projected benefits, potential risks, and response measures for mergers &acquisitions: No mergers or acquisition is conducted for this year.

(8) Expected benefits, potential risks and responding measures for plant expansion

Currently, the global wind power market is recovering. It is expected that global offshore wind-power installation market shall reach 188GW in 2030 and numbers for updating continues to go upward. This indicates a promising furutre for offshore wind-power needs. Taiwan plans to become a base for Asia offshore wind-power. With this, the Company plans to invest in establishing casting, processing and spray-painting product lines in Taichung Harbor which has

location advantage. This shall assist the Company in gaining international competitiveness in the future and power for sustainable operation. This shall also assist in generating long term growth synergy. The Company's vendors are all leading vendors in respective industries. In addition to working with Taiwan government's renewable policy, Taichung plant shall not only be committed in establishing excellent supply capability but also be engaged in continuous introduction of innovative technologies and advance operation concepts, Environment, Health and Safety (EHS), quality enhancement and energy consumption saving. The Company shall enhance collaboration relationship with major international vendors in order to fight for business opportunities from next generation green power product needs. The Company's factory expansion process has gone through careful assessment. Investment return benefits and potential risk have all been fully considered.

(9) Risks and responding measures for concentrated purchase of goods or sales of goods

1. Purchase of Goods

The main raw materials used by this company are pig iron, scrap steel, nodulants, inoculants, carburants, ferro-silicon, ferro-manganese, ferro-chromium, ferro-molybdenum, ferro-phosphorous, and ferro-sulphur. Auxiliary casting materials include furan resin, curing agents, deslagging agents, steel shot, bonding agents, dross filters, quartz sand, and magnesium oxide coating. Among them, pig iron and scrap steel account for the biggest portions. Source of Product Supply & Purchase Proportion: The Company is located in China which is a country rich in mineral resources. Major raw materials are purchased from local markets in China. In 2019, against the backdrop of China's industry policies of capacity reduction and environmental-friendly limited capacity as well as pig iron price's remaining in high levels, the Group increases proportion of scrape steel added during production process to counter the pig iron market's upward trend. As such, large quantity of scrape steel used has led to increase of scrape steel purchased in 2019. Currently, there is no major difficulty in obtaining materials because suppliers for various raw materials are not limited to one vendor only. For the latest years, percentages of the Company's top 10 purchase vendors share for annual net purchase are 41.81% and 49.51% respectively, with each supplier accounting for less than 20%. With the exceptions of suppliers for pig iron and furan resin, purchase percentages from other suppliers are all less than 10%. There shall not be major risks of concentrated purchases.

2. Sales of Goods

In the current stage, our market strategy mainly focuses on energy resource development

followed by injection molding machinery and the machinery industry. In our long-term planning efforts, steady parallel development is the major indicator. In the field of market demand forecasts, out target indicator is currently the energy industry. In our future planning operations, we are fully committed to these target industries. Our strategy deployment in other industries including injection molding machinery, agricultural machinery, mining machinery, ship machinery, and automotive parts and components will also bear fruit when the time is right. We pursue an in-depth exploration of market demands and strive to gain a firm grasp of ever-changing industry trends to build a solid foundation in the industry and thereby minimize potential risks.

The co-existence of risk and development is an inescapable fact of highly diversified markets. Our main competitive advantage lies in our ability to effectively reduce and spread risks to make them controllable. The group is capable of achieving a perfect balance in the field of risk management based on an effective distribution of production capacities among different industries and vertically integrated management schemes. Based on the above discussion, it is evident that the Company has the ability to effectively control risks generated by high customer concentration.

(10) Influence, risks to the Company from large amount equity transfer or change by director, supervisor or major shareholder with ownership exceeding 10% and responding measures to such influence and risks.

No aforementioned cases in the latest year and as of the date when annual report was published.

(11) Influence and risks to the Company as well as responding measures from changes of management rights

The Company has a stable major shareholder structure and a comprehensive professional management team. The Company's various management and operation advantages will not be compromised if there are changes in management rights. There are no changes of the Company's management rights in the latest year and as of the date when annual report was published.

(12) The Company and the Company's director, supervisor, general manager, actual responsible person and major shareholders holding more than 10% of shares shall prescribed litigation or non-litigation incidents. With respect to subsidiary's finalized or pending major litigation, non-litigation and administrative dispute incidents, the disputed facts, target amount, litigation

commencement date, major parties involved and processing status as of annual report publish date shall all be disclosed if results for aforementioned incidents may have significant influence over shareholder's equity or securities price.

For the latest two years and as of the publication date of annual report, there are a total of 4 finalized cases of litigation and arbitration for the Company and its subsidiaries. Nevertheless, total amount paid by the Company is only RMB70,716. As such, there are no major impact to the Company's shareholder's equities or stock price from this result.

(13) Other critical risks and responding measures

(a) The Company's critical operating risks and responding measures:
With respect to possible negative factors incurred from the Company's operation as well as their responding strategies, please refer to positive, negative factors for the Company's future development and responding strategies prescribed in this annual report. Even with the existence of such responding strategies, it is still possible that complete implementation is unfeasible because of force majeure factors encountered during implementation. This will further affect the Company's operation, business and finance.

(b) Negative influence on the Group's business, operating performance and financial condition from the Company's potential insufficient insurance over operation:
Currently, the Company has already followed Chinese enterprise's common practice and proposed comprehensive property insurance which covers the Company's properties of plant and machine equipment with a total insurance amount of RMB1,925,226 thousands. However, the Company did not propose any insurance over operation disruptions in China factory or any compensation liability from damage to environmental protection. Reason for not proposing is that such insurance in China is not mature enough and causes for compensation are not clearly stipulated. The Company may suffer losses or assume compensation liability from occurrence of such risks because of its failure to propose such insurance accordingly. Additionally, among items which are already insured, it is possible that the scope of insurance may not provide sufficient protection against possible losses. This could have negative impact on the Company's business, financial condition and operating performance.

(c) Risk of Intellectual Property Infringement:
As of now, the Company holds 32 trade mark rights and 103 patents. Intellectual property of these trademarks and patents is critical to the Company's operation. Therefore, the Company is dedicated to protecting these intellectual properties. In the event of any

infringement to the Company's intellectual property in the future which damages the Company's product market value and brand reputation and affects the Company's business, financial status and operating performance, the Company will file litigations to protect such rights. However, when faced with different levels of litigation costs, the Company will take necessary measures and actions under considerations of overall cost efficiency.

(d) Risk of Patent Rights Violation:

In the face of more and more fierce competition in emerging energy industry, competitor may use patent infringement litigation to disrupt the Company's business development. The Company's risk of being sued for compensation from intellectual property rights infringement is also increasing. Therefore, as the Company's operating scale continues to grow, it is expected that the possibility to face with other competing company's patent infringement litigation will also increase. Accordingly, the Company strictly complies with patent related regulations, avoids using other's patented technology by mistake, continues to enhance R&D and emphasizes on developing the Company's own technology. As of now, there is no legitimation raised from the Company's violation of patent rights.

7. Other Critical Matters: None.

VIII. Special Matters Documented

1. Subsidiary Related Information

(1) Enterprise Organization Chart: Please refer to II. Company Introduction

(2) Subsidiary Basic Information

March 31st, 2020, Unit: in thousands

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Major Business or Production Items
Yeong Guan Holding Co., Ltd.	2007.11	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 146,000	Investment in share holding
Yeong Guan International Co., Limited	2007.11	Centre, 151 Gloucester Road, Wan Chai, Hong Kong	HKD 506,000	Investment in share holding
Shin Shang Trade Co., Ltd.	1998.01	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 50	Trading business
Yeong Chen Asia Pacific Co., Ltd.	2008.06	No. 502, Sec. 1, Cheng Gon Rd., Guan Yin Township, Taoyuang County	NTD 95,000	Trading business, manufacturing and selling of cast iron
Dongguan Yeong Guan Mould Factory Co., Ltd.	1995.06	Yin Quan Industrial Zone, Chin Xi Town, Dong Guan City, Guandong Province, China	HKD 31,000	Manufacturing and selling of cast iron
Ningbo Yeong Shang Casting Iron Co., Ltd.	2000.12	No. 95, Huang Hai Rd., Bei Lun District, Ningbo City, Zhejiang Province, China	USD 43,100	Manufacturing and selling of cast iron; processing of precision machinery
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2000.08	No. 28, Ding Hai Rd., Economic Technology Development Zone, Zhen Hai District, Ningbo City, Zhejiang Province, China	USD 13,705	Manufacturing and selling of cast iron; recycling of scrap steel
Jiangsu Bright Steel Fine Machinery Co., Ltd.	2006.11	No. 9, Yue Pen Rd., Tien Mu Hu Industrial Park, Li Yang City, Jiangsu Province, China	USD 114,851	Manufacturing and selling of cast iron
Ningbo Yong Jia Mei Trading Co., Ltd.	2009.11	No. 95, Huang Hai Rd., Bei Lun District, Ningbo City, Zhejiang Province, China	USD 1,000	Trading business
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	2014.07	6 No.622/15, Rama2 Road, Samae Dum Sub-District, Bangkhuntian District, Bangkok Metropolis.	THB 500,000	Manufacturing and selling of cast iron
Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd.	2009.08	No.999 Laixiu Road, Fen Lake Economic Development Zone, Wujiang	USD 33,680	Manufacturing and selling of cast iron
Qing Dao Rui Yao Building Material Co., Ltd.	2018.03	No. 6, Fenghe Rd., Jiaozhou Economic and Technology Development Zone, Qingdao City, Shangdong Province, China	RMB 16,400	Manufacturing and selling of decorative materials; processing and selling of stones material
Jiangsu Yeong Ming Heavy Industry Co., Ltd.	2019.12	North side of Wei 2nd Road, east side of Jinhai Avenue, Lingang Industrial Area, Sheyang County, Yancheng City, Jiangsu Province, China.	-	Manufacturing and selling of cast iron

(3) Materials for same shareholder under assumed control and affiliate relationship: None.

(4) Director, Supervisor and General Manager Information for Respective Subsidiaries

Name of Enterprise	Job Title	Name
Yeong Guan Holding Co., Ltd.	Director	Chang, Hsien-Ming
Yeong Guan Heavy Industries (Thailand) Co., Ltd.	Director	Chang, Hsien-Ming Tsai, Shu-Ken Chang, Cheng-Chung Chen, Wu-Chi Chang, Wen-Lung Sutep Jatupornpakdi Niyom Jatupornpakdi
Yeong Guan International Co., Limited	Director	Chang, Hsien-Ming
Shin Shang Trade Co., Ltd.	Director	Chang, Hsien-Ming
Yeong Chen Asia Pacific Co., Ltd.	Director	Chang, Hsien-Ming
	President	Chang, Hsien-Ming
Dongguan Yeong Guan Mould Factory Co., Ltd.	Director	Hsu, Ching-Hsiung Kuo, Jui Huang, Ching-Chung Lin, Tai-Feng Liu, Han-Pang Li, Kuan-Xi Fang, Cheng-Jiang
	Supervisor	Tsai, Chang-Ming
	President	Huang, Ching-Chung
Ningbo Yeong Shang Casting Iron Co., Ltd.	Director	Hsu, Ching-Hsiung Kuo, Jui Huang, Ching-Chung Lin, Tai-Feng Liu, Han-Pang Li, Kuan-Xi Fang, Cheng-Jiang
	Supervisor	Tsai, Chang-Ming
	President	Huang, Ching-Chung
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Director	Hsu, Ching-Hsiung Kuo, Jui Huang, Ching-Chung Lin, Tai-Feng Liu, Han-Pang Li, Kuan-Xi Fang, Cheng-Jiang
	Supervisor	Tsai, Chang-Ming
	President	Huang, Ching-Chung
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Director	Tsai, Chang-Ming Liang, Li-Sheng Chang, Chun-Chi Kuo, Jui Fang, Cheng-Jiang Liu, Han-Pang Li, Yi-Tsang
	Supervisor	Hsu, Ching-Hsiung
	President	Liang, Li-Sheng
Ningbo Yong Jia Mei Trading Co., Ltd.	Director	Hsu, Ching-Hsiung Kuo, Jui Huang, Ching-Chung Lin, Tai-Feng Liu, Han-Pang Li, Kuan-Xi Fang, Cheng-Jiang

Name of Enterprise	Job Title	Name
	Supervisor	Tsai, Chang-Ming
Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd.	Director	Tsai, Chang-Ming Liang, Li-Sheng Chang, Chun-Chi Kuo, Jui Fang, Cheng-Jiang Liu, Han-Pang Li, Yi-Tsang
	Supervisor	Hsu, Ching-Hsiung
Qing Dao Rui Yao Building Material Co., Ltd.	Director	Chang, Hsien-Ming Tsai, Shu-Ken Huang, Wen-Hung Chang, Hui-Jieh Li, Yao-Xi
	Supervisor	Hung, Jung
	President	Chang, Hui-Jieh
Jiangsu Yeong Ming Heavy Industry Co., Ltd.	Director	Tsai, Chang-Ming Liang, Li-Sheng Chang, Chun-Chi Kuo, Jui Fang, Cheng-Jiang Liu, Han-Pang Li, Yi-Tsang
	Supervisor	Hsu, Ching-Hsiung

(5) Operating Summary for Respective Subsidiaries

Unit: NTD in thousands except earnings per share

Name of Enterprise	Paid-in Capital	Total Asset	Total Liability	Net Value	Operating Income	Operating Benefit	Current Income (Loss)	Earnings Per Share (NTD)
Yeong Guan Holding Co., Ltd.	4,377,080	10,644,951	211,950	10,433,001	0	(10,314)	218,736	1.50
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	502,850	476,253	244	476,009	0	(1,572)	(1,541)	(0.03)
Yeong Guan International Co., Limited	1,951,642	9,335,531	1,142,022	8,193,509	0	(150)	195,941	0.39
Shin Shang Trade Co., Ltd.	1,499	31,889	269	31,620	129,302	(6,876)	(6,366)	(127.32)
Yeong Chen Asia Pacific Co., Ltd.	95,000	1,643,441	1,077,747	565,694	2,721,638	19,146	11,819	Note
Dongguan Yeong Guan Mould Factory Co., Ltd.	119,337	639,332	104,766	534,566	495,820	57,692	45,954	Note
Ningbo Yeong Shang Casting Iron Co., Ltd.	1,292,138	3,640,031	603,298	3,036,733	2,254,704	38,275	65,109	Note
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	410,876	2,179,440	219,943	1,959,497	1,072,774	20,066	57,277	Note
Jiangsu Bright Steel Fine Machinery Co., Ltd.	3,443,243	6,316,835	1,691,653	4,625,182	4,338,486	56,775	55,999	Note
Ningbo Yong Jia Mei Trading Co., Ltd.	29,980	37,031	2,939	34,092	12,585	(1,326)	17	Note
Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd.	1,009,727	1,772,249	1,518,846	253,403	1,310,930	61,479	(11,919)	Note
Qing Dao Rui Yao Building Material Co., Ltd.	70,478	72,870	151	72,719	0	(66)	1,471	Note

Note: Earnings per share cannot be calculated because this is not an incorporated company.

(6) Affiliated Enterprise Consolidated Financial Statements: Please refer to appendix 1.

(7) Affiliation Report: None.

(8) Industries Covered by Businesses Operated by Whole Affiliates:

Operation businesses for affiliates as a whole are manufacturing, precision processing, painting and sales of high-end casting products of spherical graphite cast iron and grey cast iron. Product categories include the followings:

1. Renewable Energy Category: mainly related casting iron parts of rotor cover, base and gear box related to wind power.

2. Injection Machines Category: mainly casting iron products of nozzle, tail plate and cylinder.
3. Industrial Machines Category: Casting iron products needed in respective industries such as machine tool, air compressor and medical instruments.

(9) Division of labor among respective affiliates with inter-connected operation businesses shall be explained:

In addition to Jiangsu Bright Steel Fine Machinery Company Limited and Ningbo Yeong Shang Casting Iron Company Limited's engagement in casting iron product's precision processing and painting businesses, the two companies and remaining affiliates are all engaged in manufacturing and sales business for high-end casting iron products.

2. In the latest year and as of the date when this annual report was published, any cases of securities private placement: None.

3. In the latest year and as of the date when this annual report was published, cases of subsidiary holding or disposing the Company's shares: None.

4. Other necessary supplementary explanation: None.

5. Explanation of major differences from ROC shareholder equity protection regulations:

Critical Matters on Shareholder's Equity Protection	**Contents of Amendments on the Company's Articles of Incorporation**	**Reasons for Differences**
Shareholders holding the Company's outstanding shares for more than 6 months and with percentages of more than 1% of total shares issued are entitled to request, in writing, supervisors to raise litigation against directors for the Company, and may select Taiwan Taipei District Court as the jurisdiction court for the first instance trial.	Whereas permitted by the laws of Cayman Islands and within requirements of applicable laws, the Company is entitled to raise litigation against directors. Shareholders holding the Company's outstanding shares for more than 6 months and with percentages of more than 1% of total shares issued are entitled to: (a) request, in writing, the Board of Directors' Meeting to authorize	Company Act of Cayman Islands does not have specific requirements to permit minority shareholders to raise litigation procedure against directors in Cayman Islands court. The Company's Articles of Incorporation is not just a contract between shareholders and directors. It is also an agreement between shareholders

Critical Matters on Shareholder's Equity Protection	Contents of Amendments on the Company's Articles of Incorporation	Reasons for Differences
In the event that supervisor fail to raise litigation within 30 days after shareholder's request is submitted, shareholders are therefore entitled to raise litigation against directors for the Company and may select Taiwan Taipei District Court as the jurisdiction court for the first instance trail.	independent directors of the Audit Committee to raise litigation against directors for the Company, and may may select Taiwan Taipei District Court as the jurisdiction court for the first instance trial; or (b) request, in writing, independent directors of the Audit Committee to raise litigation against directors for the Company after receiving approval from resolution from the Board of Directors' Meeting, and may may select Taiwan Taipei District Court as the jurisdiction court for the first instance trial. Within 30 days after requests are made in accordance with aforementioned clause (a) or clause (b), shareholders are entitled to raise litigation against directors and may select Taiwan Taipei District Court as the jurisdiction court for the first instance trial in the event that: (i) the requested Board of Directors' Meeting failed to authorize independent director of the Audit Committee in accordance with clause (a), or independent directors	and the Company. As such, lawyers in Cayman Islands do not consider that this shall have binding effects on directors even though Articles of Incorporation has already permitted minority shareholders to raise litigation against directors. Nevertheless, under common laws, all shareholders (including minority shareholders) shall be entitled to raise litigation (including litigation against director) regardless of the percentage or holding duration of shares held by shareholders. Cayman Islands court shall have comprehensive authority to determine if shareholders are entitled to continue processing the litigation once such litigation is raised by shareholders. That is, although the Company's Articles of Incorporation stipulates that minority shareholders (or shareholders eligible for requirements on shareholding percentage or holding duration) are entitled to raise litigation against directors on the

Critical Matters on Shareholder's Equity Protection	Contents of Amendments on the Company's Articles of Incorporation	Reasons for Differences
	authorized by the Board of Directors' Meeting failed to raise litigation in accordance with clause (a) hereto; or, (ii) the requested independent director of the Audit Committee failed to raise litigation in accordance with clause (b) hereto, or the Board of Directors' Meeting failed to reach a resolution to raise litigation, within the scopes permitted by the laws of Cayman Islands and the Company's rights to raise litigation against directors as permitted by applicable laws, shareholders are entitled to raise litigation against directors for the Company and may select Taiwan Taipei District Court as the jurisdiction court for the first instance trial.	Company's behalf, it is still up to Cayman Islands court's decision on whether or not such litigation can be proceeded. In accordance with related judgements made by Cayman Islands Grand Court, Cayman Islands court, when deciding if litigation is permitted to proceed, shall apply standards that if the court believes in the substantiality for the claim made by plaintiff on behalf of the Company, and if illegal behavior is conducted by persons who are capable of controlling the Company and such people in control will be capable of prevent the Company from raising litigation against them. Cayman Islands court will make judgement in accordance with facts in individual cases. (Although court may take reference from the Company's Articles of Incorporation, it is not a deciding factor when making judgement.) Under laws of Cayman Islands, the Board of Directors' Meeting as a whole (rather than

Critical Matters on Shareholder's Equity Protection	Contents of Amendments on the Company's Articles of Incorporation	Reasons for Differences
		individual director) shall deliver expression of intention on the Company's behalf. As such, directors shall authorize any director to raise litigation against other director on the Company's behalf under the Board of Directors' Meeting resolution which is made in accordance with Articles of Incorporation. Cayman Islands laws have not granted shareholders rights to request directors to hold the Board of Directors' Meeting for resolution on specific matter. Nevertheless, Cayman Islands laws do not prevent the Company from stipulating rules related to issue resolution procedures of the Board of Directors' Meeting (including holding of the Board of Directors' Meeting) rules on in Articles of Incorporation.