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, 2019

I. Spokesperson and Deputy Spokesperson:

Spokesperson	Deputy Spokesperson
Name: Tsai Shu-Ken	Name: Chang, Wen-Lung
Title: Vice Chairman	Title: Director and Executive Vice President
Tel: (86)574-8622-8866	Tel: (886)3-483-9216
E-mail address: andy@nbys.com.cn	E-mail address: wl.chang@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.87, 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.89, 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, P.O. Box 3152, Road Town, Tortola, British Virgin Islands
   Taiwan Branch
   Address: 4F, No.87, 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: 1004 AXA 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

5. Thailand Subsidiary
   Name: Yeong Guan Heavy Industry (Thailand) Co., Ltd. Tel: (81)2-437-9337
   Address: 622/15 Rama II Road, Samaedam sub-District Bangkoontien District, Bangkok.

III. Contact information of Litigation/Non-litigation Agent in the Republic of China:

Name: Chang, Wen-Lung
Title: Director and Executive Vice President
Tel: (886)2-2791-7198
E-mail address: wl.chang@nbys.com.cn

IV. Stock Transfer Agent:

Name: Capital Securities Corp., Registrar Agency Department
Tel: (886)2-2702-3999
Address: B2, No.97, 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, 2019

Title	Name	Nationality	Professional Background
Chairman of the board	Chang, Hsien-Ming	ROC	Chairman of Yeong Guan Energy Technology Group Co., Ltd.
Board director	Tsai, Shu-Ken	ROC	President of Shieh Yih Machinery Industry Co., Ltd.
Board director	Chang, Cheng-Chung	ROC	Chairman of San Ho Electric Machinery Industry Co., Ltd.
Board director	Chang, Wen-Lung	ROC	President of Yeong Guan Mould Factory Co., Ltd.
Board director	Chen, Wu-Chi	ROC	Vice President of Yeong Guan Mould Factory Co., Ltd.
Board director	Hsu, Ching-Hsiung	ROC	President of Ningbo Yong Shang Casting Iron Co., Ltd.
Independent director	Chen, Ching-Hung	ROC	President of Radium Life Tech Co., Ltd.
Independent director	Chang, Cheng-Lung	ROC	Chairman of Li You Da Investment Co., Ltd.
Independent director	Wei, Chia-Min	ROC	Vice President of Metal Industries Research & Development Center

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I. Letter to Shareholders

Allow me to take this opportunity to welcome you to the 2019 Annual Shareholders Meeting and express my deep gratitude for your continued support and engagement. Our business operations in 2018 may be summarized as follows:

1.2018 Business conditions

(A) Business plan implementation results:

The consolidated annual revenue of Yeong Guan Group in 2018 amounted to NT$ 6.196 billion, 3% lower than that in 2017. The output volume reached 133,652 tons, 8% lower than that in 2017. The gross profit margin and operating loss margin in 2018 are 13% and 4%, respectively, and the gross profit margin and operating gain margin in 2017 are 22% and 4%, respectively. The consolidated net loss after tax amounted to NT$ 274,073,000, while profits are decreased by NT$ 531,997,000 compared to the previous year. Losses per share is NT$ 2.84 and EPS is decreased by NT$ 4.76 compared to the previous year.

(B) Implementation of the Budget:

Since the Company did not publicly announce the financial projection, this item is not applicable.

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

(C) R&D status:

R&D expenses accounted for 2.6% of the net operating revenue in 2018. The Group will continue on research and improvement of production process, shortening the development time of the new product and decrease of the defect loss to gradually improve the ability and technology of new products.

2. Business plan overview

Yeong Guan Group is a primary casting supplier of the world’s largest manufacturers of wind turbine, injection molding machine, and industrial machinery. The Group owns advanced process technology and high-tech metallurgical and engineering technology. The Group provides high quality products and always deliver the products with the customers' request time, and therefore, is highly recognized and relied upon by customers. The core competitive of the Group is the production scale larger than the competitors in the same industries, meticulous casting technology, and vertical integration capabilities.

Group development strategy

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

The output target for 2019 is set at 176,000 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 be initiated in 2019 and relevant facilities are projected to be put into operation in 2021.

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

Upon completion of plant construction and commissioning in the Taichung Harbor, the Group will gradually transit to stable mass production stage. At the same time, the Group will commence the planning and construction of a production base in Thailand in order to expand the new market and ensure stable growth of group production capacities on a long-term basis.

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

To enhance the Group's competitiveness, fulfill the Group's corporate social responsibility, and achieve the goal of sustainable operations, the Group has promoted certain plans as summarized as below:

1. Continuing 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 better 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.

2. Promotion of green supply chain innovation

By cooperating with General Electric, the Group promotes the GSI (Green Supplier Initiative), i.e., green supply chain innovation. The Group continues to replace the equipment relating to noise, dust, atmospheric, water treatment systems, lighting devices, excess heat recovery and electric furnaces, digital management systems, and renewable energy in order to build green factories, advance toward the goal of energy conservation and carbon reduction, and become an eco-friendly company.

3. Digitized production management

MES (Manufacturing Execution System) is implemented to enhance the digitization level of production management and establish 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 business requirements in the fields of planning, production, quality and equipment, to realize transparency of production data and management, and to achieve further enhancements in the field of accurate management.

4. Implementation of lean production management

Within the framework of the EHS project, the launch of MES and GSI projects is inextricably intertwined with on-site data optimization. The departments involved include production, technology, logistics, warehousing, planning, and quality departments. Lean production by taking system structure, staff organization, operation methods, and supply/demand into consideration and combining the promotion of MES items makes the production system accommodate user needs in a rapid manner, enable streamline production processes by eliminating all unnecessary or superfluous elements, and strengthen production management models.

5. Promotion of talent training and inheritance

The Group designs relevant training programs in cooperation with General Electric to validly develop the capabilities of executives at all levels to solve problems in a proactive manner. Training contents are designed based on individual characteristics and work attributes in order 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 organization, 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 take 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:

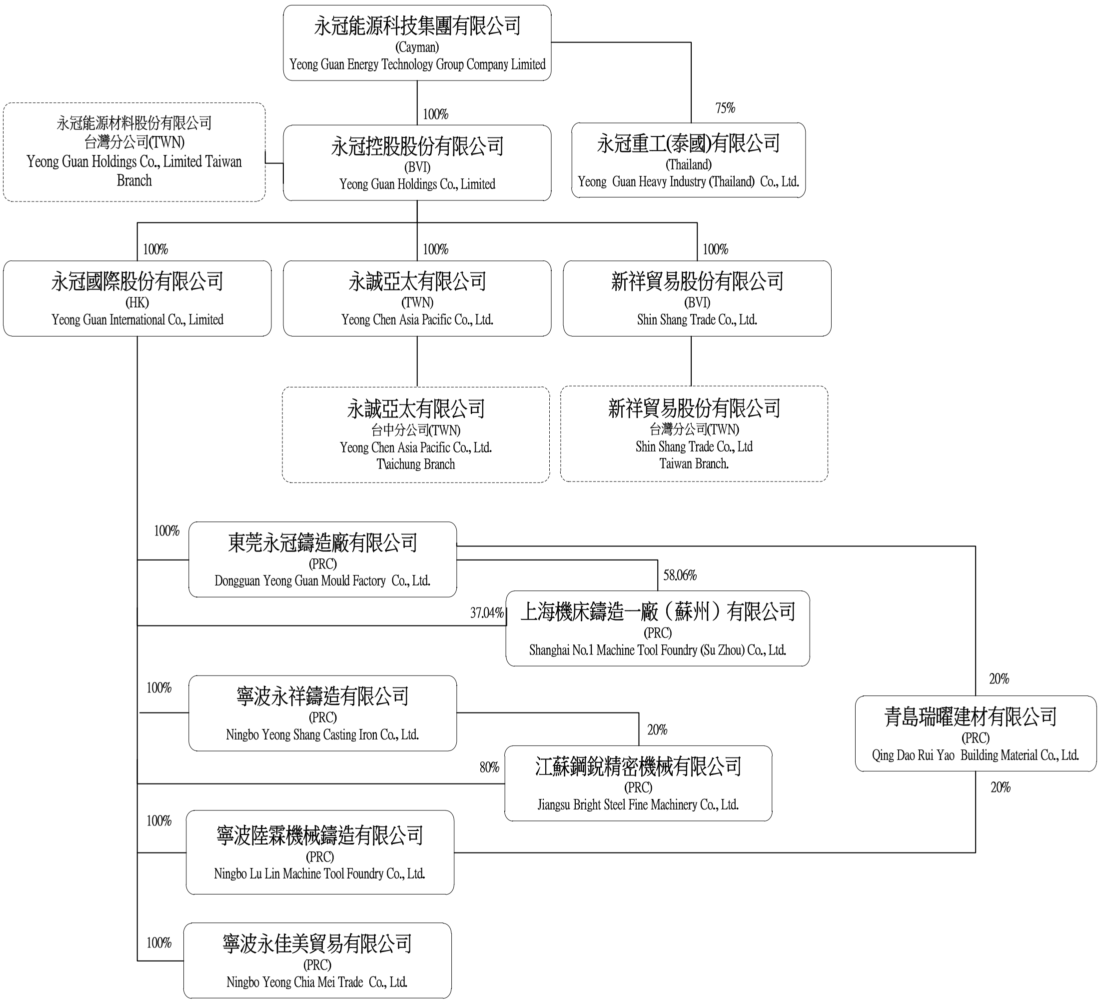
II. Company Profile

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, 2019)



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.

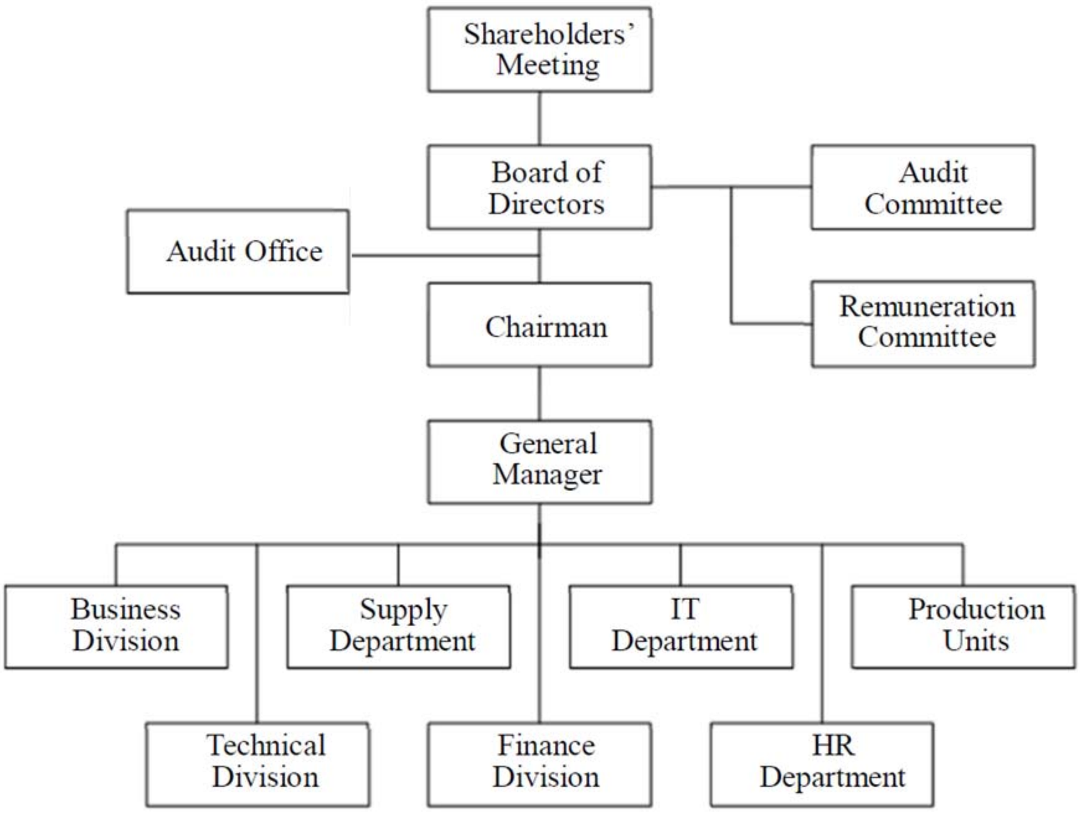
	New Power Team Technology Co., Ltd. Investment in Lizhan Limited
May 2016	Yeong Chen Asia Pacific Co., Ltd. establishes a branch in Taichung
July 2016	Lizhan Limited invests in Ningbo New Power Team Technology Co., Ltd.
December 2016	Yeong Guan Holding Co., Limited Taiwan Branch completes contract exchange 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
December 2018	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

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

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

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 22, 2019; Unit: Shares

Title	Nationality or domicile	Name	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	2016.06.07	3	2008.1.22	17,487,540	14.72%	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. Director, Yeong Chen Asia Pacific Co., Ltd. Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd. Chairman, Ningbo Yeong Shang Casting Iron Co., Ltd. Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Supervisor, Ningbo Yeong Chia Mei Trade Co., Ltd. Supervisor, Taipin Corporation Limited Chairman, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. Director, Qing Dao Rui Yao Building Material Co., Ltd.	Director	Chang, Wen-Lung	Brother
Director	ROC	Chang, Cheng-Chung	2016.06.07	3	2009.5.29	4,844,408	4.08%	3,366,408	3.19%	2,262,261	2.14%	-	-	Oriental Institute of Technology, Electrical Engineering Department Chairman, San Ho Electric Machinery Industry Co., Ltd. Manager, Five Powers Electric Machinery MFG Co., Ltd.	Chairman, San Ho Electric Machinery Industry Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Supervisor, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.			

Title	Nationality or domicile	Name	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
Director	ROC	Chang, Wen-Lung	2016.06.07	3	2008.1.22	8,009,313	6.74%	4,010,313	3.80%	1,289,832	1.22%	-	-	NTU Department of Law President, Yeong Guan Mould Factory Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Chairman and President, Yeong Chen Asia Pacific Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Vice Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Executive Director, Ningbo Yeong Chia Mei Trade Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	Chairman	Chang, Hsien-Ming	Brother
Director	ROC	Tsai, Shu-Ken	2016.06.07	3	2009.5.29	840,156	0.71%	847,156	0.80%	-	-	-	-	EMBA, National Taiwan University of Science and Technology Senior Engineer and Director, Metal Industries R&D Center President, Shieh Yih Machinery Industry Co., Ltd.	Director, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. Director, Qing Dao Rui Yao Building Material Co., Ltd.	-	-	-
Director	ROC	Chen, Wu-Chi	2016.06.07	3	2009.5.29	1,814,263	1.53%	1,348,263	1.28%	944,944	0.89%	-	-	Vice President, Yeong Guan Mould Factory Co., Ltd.	Director and President, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.	-	-	-
Director	ROC	Kung, Hsing-Yuan	2016.06.07	3	2016.6.7	-	-	-	-	-	-	-	-	Farm Machinery Department of National Taiwan University Vice President of Suzhou Liangchi Motor Co., Ltd. Vice President of Suzhou TECO Electric & Machinery Co., Ltd.	Executive Vice President,	-	-	-

Title	Nationality or domicile	Name	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
Director	ROC	Huang, Wen-Hung	2016.06.07	3	2016.6.7	9,000	0.01%	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	President, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. Chairman, Qing Dao Rui Yao Building Material Co., Ltd.	-	-	-
Director	ROC	Hsu, Ching-Hsiung	2018.06.05	1	2018.6.5	-	-	-	-	-	-	-	-	Accounting Department of Yu Da High School of Commerce and Home Economics Vice president, CHEN HSING INDUSTRIAL CO., LTD. President, Weimao Co., Ltd.	President, Ningbo Yong Shang Casting Iron Co., Ltd. Director, Jiangsu Bright Steel Fine Machinery Co., Ltd.			
Independent director	ROC	Chen, Ching-Hung	2016.06.07	3	2010.3.19	-	-	-	-	-	-	-	-	NTU Department of Law EMBA, NCCU President, Radium Life Tech Co., Ltd. President, Sinyi Development Inc. President, Dajia Construction Presidnet, Shanghai Shangtou Investment Management Co., Ltd. President, Sinyi Real Estate (Shanghai) Limited	President, Sinyi Development Inc. Presidnet and Representative of juridical person director, Sinyi Real Estate (Shanghai) Limited	-	-	-
Independent director	ROC	Chang, Cheng-Lung	2016.06.07	3	2010.3.19	-	-	-	-	-	-	-	-	BA in Commerce, Tamkang University Mini MBA, Stanford University	-	-	-	-
Independent director	ROC	Wei, Chia-Min	2016.06.07	3	2013.6.17	-	-	-	-	-	-	-	-	PhD, Graduate Institute of Resource Engineering, National Cheng Kung University Vice President, Metal Industries R&D Center	Vice President, Metal Industries R&D Center Director, Edeex Enterprise Co., Ltd. Representative of juridical person director, Everstrong Iron&Steel Foundry&MFG. Corp. Supervisor, Honley Auto Parts Co., Ltd.	-	-	-

Note 1: By-election of one seat of director was conducted by shareholders' meeting on June 5th, 2018, and Mr. Hsu, Ching-Hsiung was elected as a director.

Note 2: Director Mr. Kung, Hsing-Yuan passed away in July of 2018 and his original duties as a director have been terminated accordingly.

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.

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	
Chang, Hsien-Ming			✓					✓				✓	✓	0
Chang, Cheng-Chung			✓	✓				✓			✓	✓	✓	0
Chang, Wen-Lung			✓					✓				✓	✓	0
Tsai, Shu-Ken			✓				✓	✓			✓	✓	✓	0
Chen, Wu-Chi			✓				✓	✓			✓	✓	✓	0
Huang, Wen-Hung			✓		✓		✓	✓			✓	✓	✓	0
Hsu, Ching-Hsiung			✓				✓	✓			✓	✓	✓	
Chen, Ching-Hung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chang, Cheng-Lung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wei, Chia-Min			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: 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.

(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 issued shares of the Company or ranking in the top 10 in holdings.

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

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.

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

(7) Not a professional individual who, or an owner, partner, director, supervisor, or executive of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the GTSM.

(8) Not a spouse or a relative within the second degree of kinship of any other director of the Company.

(9) None of the conditions defined in Article 30 of the Company Law apply.

(10) Not an elected 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 22, 2019; Unit: Shares

Title	Nationality or Domicile	Name	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	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. Director, Yeong Chen Asia Pacific Co., Ltd. Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd. Chairman, Ningbo Yeong Shang Casting Iron Co., Ltd. Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Supervisor, Ningbo Yeong Chia Mei Trade Co., Ltd. Supervisor, Taipin Corporation Limited Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. Director, Qing Dao Rui Yao Building Material Co., Ltd.	Director and Executive Vice President	Chang, Wen-Lung	Brother
Vice Chairman and Spokesperson	ROC	Tsai, Shu-Ken	2008.01.22	847,156	0.80%	0	0	-	-	EMBA, National Taiwan University of Science and Technology Senior Engineer and Director, Metal Industries R&D Center President, Shieh Yih Machinery Industry Co., Ltd.	Director, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Chairman, Shanghai No. Machine Tool Foundry (Su Zhou) Co., Ltd.	-	-	-

Title	Nationality or Domicile	Name	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
											Director, New Power Team Technology Co., Ltd. Director, Qing Dao Rui Yao Building Material Co., Ltd.			
Director and Executive Vice President	ROC	Chang, Wen-Lung	2008.01.22	4,010,313	3.80%	1,289,832	1.22%	-	-	NTU Department of Law President, Yeong Guan Mould Factory Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Chairman and President, Yeong Chen Asia Pacific Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Supervisor, New Power Team Technology Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Vice Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Executive Director, Ningbo Yeong Chia Mei Trade Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	Chairman And President	Chang, Hsien-Ming	Brother
Director and Executive Vice President	ROC	Chen, Wu-Chi	2008.01.22	1,348,263	1.28%	944,944	0.89%	-	-	Vice President, Yeong Guan Mould Factory Co., Ltd.	Director and President, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. Director, New Power Team Technology Co., Ltd.	-	-	-

Title	Nationality or Domicile	Name	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
Executive Vice President	ROC	Kung, Hsing-Yuan	2008.04.08	-	-	-	-	-	-	NTU Department of Agricultural Machinery Engineering President, Suzhou Liang Chi Industry Co., Ltd. Vice President, Suzhou Teco Co., Ltd.		-	-	-
Executive Vice President	ROC	Huang, Wen-Hung	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, Chimei Logistics Vice Director, Marketing & Sales Department, Chi Mei Optoelectronics Corporation and Director of Global Sales Support Service Department	President, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. Chairman, Qing Dao Rui Yao Building Material Co., Ltd.	-	-	-
Vice President	ROC	Hsu, Ching-Hsiung	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	President, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Jiangsu Bright Steel Fine Machinery Co., Ltd.	-	-	-
Vice President	ROC	Lin, Tai-Feng	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	2010.12.01	-	-	-	-	-	-	Chien Hsin Junior College of Technology, Mechanical Engineering Department Lio Ho Machine Works Ltd.	Vice President, Dongguan Yeong Guan Mould Factory Co., Ltd.	-	-	-
Vice President	PRC	Kuo, Jui	2010.12.01	-	-	-	-	-	-	Sichuan Institute of Technology, Department of Metallic Materials Engineering Engineer, Sichuan Jiangdong Machinery Co., Ltd.	-	-	-	-
Vice President	ROC	Lin, Yu-I	2013.01.07	-	-	-	-	-	-	MA, Department of Accounting, Soochow University	-	-	-	-

Title	Nationality or Domicile	Name	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
										Deloitte&Touche				
Audit Office Director	ROC	Tsai, Ching-Wu	2012.07.01	1,000	0.00%	-	-	-	-	NCCU Department of Accounting Finance Manager, Chen Hsin Co., Ltd. Ernst & Young	-	-	-	-

Note: Executive Vice President Mr. Kung, Hsing-Yuan passed away on July 31st, 2018, and his original duties have been terminated accordingly.

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

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		The company	Companies in the consolidated financial statements	
																Cash bonus	Stock bonus	Cash bonus	Stock bonus			
Chairman	Chang, Hsien-Ming	1,199	1,199	0	0	0	0	42	42	-0.45%	-0.45%	0	21,604	0	0	7,464	0	7,464	0	-3.18%	-11.06%	0
Vice Chairman	Tsai, Shu-Ken																					
Director	Chang, Wen-Lung																					
Director	Chang, Cheng-Chung																					
Director	Chen, Wu-Chi																					
Director	Kung, Hsing-Yuan																					
Director	Huang, Wen-Hung																					
Director	Hsu, Ching-Hsiung																					
Independent Director	Chen, Ching-Hung																					
Independent Director	Chang, Cheng-Lung																					
Independent Director	Wei, Chia-Min																					

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	Chen, Ching-Hung; Chang, Cheng-Lung; Wei, Chia-Min	Chen, Ching-Hung; Chang, Cheng-Lung; Wei, Chia-Min	Chen, Ching-Hung; Chang, Cheng-Lung; Wei, Chia-Min; Chang, Hsien-Ming Tsai, Shu-Ken; Chen, Wu-Chi; Chang, Wen-Lung; Huang, Wen-Hung; Hsu, Ching-Hsiung	Chen, Ching-Hung; Chang, Cheng-Lung; Wei, Chia-Min; Chang, Cheng-Chung; Kung, Hsing-Yuan
NT$ 2,000,000 or more but less than NT$ 5,000,000	—	—	—	Chang, Hsien-Ming Chang, Wen-Lung; Huang, Wen-Hung Hsu, Ching-Hsiung
NT$ 5,000,000 or more but less than NT$ 10,000,000	—	—	—	Tsai, Shu-Ken; Chen, Wu-Chi;
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	3 directors	3 directors	9 directors	11 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		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							
Chairman and President	Chang, Hsien-Ming	0	16,578	0	0	0	13,423	9,567	0	9,567	0	-3.49%	-14.44%	0	0	0	0	0
Vice Chairman and Spokesperson	Tsai, Shu-Ken																	
Director and Executive Vice President	Chang, Wen-Lung																	
Director and Executive Vice President	Chen, Wu-Chi																	
Executive Vice President	Kung, Hsing-Yuan																	
Executive Vice President	Huang, Wen-Hung																	
Vice President	Hsu, Ching-Hsiung																	
Vice President	Lin, Tai-Feng																	
Vice President	Kuo, Jui																	
Vice President	Huang, Ching-Chung																	
Vice President	Lin, Yu-I																	

Note 1: By-election of one seat of director was conducted by shareholders' meeting on June 5th, 2018, and Mr. Hsu, Ching-Hsiung was elected as a director.
Note 2: Director Mr. Kung, Hsing-Yuan passed away in July of 2018 and his original duties as a director have been terminated accordingly.

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; Chen, Wu-Chi; Chang, Wen-Lung; Huang, Wen-Hung; Hsu, Ching-Hsiung; Lin, Yu-I; Huang, Ching-Chung; Lin, Tai-Feng	Kung, Hsing-Yuan Kuo, Jui
NT$ 2,000,000 or more but less than NT$ 5,000,000	—	Chang, Hsien-Ming; Chang, Wen-Lung; Huang, Wen-Hung; Lin, Yu-I; Hsu, Ching-Hsiung; Huang, Ching-Chung; Lin, Tai-Feng;
NT$ 5,000,000 or more but less than NT$ 10,000,000	—	Tsai, Shu-Ken; Chen, Wu-Chi
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	11 persons

4. Managers and their allotted employee bonuses:

Unit: 1000 NTD; December 31, 2018

	Title	Name	Stock bonus	Cash Bonus	Total	Ratio of total amount to net income (%)
Managers	Chairman and President	Chang, Hsien-Ming	–	9,567	9,567	-3.49%
	Vice Chairman and Spokesperson	Tsai, Shu-Ken				
	Director and Executive Vice President	Chang, Wen-Lung				
	Director and Executive Vice President	Chen, Wu-Chi				
	Executive Vice President	Kung, Hsing-Yuan				
	Executive Vice President	Huang, Wen-Hung				
	Executive Vice President	Hsu, Ching-Hsiung				
	Vice President	Lin, Tai-Feng				
	Vice President	Kuo, Jui				
	Vice President	Huang, Ching-Chung				
	Vice President	Lin, Yu-I				

Note 1: Executive Vice President Mr. Kung, Hsing-Yuan was transferred to assume the duty of advisor to Chairman's Office in July of 2018.

Note 2: Vice President Mr. Hsu, Ching-Hsiung was promoted to become Executive Vice President in December of 2018.

(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	2017		2018	
	Amount	%	Amount	%
Director	30,485	11.82%	30,309	-11.06%
Presidents and Vice Presidents	43,217	16.76%	39,568	-14.44%
Consolidated net income	257,924	100%	-274,073	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

3. Implementation of Corporate Governance

(a) Operations of the board of directors

A total of 8 board meetings (A) were convened in the most recent fiscal year (2018). Director attendance was follows:

Title	Name	Attendance in person(B)	By proxy	Attendance rate (%)【B/A】	Remarks
Chairman	Chang, Hsien-Ming	8	0	100.00%	
Director	Chang, Cheng-Chung	8	0	100.00%	
Director	Chang, Wen-Lung	6	2	75%	
Director	Tsai, Shu-Ken;	8	0	100.00%	
Director	Chen, Wu-Chi	6	2	75%	
Director	Kung, Hsing-Yuan	5	0	100.00%	Director Mr. Kung, Hsing-Yuan passed away in July of 2018 and his original duties as a director have been terminated accordingly
Director	Huang, Wen-Hung	8	0	100%	
Director	Hsu, Ching-Hsiung	4	0	100%	On June 5, 2018, the shareholders' meeting elected Mr. Hsu, Ching-Hsiung to fill this vacancy
Independent Director	Chen, Ching-Hung	4	4	50%	
Independent Director	Chang, Cheng-Lung	7	1	87.5%	
Independent Director	Wei, Chia-Min	8	0	100.00%	

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
Jan 9, 2018	Deliberation of CPA replacement	NA	NA	Approved unanimously by all attending directors following an inquiry by the chair
Mar 8, 2018	1. Approval of the 2017 Consolidated Financial Statement 2. Provision of an endorsement/guarantee (NT$ 845 million) for the Company's subsidiary Yeong Guan Holdings Co., Ltd.	NA	NA	Approved unanimously by all attending directors following an inquiry by the chair
Apr 30, 2018	1. Approval of the application and relevant conditions for a 5-year syndicated loan from a bank consortium led by Land Bank of Taiwan	NA	NA	Approved unanimously by all attending directors following an inquiry by the chair

	2. Provision of endorsements/guarantees for the Company's subsidiaries Yeong Guan Holdings Co., Limited and Yeong Chen Asia Pacific Co., Ltd.			
Nov 8, 2018	Proposed deliberation of CPA appointment and fees in 2018	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 9, 2018, the board of directors discussed the award of the 2017 year-end bonus to the managers of the company. Due to the fact that the directors Chang, Hsien-Ming, Tsai Shu-ken, Chang, Wen-Lung, Chen, Wu-Chi, Kung, Hsing-Yuan and Huang, Wen-Hung 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.

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.

(b) Operations of the audit committee/Participation of supervisors in board operations
A total of 7 committee meetings (A) were convened in the most recent fiscal year (2018).
Independent director attendance was follows:

Title	Name	Attendance in person(B)	By proxy (C)	Attendance rate (%)【B/A】	Remarks
Independent director	Chen, Ching-Hung	4	3	57.14%	
Independent director	Chang, Cheng-Lung	6	1	85.71%	
Independent director	Wei, Chia-Min	7	0	100.00%	

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 14-3 of the Securities Exchange Act	Independent director opinions	Handling of independent director opinions	Resolution
Jan 9, 2018	Deliberation of CPA replacement	NA	NA	Approved unanimously by all attending committee members following an inquiry by the chair
Mar 8, 2018	1. Approval of the 2017 Consolidated Financial Statement 2. Provision of an endorsement/guarantee (NT$ 845 million) for the Company's subsidiary Yeong Guan Holdings Co., Ltd.	NA	NA	Approved unanimously by all attending committee members following an inquiry by the chair
Apr 30, 2018	1. Approval of the application for a 5-year syndicated loan from a bank consortium led by Land Bank of Taiwan 2. Provision of endorsements/guarantees for the Company's subsidiaries Yeong Guan Holdings Co., Limited and Yeong Chen Asia Pacific Co., Ltd.	NA	NA	Approved unanimously by all attending committee members following an inquiry by the chair
Aug 10, 2018	Approval of the Consolidated Financial Statement for the first half of 2018	NA	NA	Approved unanimously by all attending committee members following an inquiry by the chair
Nov 8, 2018	Proposed deliberation of CPA appointment and fees in 2018	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 operations, etc.): The Chief Internal Auditor and CPA submit regular reports to the audit committee and communications are excellent.

(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 (a) Have internal operating procedures for the handling of shareholder suggestions, uncertainties, disputes, or grievances been formulated and implemented? (b) 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? (c) Has the company established and implemented a risk management and firewall mechanism with its affiliates? (d) 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 (a) Has the board formulated and implemented diversified policies with regard to membership composition? (b) Has the company established other functional committees in addition to the remuneration and audit committees on a voluntary basis?	✓		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 directors spans the fields of finance, law, and industry.	No major deviations

Assessment items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”
	Y	N	Brief description	
(c) Has the company determined board performance assessment regulations and assessment methods? Are performance assessments carried out every year on a regular basis? (d) Does the company assess the independence of CPAs on a regular basis?	 ✓	✓ ✓	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 Chairman Office of this company is concurrently in charge of corporate governance related matters. In addition to company amendment registration, the office also maintains excellent liaison with directors, provides data required for the performance of duties, and organizes matters pertaining to board and shareholders’ meetings.	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 (a) 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 corporate	No major deviations

Assessment items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Y	N	Brief description	
business, and corporate governance status? (b) 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)?	 ✓		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.	
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):	✓		1. Advanced training for directors and supervisors: The company has scheduled advanced training courses for all directors	No major deviations

Title	Name	Training course date	Hours	Organizer	Course title
Independent Director	Wei, Chia-Min	107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of the latest amendments of the Company Act and relevant legal trends
		107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of global trends – Risks and opportunities
Independent Director	Chang, Cheng-Lung	107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of the latest amendments of the Company Act and relevant legal trends
		107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of global trends – Risks and opportunities
Independent Director	Chen, Ching-Hung	107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of the latest amendments of the Company Act and relevant legal trends
		107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of global trends – Risks and opportunities
Director	Chang, Hsien-Ming	107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of the latest amendments of the Company Act and relevant legal trends
		107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of global trends – Risks and opportunities
		107/11/21	3.0	Taiwan Institute of Directors	7th Annual Chinese Family Business Forum
Director	Tsai, Shu-Ken	107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of the latest amendments of the Company Act and relevant legal trends
		107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of global trends – Risks and opportunities
Director	Chang, Cheng-Chung	107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of the latest amendments of the Company Act and relevant legal trends
		107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of global trends – Risks and opportunities
Director	Chang, Wen-Lung	107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of the latest amendments of the Company Act and relevant legal trends
		107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of global trends – Risks and opportunities
Director	Chen, Wu-Chi	107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of the latest amendments of the Company Act and relevant legal trends
		107/12 13	3.0	Taiwan Corporate	Analysis of global trends – Risks and

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

				Governance Association	opportunities
Director	Huang, Wen-Hung	107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of the latest amendments of the Company Act and relevant legal trends
		107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of global trends – Risks and opportunities
		107/08/10	3.0	Taiwan Corporate Governance Association	Business secrets and non-competition
		107/08/03	3.0	Taiwan Corporate Governance Association	Business leadership strategies for directors in a macroenvironment characterized by rapid technological change
Director	Hsu, Ching-Hsiung	107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of the latest amendments of the Company Act and relevant legal trends
		107/12/13	3.0	Taiwan Corporate Governance Association	Analysis of global trends – Risks and opportunities
		107/08/09	3.0	Securities and Futures Institute	Advanced workshop on director and supervisor/independent director practices – Corporate governance and security laws
		107/08/09	3.0	Securities and Futures Institute	Advanced workshop on director and supervisor/independent director practices – Business strategies and KPIs

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

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		
Independent director	Chang, Cheng-Lung			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA
Independent director	Chen, Ching-Hung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA
Independent director	Wei, Chia-Min			✓	✓	✓	✓	✓	✓	✓	✓	✓	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 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, directly or indirectly, more than 50% of the voting shares.

(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 issued shares of the Company or ranking in the top 10 in holdings.

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

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.

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

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

(8) None of the conditions defined in Article 30 of the Company Law apply.

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

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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 7, 2016 and will end on June 19, 2019 (on the same day as the 5th board of directors)

A total of 2 committee meetings (A) were convened in the most recent fiscal year (2018). Member qualifications and attendance records are as follows:

Title	Name	Attendance in person (B)	By proxy (C)	Attendance rate (%) 【B/A】	Remarks
Convener	Chang, Cheng-Lung	2	0	100%	
Committee member	Chen, Ching-Hung	0	2	0%	
Committee member	Wei, Chia-Min	2	0	100%	
Other items to be recorded: 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) Implementation of Corporate Social Responsibility

Assessment items	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
1. Exercising corporate governance				
(a) Has the company formulated CSR policies or established a CSR system and does it review the implementation results?	✓		(a)The company has formulated CSR Best Practice Principles and handles CSR related matters in accordance with these principles.	No major deviations
(b) Does the company organize CSR-related educational training on a regular basis?	✓		(b)The company organizes CSR-related training courses and education on a scheduled and non-scheduled basis.	No major deviations
(c) Has the company established exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing CSR policies and has the board authorized the top management level to handle CSR-related matters and report the progress to the board?	✓		(c)Management departments of the company concurrently serve as dedicated CSR units during the current stage and are in charge of promoting CSR-related operations.	No major deviations
(d) Has the company formulated reasonable remuneration and compensation policies? Is the employee performance evaluation system linked to CSR policies? Is a clear and effective reward and penalty system in place?		✓	(d)The company has established an employee performance evaluation system and provides relevant education during meetings or staff training on a non-scheduled basis. The company also actively schedules advanced training courses for board directors to reinforce their understanding of corporate governance. However, the employee performance evaluation system has not yet been linked to CSR policies.	Future planning will continue to focus on this aspect
2. Fostering a sustainable environment				
(a) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	✓		(a)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
(b) Has the company established a proper environmental management system based on the characteristics of its industry?	✓		(b)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,	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	
(c) Does the company monitor the impact of climate change on business activities? Does it carry out greenhouse gas inventories and has it formulated energy conservation, carbon reduction, and greenhouse gas reduction strategies?	✓		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 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. (c)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
3. Preserving public welfare (a) Has the company formulated relevant management policies and procedures pursuant to corresponding laws and regulations and the International Covenant on Human Rights?	✓		(a)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 company also contributes to employee medical insurance, basic old-age insurance, unemployment insurance, occupational injury insurance, and maternity insurance.	No major deviations No major deviations
(b) Has the company established mechanisms and channels for employee grievances and are they handled in a proper manner?	✓		(b)The company has established mechanisms and channels for employee grievances and are handles them in a proper manner.	No major deviations
(c) Does the company provide a safe and healthy work environment for its employees and does it organize safety and health related training for its employees on a regular basis?	✓		(c)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
(d) Is a mechanism in place for regular communication with employees and are employees notified in a reasonable	✓		(d)The company organizes labor-management conferences on a regular basis and enables positive communication between	No major deviations

Assessment items	Implementation status: Y	Implementation status: N	Implementation status: Brief description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
manner of operational changes that may have a significant impact?			both sides. In addition, employees are notified of operational changes that may have a significant impact on them through different methods such as public notices to give both sides a full understanding of labor and management related information.	No major deviations No major deviations No major deviations 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.
(e) Has the company established an effective career skill development program for its employees?	✓		(e)The company has established an effective career skill development program for its employees.	
(f) Has the company formulated relevant policies and grievance procedures for the protection of consumer rights and interests with regard to its R&D, procurement, production, operation, and services processes?	✓		(f)The company doesn't sell its products to end consumers.	
(g) Does the company comply with relevant laws and international standards in the marketing and labeling of its products and services?	✓		(g)The company fully complies with relevant laws and regulations in Mainland China and international standards in the marketing and labeling of its products.	
(h) Does the company evaluate past records of suppliers with regard to environmental and social impacts before initiating dealings with them?	✓		(h)The company conducts assessments of different supplier conditions including environmental and social impacts before initiating dealings with them.	
(i) Do contracts between the company and its main suppliers stipulate that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate significant environmental and social impacts?		✓	(i)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	
4. Enhancing information disclosure (a) Does the company disclose relevant and reliable CSR-related information on its corporate website and the Market Observation Post System?	✓		(a) The company has already set up a corporate website and will establish a link to the Market Observation Post System in accordance with relevant Taiwanese laws to disclose relevant and reliable CSR-related information.	No major deviations
5. 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.				
6. Other important information to facilitate a better understanding of the company's corporate social responsibility practices:				

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and reasons</th></tr>
<tr><th>Y</th><th>N</th><th>Brief description</th></tr>
<tr><td colspan="5">(a) The company implements and reinforces environmental management in accordance with relevant environmental laws.
(b) The company regularly responds to community charity events such as events organized by the Liyang Association for the Promotion of the Guangcai Program and the Ningbo Zhenhai Charity Federation.
(c) The company provides feedback channels for employees and convenes labor-management and employee conferences on a regular basis to enable employees to fully express their opinions.</td></tr>
<tr><td colspan="5">7. State clearly whether the CSR reports issued by the company have met the assurance standards of relevant verification organizations : NA</td></tr>
</table>

(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				
(a) Are ethical corporate management 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.	✓		(a) The company has already formulated Ethical Corporate Management Best Practice Principles and Supplier Code of Conduct. Ethical management policies have been disclosed in internal regulations, on the corporate website, in annual reports, or other promotional materials.	No major deviations
(b) Has the company developed programs to prevent unethical behavior and do these programs contain clearly defined operating procedures, codes of conduct, penalties for violations, and a grievance system? Are these programs implemented and carried out?	✓		(b) The company has included clearly formulated prevention schemes and relevant handling procedures in its "Ethical Corporate Management Operating Procedures and Code of Conduct" covering the prohibition of bribery, illegal political contributions, improper charity donations or sponsorships, improper gifts, entertainment, or other benefits.	No major deviations
(c) Has the company adopted preventive measures with regard to the provisions set forth in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" or other business activities within the scope of the company's operations that involve a high risk of	✓		(c) The company has included clearly formulated provisions prohibiting the offering and acceptance of improper benefits and the offering of illegal political contributions with clearly stated handling procedures in its "Ethical Corporate Management Operating Procedures and	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	
unethical behavior?			Code of Conduct".	
2. Implementation of ethical corporate management (a) Does the company evaluate integrity records of trading counterparties and do contracts signed with trading counterparties include clearly formulated provisions regarding ethical behavior?	✓		(a) 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
(b) Has the company established exclusively (or concurrently) dedicated units subordinate to the board to be in charge of proposing and enforcing ethical corporate management policies and submit regular reports regarding the implementation progress to the board?	✓		(b) The company has designated the audit office 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.	No major deviations
(c) Are policies in place to prevent conflicts of interest and have appropriate appeal channels been established and implemented?	✓		(c) 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	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	
			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 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.	
(d) Has the company established an effective accounting and internal control system to implement ethical corporate management and	✓		(d) The company has established an accounting system and effective internal control system. Audit departments regularly review	No major deviations

Assessment items	Implementation Status: Y	Implementation Status: N	Implementation Status: Brief description	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
are regular reviews carried out by internal audit units or commissioned accountants? (e) Does the company organize regular internal and external training on ethical corporate management?	✓		compliance with this accounting and internal control system and submit reports to the board of directors. (e) 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 schemes of the company in the area of ethical corporate management and ward off unethical behavior.	No major deviations
3. Implementation of the whistle-blowing system (a) 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. (b) Has the company formulated standard operating procedures for the investigation and processing of received reports and relevant confidentiality mechanisms? (c) Has the company adopted measures to protect whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	✓ ✓ ✓		(a) 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. (b) The audit office carries out investigations of reported contents and reports the final results to the chairman in accordance with confidentiality principles. (c) 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				

Assessment items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
(a) 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?	✓		(a) 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 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, 2019

Based on the results of a self-inspection, the company hereby makes the following declaration regarding the internal control system in 2018:

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, 2018 (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, 2019. All directors consented to the contents of this declaration as stated herein.

Yeong Guan Energy Technology
Group Co., Ltd.

Chairman: Signature/Seal

General Manager: 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

1. Major resolutions adopted by the General Shareholders' Meeting and their implementation status in 2018:
   (1) Approval of the 2017 Business Report and Consolidated Financial Statement
   (2) Approval of the 2017 Earnings Distribution Proposal
   Implementation status: July 16, 2018 was set as the base date and August 8, 2018 was set as the payment date (DPS of NT$ 1.53)-implemented as scheduled
   (3) Deliberation of the amendment of the Articles of Incorporation
   Implementation status: Change of Cayman Islands registration was completed on June 18th of 2018 and this has been published on the Company's website accordingly.
   (4) By-Election of The Company's Director
   Implementation: Change of Cayman Islands registration was completed on June 14th of 2018
   (5) Discussion of Cancellation of Non-Competition for New Director
   Implementation status: Carried out in accordance with shareholders' meeting resolutions

2. Major resolutions of board meetings in 2017 up to the printing date of the annual report:

Meeting type	Date	Major resolutions
Board meeting	Jan 9, 2018	(1) Repurchase of company shares and cancellation of shares (2) By-election for one vacant director position (3) Deliberation of CPA replacement
Board meeting	Mar 8, 2018	(1) Approval of the 2017 Consolidated Financial Statement (2) Approval of the 2017 Business Report (3) Deliberation of 2017 Earnings Distribution Proposal (4) Planned release of the 2017 Internal Control Statement (5) Deliberation of the amendment of the Articles of Incorporation (6) Cancellation of treasury stock and setting of a reverse split base date (7) Deliberation of the convening of the 2018 General Shareholders' Meeting
Board meeting	Apr 30, 2018	(1) Approval of the application and relevant conditions for a 5-year syndicated loan from a bank consortium led by Land Bank of Taiwan (2) Provision of endorsements/guarantees for the Company's subsidiaries Yeong Guan Holdings Co., Limited and Yeong Chen Asia Pacific Co., Ltd.
Board meeting	Dec 20, 2018	(1) Approval of the repurchase of company shares and cancellation of shares (2) Application of the application for a credit line from DBS Bank (Taiwan) Ltd.
Board meeting	Mar 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 of the Articles of Incorporation (5) Deliberation of the amendment of the Procedures Governing

Meeting type	Date	Major resolutions
		Endorsements and Guarantees (6) Deliberation of the amendment of the Procedures Governing Acquisition or Disposal of Assets (7) Deliberation of the amendment of the Procedures Governing 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 removal of the non-competition clause 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 Earning Distribution and Loss Make-up Proposal

(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	2018.01.01~2018.12.31	

Unit: 1000 NTD

	Range of fees / Item	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			
5	NT$8,000～NT$10,000	8,000	-	8,000
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	8,000	0	0	0	0	0	2018.01.01~ 2018.12.31	

(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: No

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	2018		2019 up to April 22	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and major shareholder	Chang, Hsien-Ming	—	(2,700,000)	—	—
Nominee shareholder	RUI SHENG INDUSTRY CO., LIMITED	3,644,000	—	—	—
Director and Executive Vice President	Chang, Wen-Lung	(416,000)	1,000,000	—	—
Director	Chang, Cheng-Chung	—	—	(128,000)	—
Vice Director	Tsai, Shu-Ken	67,000	—	—	—
Director and Executive Vice President	Chen, Wu-Chi	(112,000)	—	(154,000)	—
Independent Director	Chen, Ching-Hung	—	—	—	—
Independent Director	Chang, Cheng-Lung	—	—	—	—
Independent Director	Wei, Chia-Min	—	—	—	—
Director and Executive Vice President	Kung, Hsing-Yuan	—	—	—	—
Director and Executive Vice President	Huang, Wen-Hung	5,000	—	—	—
Vice President	Hsu, Ching-Hsiung	—	—	—	—
Vice President	Lin, Tai-Feng	—	—	—	—
Vice President	Huang, Ching-Chung	—	—	—	—
Vice President	Kuo, Jui	—	—	—	—
Vice President	Lin, Yu-I	—	—	—	—

(b) Share Transfer to Related Parties: NA
(c) 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 22, 2019/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%	Chang, Wen-Lung	Brother	
RUI SHENG INDUSTRY CO., LIMITED	6,241,000	5.91%	-	-	-	-	-		Nominee shareholder
Mercuries Life Insurance	5,239,000	4.96%	-	-	-	-		-	
Fubon Life Insurance Co., Ltd.	4,599,685	4.36%	-	-	-	-			
Chang, Wen-Lung	4,010,313	3.8%	1,289,832	1.22%	-	-	Chang, Hsien-Ming	Brother	
Chang, Cheng-Chung	3,366,408	3.19%	2,262,261	2.14%			Hsu, Yu-Yueh	Spouse	
Hsu, Yu-Yueh	2,262,261	2.14%	3,366,408	3.19%	-	-	Chang, Cheng-Chung	Spouse	
Capital Small-And-Medium Cap Fund	1,888,000	1.79%	-	-	-	-	-	-	
CGH Asia Limited investment custody account maintained by custodian China Trust Commercial Bank	1,802,000	1.71%	-	-	-	-	-	-	
Wu, Ting-Tsai	1,783,701	1.69%	-	-	-	-	-	-	

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, 2018/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

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 conversion	NA	
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 22, 2019

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 22, 2019; 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	46	39	71	5,707	5,864
Number of shares	38,000	18,044,685	9,219,719	15,206,345	63,108,770	105,617,519
Shareholding ratio (%)	0.04%	17.09%	8.73%	14.39%	59.75%	100.00%

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

(c) Shareholding distribution status:

As of April 22, 2019; Unit: Persons; Shares; %

Shareholding classes	Number of shareholders	Number of shares	Shareholding ratio (%)
1 ~ 999	573	76,399	0.07%
1,000 ~ 5,000	4,218	8,122,712	7.69%
5,001 ~ 10,000	496	3,929,480	3.72%
10,001 ~ 15,000	141	1,862,086	1.76%
15,001 ~ 20,000	101	1,879,745	1.78%
20,001 ~ 30,000	89	2,270,332	2.15%
30,001 ~ 40,000	53	1,911,342	1.81%
40,001 ~ 50,000	33	1,512,001	1.43%
50,001 ~ 100,000	59	4,168,447	3.95%
100,001 ~ 200,000	40	5,547,120	5.25%
200,001 ~ 400,000	25	6,771,500	6.41%
400,001 ~ 600,000	8	3,544,744	3.36%
600,001 ~ 800,000	3	2,082,659	1.97%
800,001 ~ 1,000,000	5	4,631,100	4.39%
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 22, 2019; Unit: Shares; %

Name of major shareholder \ Number of shares and shareholding ratio	Number of shares	Shareholding ratio (%)
Chang, Hsien-Ming	13,693,540	12.97%
RUI SHENG INDUSTRY CO., LIMITED	6,241,000	5.91%
Mercuries Life Insurance	5,239,000	4.96%
Fubon Life Insurance Co., Ltd.	4,599,685	4.36%
Chang, Wen-Lung	4,010,313	3.8%
Chang, Cheng-Chung	3,366,408	3.19%
Hsu, Yu-Yueh	2,262,261	2.14%
Capital Small-And-Medium Cap Fund	1,888,000	1.79%
CGH Asia Limited investment custody account maintained by custodian China Trust Commercial Bank	1,802,000	1.71%
Wu, Ting-Tsai	1,783,701	1.69%

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

Unit: NTD; 1000 shares

Item \ Year			2017	2018	Up to March 31, 2019
Market price per share	Highest		130	104	77
	Lowest		58.3	38.3	49.2
	Average		87.52	62.26	64.13
Net worth per share	Before distribution		79.31	72.85	—
	After distribution		77.81	72.85	—
Earnings per share	Weighted average shares		118,818	112,293	—
	EPS		2.28	(2.48)	—
Dividends per share	Cash dividends		1.50	0	—
	Stock dividends	—	—	—	
		Nil	Nil	—	
	Accumulated undistributed dividends		Nil	Nil	—
Return on investment	Price-Earnings Ratio (Note 1)		38.39	(25.1)	—
	Price-Dividend Ratio (Note 2)		58.35	-	—
	Cash dividend yield rate (Note 3)		1.71%	-	—

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 2018 Earnings Distribution Proposal was approved by board resolution on May 7, 2019 and will be submitted to the shareholders' meeting for ratification on June 20, 2019

(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 <u>shall allocate a minimum of 20% of the distributable amount as shareholder dividends</u> 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 <u>shall make up at least 10% of the total dividends paid to shareholders</u>. The company does not pay interest on undistributed dividends and bonuses.

2. Dividend distribution in this fiscal year:
As for the 2018 Earnings Distribution Proposal, non-distribution of dividends has already been approved by a board meeting on May 7, 2019. Distribution of earnings and make up of losses is shown in the chart below:

Unit: NTD

Item	Amount
Undistributed earnings at the beginning of the quarter	1,371,298,398
plus: Net income after taxes for this quarter	(278,658,163)

minus: Investment Adjustment to Retained Earnings under Equity Method	(10,134,504)
minus: Legal reserves	(110,709,730)
minus: Special reserves	(184,802,460)
Distributable earnings in this fiscal year	786,993,541
Distribution items:	
Cash dividend	0
Undistributed earnings at the end of the period	786,993,541

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 2018 Dividend Distribution Proposal was approved by board resolution on May 7, 2019. Due to the fact that no cash dividend distribution is planned, the proposal will have no impact on the future business 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 1 (f)

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 2017 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: It was approved in a board meeting that due to losses incurred in 2018 no employee compensations shall be distributed.
(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 did not distribute any employee bonuses in 2018, imputed EPS is therefore identical to the value in 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	First Batch	Second Batch
Purpose of Buyback	Safeguard Company's Credibility & Shareholder's Equities	Safeguard Company's Credibility & Shareholder's Equities
Period of Buyback	January 10, 2018 to March 9, 2018	December 21, 2018 to February 20, 2019
Range of Buyback Prices	45.85~99.44	35.00~76.59
Type & Quantity for Buyback Shares	7,200,000 Shares	6,000,000 Shares
Amount for Shares Already Bought Back	549,584,268	344,840,849
Number of Shares Already Cancelled or Transferred	7,200,000 Shares	6,000,000 Shares
Number of Accumulated Company Shares Held	0	0
Percentage of Accumulated Company Shares Held Against Total Number of Shares Issued (%)	0%	0%

(ii) Issuance of company bonds:

2. 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 Tian-Hsiang Song from Lee and Li Attorneys-At-Law	Attorney Tian-Hsiang Song from Lee and Li Attorneys-At-Law
CPA		Deloitte Touche Tohmatsu Limited (DTTL) Accountants Dong-fong Lee and Zhe-li Gong	Deloitte Touche Tohmatsu Limited (DTTL) Accountants Dong-fong Lee and Zhe-li Gong
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		NT$ 2,100,000	NT$ 91,000,000
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.	By April 22, 2019, 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 22, 2019; 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		According to the current conversion price of NT$133.9, 15,683 shares need to be issued if all shares are to be converted to common shares. The impact on shareholders' equity is limited so far.	According to the current conversion price of NT$ 195.1, 12,813,941 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

3. Convertible bond data

Corporate bond type		(15891) 1st Issue of Domestic (ROC) Unsecured Convertible Bonds	
Item / Year		2018	Current year until April 30, 2019
Market price of convertible bonds	Highest	—	—
	Lowest	—	—
	Average	—	—
Conversion price		137.2	133.9
Issue (offer) date and conversion price on issue date		Issue date: June 3, 2014 Conversion price on issue date: 158	Issue date: June 3, 2014 Conversion price on issue date: 158
Conversion method		Issuance of new shares	Issuance of new shares

Corporate bond type		(15892) 2nd Issue of Domestic (ROC) Unsecured Convertible Bonds	
Item / Year		2018	Current year until April 30, 2018
Market price of convertible bonds	Highest	101.50	100.00
	Lowest	99.40	100.00
	Average	100.82	100.00
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

4. Preferred shares: None

5. Overseas depositary receipts: None

6. Employee stock option certificates: None

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

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

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

The company raised a total of 2.5 billion NTD through the 1st 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. An assessment of accumulated expenses upon revision indicates that by the first quarter of 2019 a total of NT$ 1,077,215,000 and NT$ 1,808,967,000 will have been expended for the construction of plant buildings and purchase of machinery/equipment, respectively. This represents a projected implementation progress of 100.00% and 100.00%. Actual accumulated expenses have reached NT$ 665,420,000 and NT$ 1,507,579,000, respectively, which represents actual implementation progress of 61.77% and 83.34%, respectively. The lagging progress in the field of factory building construction has been caused by the search for an alternative location because Taichung City Government decided to use the original site for a different purpose. In the first quarter of 2017, a new contract was concluded for an alternative site. In line with government plans, it has been decided to gradually determine the scope of construction through deliberations prior to application for a construction permit. The progress of fund utilization in the field of plant building construction is therefore lagging behind the revised projected progress. The lagging progress in the field of machinery and equipment progress has been caused by procurement delays because machinery and equipment for the Taichung plant is purchased in line with construction progress. Upon assessment of accumulated expenses, major irregularities and impacts on shareholder rights and interests have been ruled out.

V. Operations Overview

1. Business activities

(a) Business scope

1. 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 bedframe for wind turbines, thermal power generation exhaust hoods, injection molding machine components, and castings for machine tools and other industrial machinery. The Company has an annual casting capacity of around 200,000 tons and is firmly committed to providing its customers with one-stop shopping services characterized by vertical and horizontal integration.

2. Revenue distribution

Main product categories	2017		2018	
	Net sales	% of total sales	Net sales	% of total sales
Energy castings	2,241,585	35.00%	1,700,958	27.45%
Injection molding machine castings	2,173,747	33.94%	2,221,765	35.86%
Other castings	1,989,010	31.06%	2,273,132	36.69%
Total	6,404,342	100.00%	6,195,855	100.00%

3. 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 bedframe) 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)

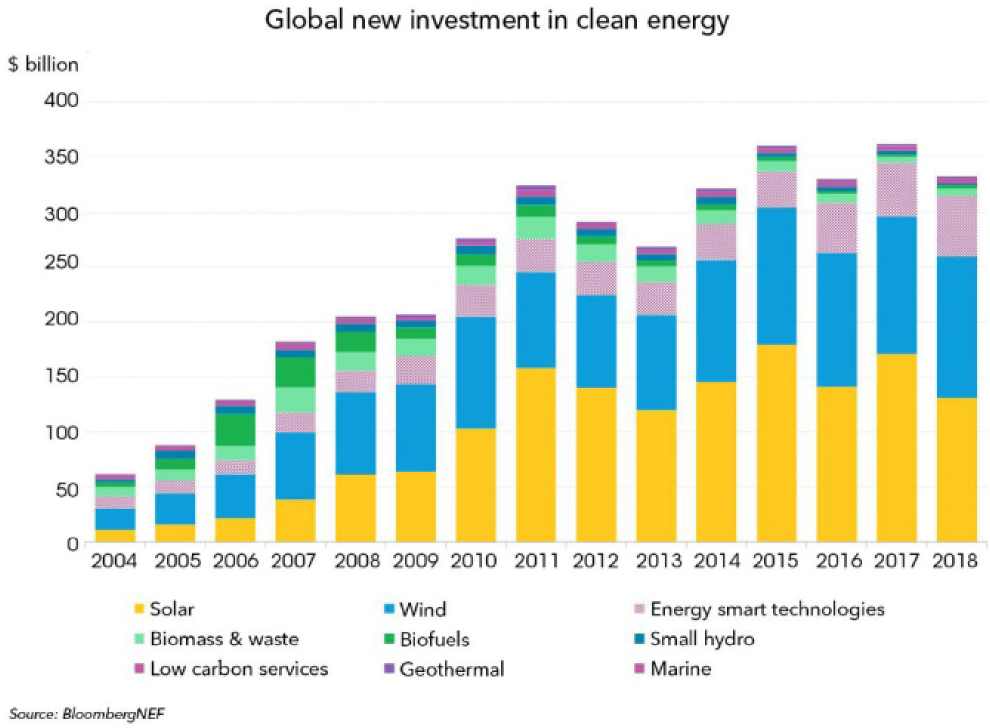
4. Planned development of new products: Engineering, mining, and marine equipment castings

(b) Industry overview

1. Industry overview and development

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. When wind energy unit cost is competitive, solar 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.

<u>Global new investment in clean energy over the past 15 years</u>



The blue and yellow sections of the bars represent wind and solar power, respectively. The chart clearly shows that these two clean energy sources are locked in a seesaw battle for investments. According to the Bloomberg New Energy data, investments in new wind power installations grew by 3% in 2018, while investments in newly added solar power projects dropped by 24% compared to 2017.

Global investments in clean energy sources reached US$ 332.1 billion in 2018, which marks a decrease of 8% over the previous year. Investments in clean energy have therefore exceeded US$ 300 billion for five consecutive years. According to the latest statistics released by Bloomberg New Energy, global wind power investments amounted to US$ 128.6 billion in 2018, which represents an increase by 3% compared to the previous year. Offshore wind power investments reached US$ 257 million, which is the second highest level on record and represents a rise by 14% compared to the same period of the previous year.

Encouragement of wind power development through national policies in China

On May 24, 2018, the National Energy Administration released the Circular on the Requirements for Wind Power Installation Management in 2018. This circular stipulates that approved new onshore and offshore wind power projects in all provinces (Autonomous Bureaus, Municipalities) must conform to competitive allocation guidelines and feed-in tariffs must be determined.

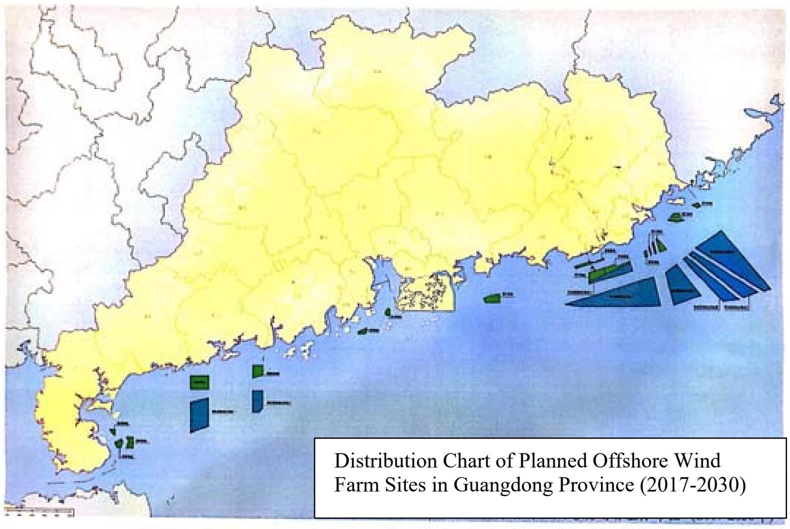
In 2018, the Chinese wind power industry staged a turnaround. From January to November, 2018, new wind power installations with a total capacity of 17.20GW were added. This represents an increase by 4.68GW or 37% compared to the same period of the previous year. The industry therefore staged a turnaround. In November alone, newly added wind power capacities reached 2.73GW, a rise of 50% over the same period of the previous year.

The chart below shows that Jiangsu Province approved 24 wind power projects with a total generation capacity of 6.7 GW on January 16, 2019 alone.

江苏核准海上风电项目清单表

序号	项目名称	规模/MW	总投资/亿元	项目业主
1	启东H3#海上风电场项目	300	55.00	启东华尔悦风电科技有限公司
2	启东H2#海上风电场项目	250	46.00	江苏华威风力发电有限公司
3	启东H1#海上风电场项目	250	46.00	江苏华威风力发电有限公司
4	如东H14#海上风电场项目	200	35.24	如东广恒新能源有限公司
5	如东H13#海上风电项目	150	27.15	如东智鑫海上风电有限公司
6	如东H10#海上风电场项目	400	71.67	三峡新能源如东有限公司
7	如东H8#海上风电项目	300	57.28	中广核新能源南通有限公司
8	如东H7#海上风电场项目	400	76.64	如东海翔海上风力发电有限公司
9	如东H6海上风电场项目	400	70.99	三峡新能源南通有限公司
10	如东H5#海上风电场工程	300	55.08	江苏交控如东海上风力发电有限公司
11	如东H4#海上风电场项目	400	69.52	如东和风海上风力发电有限公司
12	盛东如东300MW海上风电场工程扩容100MW（如东H3-2#）	100	15.78	盛东如东海上风力发电有限责任公司
13	如东H2#海上风电场工程	350	64.00	江苏新能海力海上风力发电有限公司
14	大丰H8-2#300MW海上风电场工程项目	300	54.37	三峡新能源盐城大丰有限公司
15	大丰H5#海上风电场工程项目	200	37.32	盐城市国能投资有限公司
16	大丰H6#海上风电项目	300	53.94	龙源国能海上风电（盐城）有限公司
17	大丰H4#海上风电项目	300	55.63	龙源盐城新能源发展有限公司
18	大丰扩建100MW海上风电项目	100	17.58	华能盐城大丰新能源发展有限责任公司
19	射阳海上南区H5#40万千瓦风电项目	400	75.55	中广核聚智新能源射阳有限公司
20	射阳海上南区H4#30万千瓦风电项目	300	57.65	射阳汇能风电有限公司
21	射阳海上南区H3#30万千瓦风电项目	300	57.46	河北建投海上风电射阳有限公司
22	射阳海上南区H2-1#10万千瓦风电项目	100	18.70	射阳龙源风力发电有限公司
23	射阳海上南区H1#30万千瓦风电项目	300	54.69	华能射阳新能源发电有限公司
24	滨海南H3#300兆瓦海上风电项目	300	40.61	滨海智慧风力发电有限公司
总计		6700	1222.85	制表：北极星风力发电网

In addition to Jiangsu Province, wind resources are also abundant along the southern coastline of Guangdong Province with an estimated capacity of 44GW. In Shantou, installations with a total capacity of 9GW have been contracted out.



Distribution Chart of Planned Offshore Wind Farm Sites in Guangdong Province (2017-2030)

Due to the abundance of offshore wind power resources in Guangdong Province, official approval of offshore wind farms shown in the chart above is planned for 2017-2030. Based on surveys and customer feedback, only installations in Shantou with a total capacity of 9GW have been contracted out (the projected total capacity amounts to 44GW).

Data source: Distribution Chart of Planned Offshore Wind Farm Sites in Guangdong Province (March 2019)

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.

Global investments in onshore wind turbines just surpassed US$ 100 billion in 2018, an increase by 2% compared to the same period of the previous year. A certain company in Europe earned orders amounting to a total capacity of 4.75 GW, a growth of 73% over the same period of last year. The largest deal involves total investments of US$ 1.4 billion by a certain wind farm developer. In South America, the company acquired orders for installations total is 706 MW. Another wind farm developer also received new orders with a total investment volume of around US$ 1 billion and a total capacity of 600 MW.

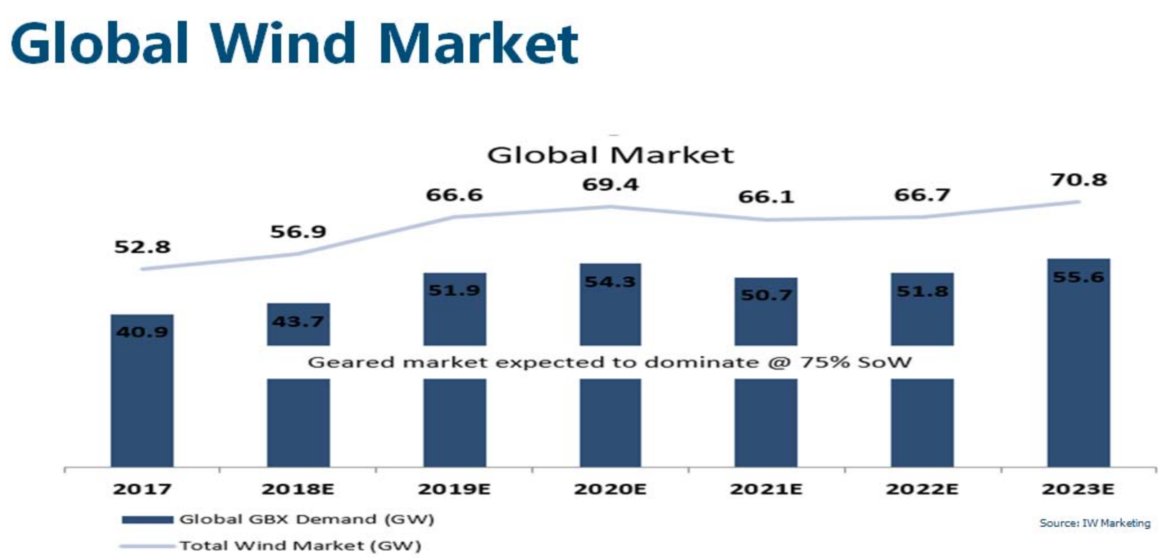
The latest development trends in the solar energy industry can be summarized as follows: In 2018, the total investment volume reached US$ 130.8 billion, which represents a drop by around 25% compared to 2017. The main reason for this decline lies in Chinese policy changes in the field of solar energy. The new policies limit the feed-in-tariff for new solar energy projects.

Bloomberg New Energy has also noticed that the installation costs per MW of solar capacity have dropped by 12%. 2018 has therefore been an extremely challenging year for solar equipment manufacturers and Chinese developers. However, we expect the installed solar capacity to increase from 99GW in 2017 to 109 GW in 2018 due to the fact that other countries gain a significant competitive edge from the development of solar energy technologies.

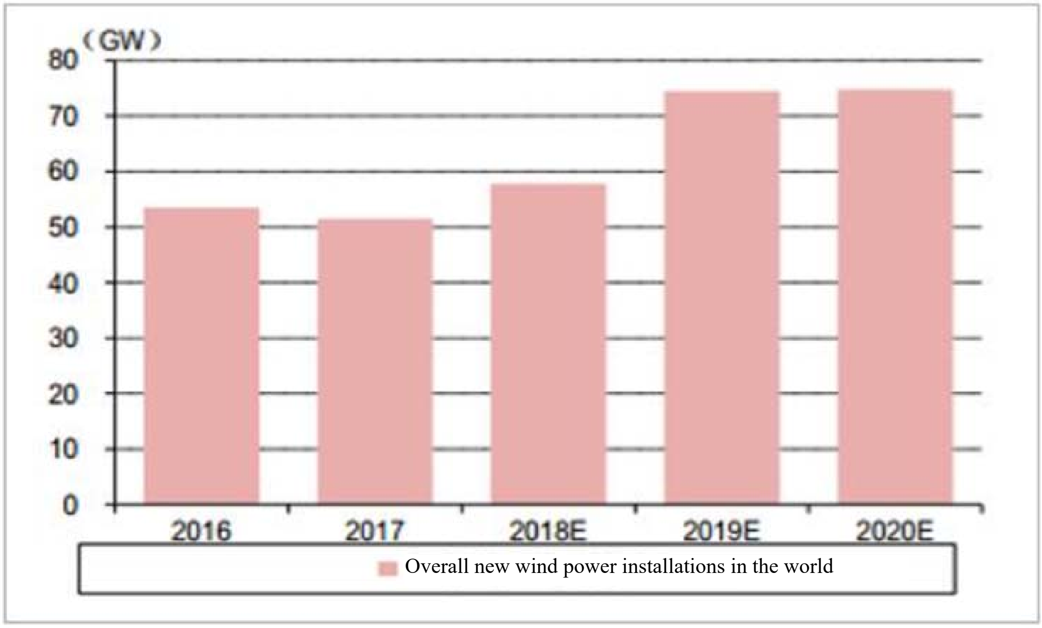
Despite the dropping investments in solar energy installations, the total installed PV capacity exceeded 100GW for the first time. Notwithstanding the slowing down investments in solar energy, China is still the bellwether in the field of clean energy investments. In 2018, China invested a total of around US$ 100.1 billion in solar energy, which is 33% less than in 2017.

In 2018, Spain also invested around US$ 7.8 billion in clean energy sources. This represents a seven-fold increase compared to the previous year and is also an indicator for a rebounding clean energy market. South Africa, on the other hand, heavily invested in onshore wind turbines (total investments amounted to US$ 4.2 billion), recording a 40-fold increase compared to 2017.

The chart below shows the demand of the global wind power market (offshore and onshore) forecasted by different institutions



The overall newly added wind power capacity in the world



Data source: Open data

Recovery in northern China and normalization and logic realization in central and eastern China. At the end of 2017, research organizations have expressed optimism regarding newly added installations or a turnaround. The core logic is the recovery caused by the lifting of the ban in northern China and the normalization in central and eastern China. It looks like both aspects have been realized:

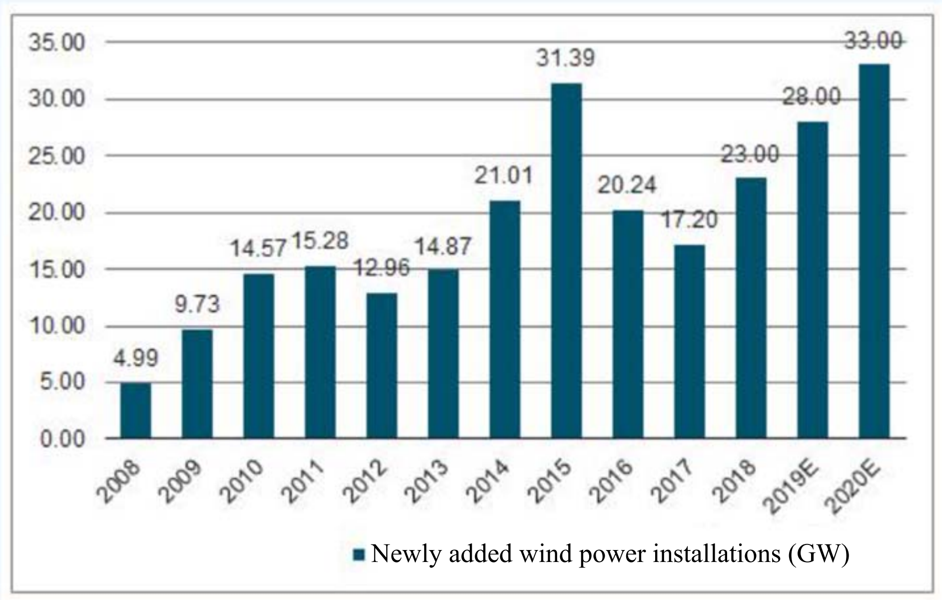
(1) In 2018, the ban was lifted in three of the northern provinces and a grid-connected capacity of 7.08 GW was added in northern China from Q1 to Q3, 2018, representing an increase by 39%;

(2) Newly added capacity in central and eastern China (excluding Yunnan) from Q1 to Q3, 2018 reached 5.528 GW, representing a growth of 25%. In addition, decentralized wind power projects are progressing well in many areas and offshore wind power is running at full capacity. At the end of 2017, it was forecasted that the newly added wind power capacity would reach 25 GW in 2018, representing a growth of 28% over the same period of the previous year. It is currently projected that the newly added capacity will reach 23-24GW (17.20GW from January to November), which falls slightly short of the original forecast of 25GW. This was mainly caused by social leverage, extreme weather conditions in central and eastern China, and environmental factors exceed predictions.

However, positive factors continue to prevail. In 2019, the newly added capacity is expected to reach 28 GW, representing an increase by 20% compared to the previous year. Due to the impact of various factors including the lifting of the ban in northern China, normalization in central and eastern China, and offshore and decentralized capacities, the wind power industry staged a turnaround in 2018. Looking ahead to 2019, research organizations forecast a newly added capacity of around 28GW, an increase of 20% over the previous year (the projected new capacity for 2018 is 23 GW) due to the impact of positive factors including the turnaround in 2018, continued lifting of bans in northern China, and initiation of new projects due to tariff adjustments.

The chart below shows a wind power demand of around 28GW generated by new installations in China in 2019 as projected by research organizations

New wind power installations of a total capacity of 28GW in 2019



Data source: Open data

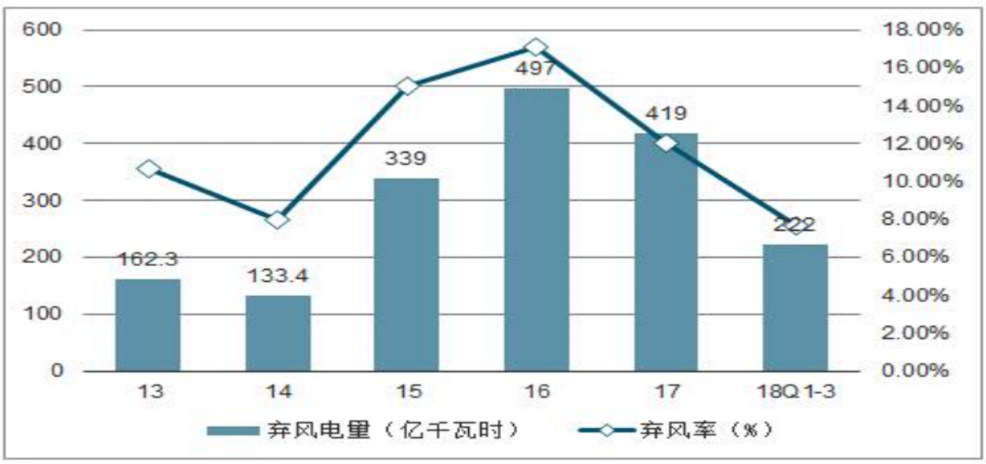
Improvement of wind curtailment and expected lifting of all bans in northern China. Due to improvements in the field of curtailment, red alerts were lifted in Heilongjiang, Inner Mongolia, and Ningxia in northern China. Red alerts are still in effect in Gansu, Jilin, and Xinjiang. Since 2018, wind curtailment has constantly improved. In the first three quarters, the average wind curtailment rate amounted to 7.7%, which represents a drop by 4.7 percentage points compared to the same period of the previous year. Against this backdrop, research organizations predict a lifting of the red alerts for Gansu, Jilin, and Xinjiang in view of utilization hours in the six northern provinces from January to November, the curtailment rate in the first three quarters, and wind power alert policies (China New Energy 2016, No. 196).

2019年预计三北地区或将全部解禁

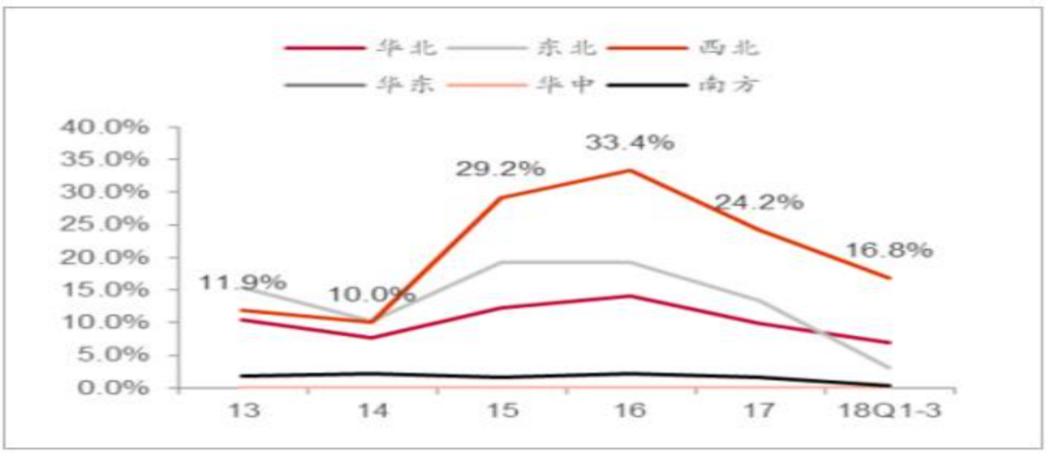
地区	2016预警	2017预警	2018预警	18Q1-3弃风率	18年1-11月利用小时	保障小时要求	18年差距	15-17年12月利用小时	19年预警结果预测
吉林	红色	红色	红色	5.20%	1830	1800		77、96、88	绿色
黑龙江	红色	红色	橙色	3.90%	1865	1850-1900	0-35	133、126、138	绿色
甘肃	红色	红色	红色	19.70%	1627	1800	173	64、64、157	橙色
宁夏	红色	红色	绿色	1.60%	1737	1850	113	63、160、151	绿色
新疆	红色	红色	红色	24.60%	1833	1800-1900	0-67	7*、93、115	橙色
蒙东	橙色	红色	橙色	12.80%	1953	1900-2000	0-47	158、130、203	绿色
蒙西	橙色	红色	橙色						绿色
河北北网	橙色	绿色	绿色	3.70%	2014	2000		189、204、288	绿色

数据来源：公开资料整理

18Q1-3弃风率为7.7%，同降4.7PCT



18Q1-3西北弃风率为16.8%，同降7.7PCT



数据来源：公开资料整理

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. Fanuc Corporation reported in early 2018 that its new factory will be completed in the second half of this year and the ROBOSHOT plant is currently being expanded. FANUC ROBOSHOT, which has the highest sales volume worldwide, is a fully electric injection molding machine characterized by cutting-edge functionality, precision control, high speed, and low power consumption. It holds a leading position in the mid- and high-end injection molding machinery market and has a wide application range in the fields of precision optics, biopharmaceuticals, automotive electronics, precision gear, digital electronics, food packaging, and micro connectors. Investments in plant expansion total around JPY 8.7 billion (excluding production equipment costs). The total floor area of the two-story building will be increased to around 26,000 m^2 (the current floor area is roughly 24,000 m^2). Upon completion of the new plant, an output volume of 600 machines per month will be added to the original production capacity of 400 machines per month. Completion of the project is scheduled for the end of September 2018. In addition, numerous European and Japanese enterprises have established plants and research centers in China to reduce costs and achieve greater market proximity.

The global injection molding machinery market is expected to steadily expand from EUR 8.482 billion in 2016 to EUR 11.557 billion in 2024, which represents a CAGR of 3.94%.

Injection molding machinery is a key branch of plastic machinery with the highest output volume, production value, and export volume. An overview and analysis of injection molding machinery is provided below:

● 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

● Injection molding machinery is capable of manufacturing high precision and highly efficient packaging for fragile and complex products such as electronics and mobile phones. The constantly growing demand for these products will also provide further stimulus for 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) is in an accelerated decrement, which clearly indicates that the Chinese Manufacturing Sector is facing mounting pressure. Plants are overly cautious, which results in a significant drop in the demand for raw materials. The domestic output volume of plastics amounted to 58.133 million tons in the period from January to October 2018, which represents a drop by 13.52% compared to the same period of the previous year. The following factors have had a significant impact on the market demand for injection molding machinery starting in late 2018: (1) Strict environmental protection requirements and decreased usage of recycled materials; (2) Reduced OEM operations against the backdrop of the China-US trade war; (3) Reshuffling of the manufactured goods industry after a process of gradual penetration from 2013 to 2018. The reshuffling process is expected to continue in the plastics industry in 2019. 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 survive and industrial concentration will further increase.

1. 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.

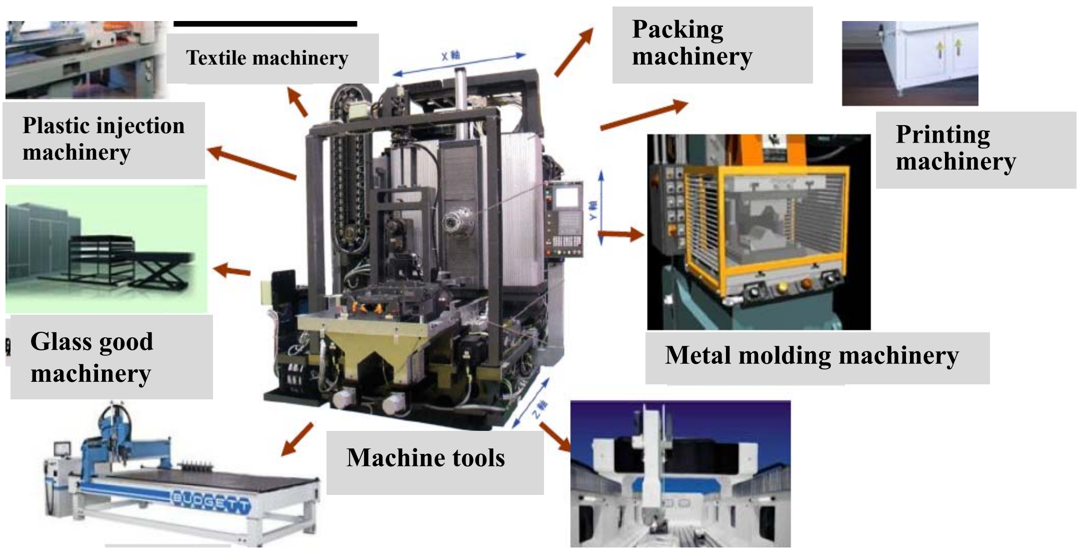
2. Smart production: In smart manufacturing, customer requirements determine production processes. Production materials, parts, and components are given priority and guide the whole manufacturing process to ensure the completion of customized production processes in small batches.
   Policy analysis 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.

Industrial machinery

The industrial machine 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 industrial machinery covers a wide range and can have a wide or narrow meaning. The wide definition of industrial machinery 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:

A. Automation and robots

Automation and robot technologies are based on sensing, calculation, and integration concepts and represent the new core of manufacturing technologies. Progress has been achieved in the fields of embedded touch and visual sensing systems. Higher fidelity cameras, faster communication, and safety improvements enhance the reliability of robots and allow humans to cooperate and work alongside robots in a more effective manner

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 work pieces 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 volume customized products and mass production 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 challenges digital factories facing are the optimized integration of 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 work pieces 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.

On 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 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 2018 Annual Report of Elektra Group reveals that the global radiation therapy equipment market has a total market volume of US$ 7 billion. In 2019, the CAGR of the global radiation therapy equipment market reached 7%. The growth margin in the Asia-Pacific region was higher than in the US and Western Europe.

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 15% . 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 build-to-order and orders will be less visible in the future. This new business model affects short-term and long-term operative goals. We are committed to enhance our own competitiveness to provide the best quality at highly competitive prices in response to market changes.

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

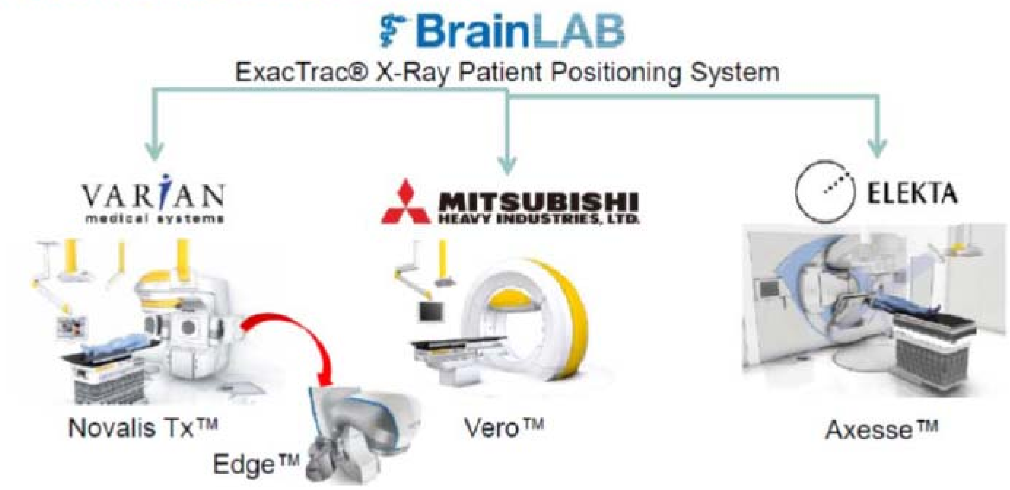
The leading manufacturers of radiation therapy equipment are as follows:

Figure 9: Varian and Elekta Versatile Linac offer

Source: Pr. Hannoun-Levy

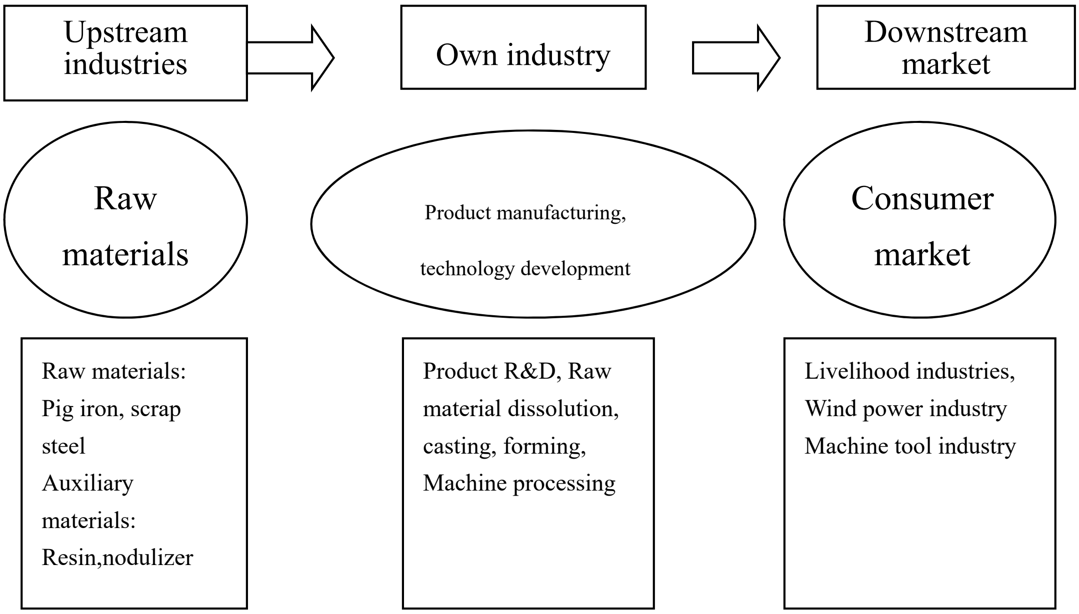
SBRT(Stereotactic Body Radiation Therapy)

Figure 19: Dedicated SBRT solutions



Source: Pr. Hannoun-Levy

2. Relationship between up- mid- and downstream industries

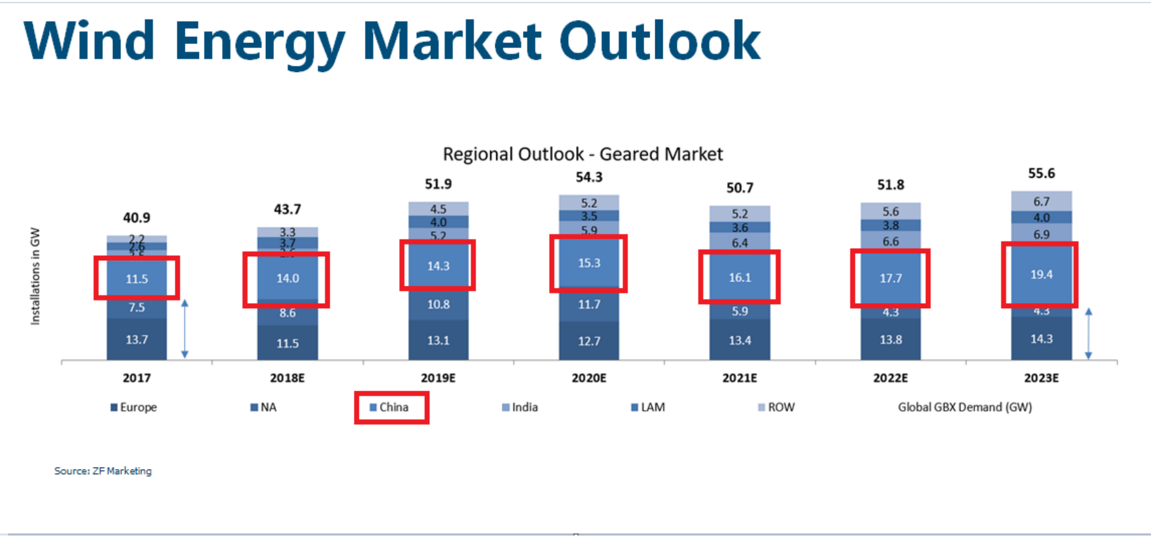


Castings have a very wide application range which currently includes the hardware, machinery, and electronics industry with a constantly expanding range of uses. Castings are used in construction, hardware, equipment, engineering machinery, and other large-scale machinery as well as the machine tool,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

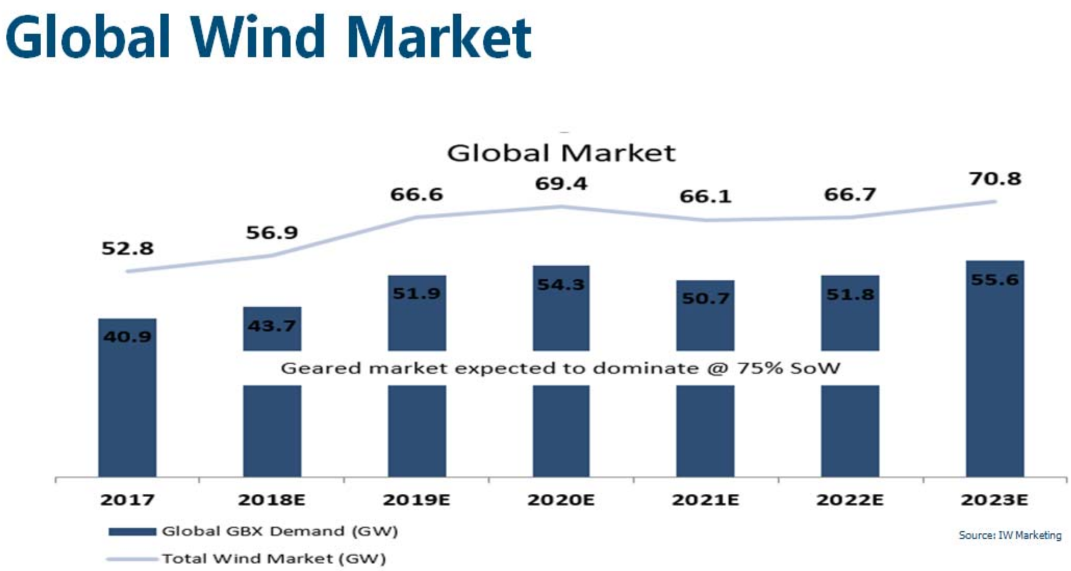
3. Overall economic and industrial development trends and market competition conditions

Wind power industry

A. Analysis of the wind turbine market based on the demand for gearboxes
The chart below shows the current market distribution of geared wind turbines. The red frame indicates the annual demand of the Chinese market. The chart clearly demonstrates that the Chinese wind energy market accounts for a major portion of the global market. China's share of the wind energy market continues to expand. By 2023, the Chinese market is expected to make up 35% of the global market, which represents an increase by 38.6% compared to 2018. The demand of the Chinese market continues to rise.



The line in the chart below indicates the projected annual demand (GW) of the global wind energy market, while the columns represent the projected annual global demand (GW) for geared wind turbines. The chart clearly shows a rising overall demand for wind power. By 2023, the demand for wind power is expected to rise by 24% compared to 2018, and geared wind turbines are projected to account for 78% of the wind energy market.



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

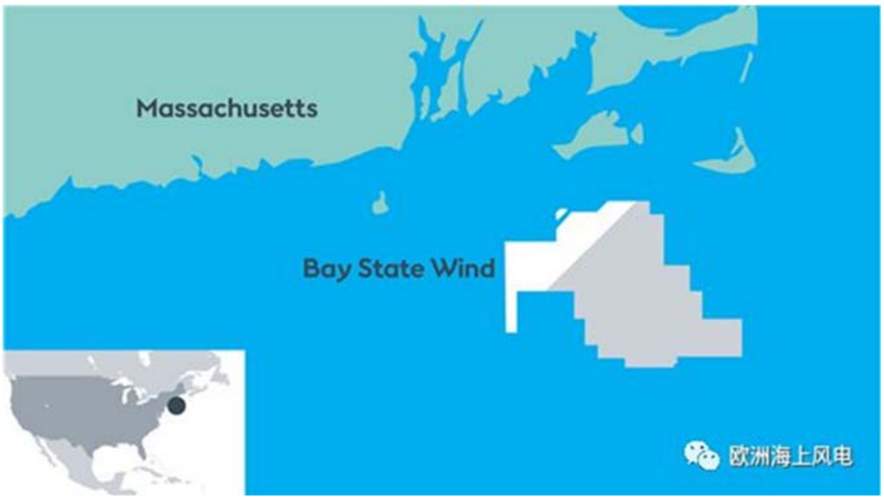
Siemens Gamesa onshore turbines are mostly sold in the following three regions: Europe, Middle East and Africa, the Americas, and Asia-Oceania.

“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.”

The aforementioned conditions also exist in the domestic market. The newly installed capacity of the top five Chinese manufacturers (Goldwind , Envision , United Power, Mingyang and Shanghai Electric) reached 11.5GW in 2018, accounting for 64% of all new installations.

Mr. Cheung 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.”

B. Bay State Wind and NEC Energy Solution (NECES) have concluded a cooperative agreement for the joint development of 800MW/55MW~110MWh offshore wind power paired with an energy storage system in Massachusetts. The offshore wind turbine project with a complementary energy storage system will be the first of its kind in the world. Massachusetts will turn into the birthplace of this new technology.



located 25 miles off the Massachusetts coastline and 15 miles off Martha's Vineyard. The earmarked area can accommodate an installed capacity of at least 2000MW. Power generation will be initiated in 2020, turning the project into the largest commercially operated wind farm in the US.

During the construction period, the project is expected to create over 1200 employment opportunities. Over the whole life cycle of the project, over 10,800 direct or indirect job opportunities will be created. In addition, the project will generate cost benefits and technological innovation for local wind power development.

NECES advanced energy storage and management technology will be adopted for this pioneer project in the large-scale application of energy storage technology. Technical experts of NECES conduct in-depth research of energy storage solutions for the Bay State Wind project to cope with challenges of power supply reliability during the winter months with the goal of reducing peak electricity rates and saving electricity costs in this area during the winter months. Preliminary assessments indicate that this technology has the potential of generating electricity cost savings of US$ 158 million for this region in the winter season. In addition, energy storage technologies can also help minimize power grid flow variations and enhance grid stability.

The Bay State Wind project will fulfill the commitment to support Massachusetts through promotion of energy storage applications. The project will turn Massachusetts into a bellwether of the global green energy revolution and will greatly enhance the reliability of the power grid (minimization of unfavorable impacts generated by intermittent power generation through renewable energy sources). It will also create more job opportunities in the local renewable energy and energy storage industries.

At the same time, the project will accelerate the development of business models for the application of energy storage technologies for power systems and facilitate the accumulation of experiences in the utilization of storage technologies for the integration of renewable energy sources, enhancement of grid reliability, and operational efficiency as well as the minimization of peak-valley variations. It will also turn the southern coastline of Massachusetts into the birthplace of complementary large-scale offshore wind power and high-capacity energy storage technologies.

C. Rise of the decentralized Chinese wind power market

The Circular on Requirements for Accelerating and Promoting Construction of Grid-connected Distributed Wind Power Projects issued by the Chinese National Energy

Administration in early 2019 proposes the accelerated promotion of decentralized wind power development, formulation of regulation standards, orderly promotion of projects, strengthening of monitoring and management, directing the attention of the industry to decentralized wind power development with the goal of turning decentralized wind power into the next hotbed of development.

During the 13th Five-Year planning period, the focus of Chinese wind power development will be shifted to the central, eastern, and southern parts of the country. Wind energy resources are characterized by wide distribution and low density and are therefore ideally suited for localized development and utilization. Development of wind power projects in central, eastern, and southern China which are the areas with the highest loads conforms to resource endowment characteristics.

At the same time, provinces in eastern, central, and southern China have the most pressing demand for renewable energy sources. By 2016, there was still a significant gap between the actual ratio of non-hydro renewable electricity consumption of most provinces in these areas and the 2020 target set by the government in the Guiding System for Setting Renewable Energy Development and Utilization Targets. Many provinces had not even achieved 50% of the prescribed values. These provinces face an uphill task in the remaining three years. It is therefore imperative to further boost development of renewable energy sources. However, these regions are characterized by difficult topographical conditions with mountainous and hilly terrain. Very few areas are suited for concentrated and contiguous development and large-scale development models are increasingly inadequate. Decentralized development will therefore turn into one of the most viable models.

Decentralized development can be adjusted in line with local conditions and is characterized by strong adaptability

1. It can be fully adapted to the natural conditions of central, eastern, and southern China and project scope can be determined in accordance with grid load and connection conditions. Designs can be adjusted in a flexible manner in line with environmental conditions, which in turn reduces land dependence.

2. It is characterized by narrow investment scope, short construction periods, attractiveness for private capital, and stimulation of diversified investment strategies.

3. It is also characterized by a solid grid structure in central, eastern, and southern China, high grid power load, no danger of electricity dissipation, and stable project income.

Decentralized wind power has already demonstrated an immense development potential in central, eastern, and southern China.

In the past, it was widely believed that areas with a wind velocity below 6m/s have no economic value. However, technological innovation, increased rotor diameters, enhanced airfoil efficiency, smart control strategies, application of ultra-high tower design, and refined micrositing have greatly enhanced turbine utilization efficiency and thereby significantly increased the economic value of areas with low wind velocity. Wind farms with an average annual wind velocity of 5m/s can reach around 2000 annual equivalent full load hours.

China Meteorological Administration estimates that central, eastern, and southern China has resources of significant economic value with a wind velocity of 5m/s or above equivalent to 1000 GW. These resource reserves can meet the needs of future development and meet the conditions of technological development without any spatial limitations.

Judging from international experience, the aforementioned areas have significant development potential in the field of wind power. For instance, the installed wind power capacity per unit land area in Germany had reached 136.97 kW by the end of 2016. 4 states exceeded 200kW/km^2 . On the contrary, key areas with low wind velocity in central, eastern, and southern China including Hunan, Hubei, Zhejiang, and Anhui provinces fall short of 13kW/ km^2 , which indicates huge potential for development.

However, development of decentralized wind power has been sluggish in China. The capacity of commissioned wind power projects accounts for less than 1% of grid-connected capacity which is far lower than the corresponding capacity of such projects in Europe. The main reasons are as follows:

1. Wind power development was initiated in western China. Major wind power developers tend to conduct centralized development through large-scale investments. The scope of single decentralized wind power projects is small and investment returns are comparatively low. These developers therefore show lackluster interest in these projects.

2. Approval requirements and processes for centralized development are also applied to decentralized wind power projects which lead to lower efficiency and higher upfront costs.

Decentralized wind power development must embrace the concepts and principles of centralized planning, batch approval, and coordination with local economic development to solve the aforementioned problems.

Firstly, decentralized projects are scattered with limited scope and therefore require centralized planning to realize economy and highly efficient management and thereby ensure orderly development.

Secondly, approval of projects in batches must be adopted with counties as the basic units. This greatly simplifies preliminary procedures and helps avoid unnecessary costs.

Finally, China should borrow experiences from other countries in the development of community wind power. Local participation can be enhanced through pooling of land and PPP models. Decentralized wind power projects should be combined with local tourism development, construction of towns with special characteristics, and livelihood improvement projects to maximize benefits for local communities and residents and thereby boost local economic and social development.

The central, eastern, and southern parts of the country are areas with great economic prosperity. These areas account for over 50% of the total power consumption of the whole country. They are therefore key areas for the promotion of energy transformation in China. Aggressive promotion of decentralized wind power can help accelerate this process and thereby stimulate local economic development. This serves multiple purposes and bears great promise for the future.

D. Largest offshore wind turbine in the world

General Electric (New York Stock Exchange Ticker Symbol: GE) announced in March 2019 that it will invest over 400 million US dollars (329 million Euro) into the development of the largest wind turbine in the world with a capacity of 12 MW within the next 3-5 years. Product launch is planned for 2021.

The company states that the power generation capacity of this huge offshore turbine which is named Haliade-X exceeds that of any other model available on the market by at least 45% under the premise of a total capacity coefficient of 63%. The turbine features 107 m blades designed and manufactured by LM Wind Power. One 12MW Haliade-X turbine can generate up to 67GWh per year which can satisfy the power demand of 16,000 households.

Mr. John Flannery, CEO and Chairman of General Electric points out that "we hope to promote global energy transformation technologies." He adds that "offshore wind power is one of these technologies. We will utilize all our resources to successfully promote this Haliade-X turbine among our customers." Mr. Jérôme Pécresse, President and CEO of GE Renewable Energy, points out that the offshore wind power industry is expected to add new installations of a total capacity in excess of 90GW within the next 12 years. According to the latest announcements, Haliade-X is currently projected to be launched in 2021. GE Renewable Energy will provide the first prototype for demonstration purposes in 2019.

Injection molding machinery

The development of injection molding machinery technologies will be characterized by the following trends in 2019:

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.

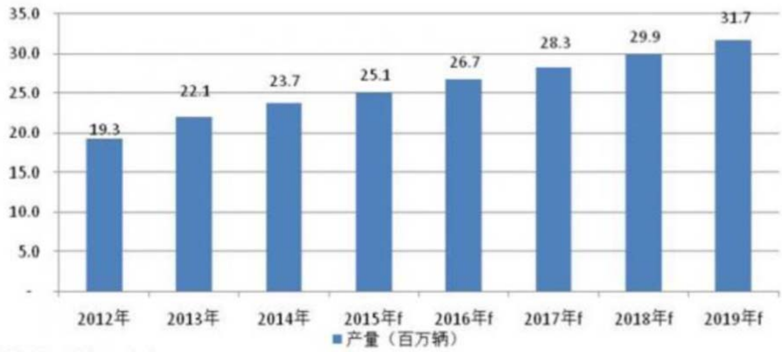
Worldwide Smartphone Platform Shipments, Market Share, and 5-Year CAGR, 2018 and 2022 (shipments in millions)							
Platform	2018 Shipment Volume*	2018 Market Share*	2018 Year-over-Year Growth*	2022 Shipment Volume*	2022 Market Share*	2022 Year-over-Year Growth*	2017-2022 CAGR*
Android	1,233.7	84.8%	-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.

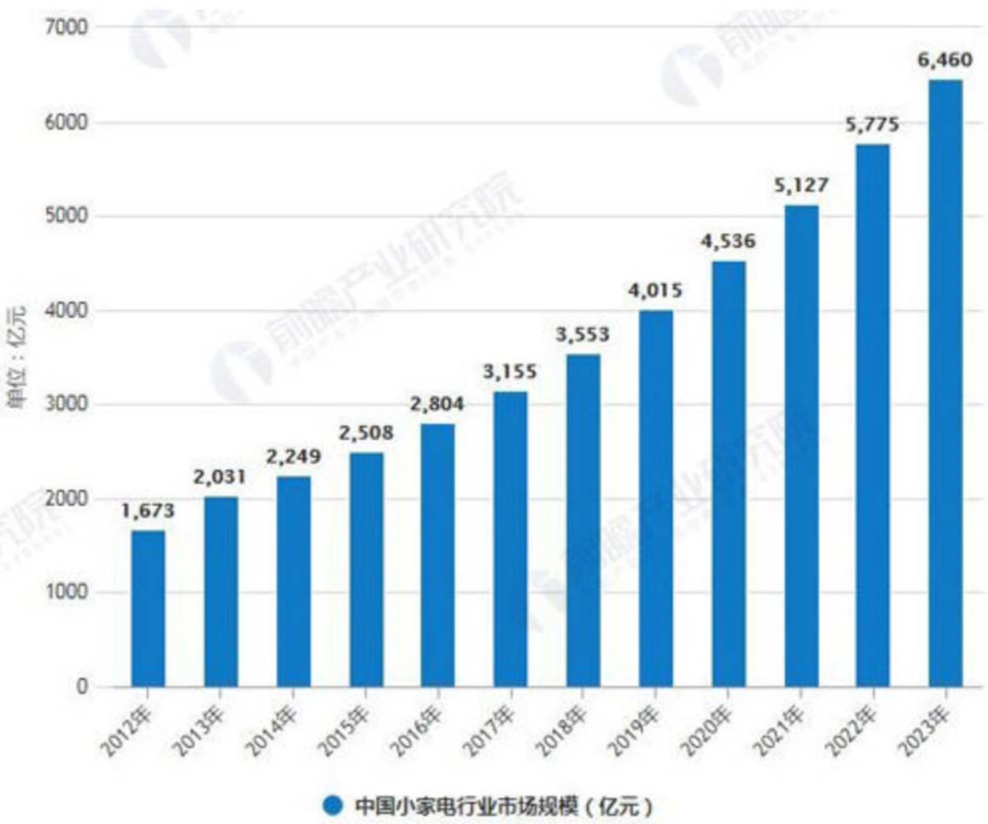
Data source: Open data

Innovation in the automotive industry: The four overriding trends of "electrification, networking, smartification, and sharing" will lead to profound 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. 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. 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

Manufacturing activities in Japan in February 2019 indicate the first contraction in two and a half years, while the German manufacturing sector suffered the largest contraction in six years. The PMI index reading of the Eurozone manufacturing sector dropped below the watershed line of 50, hitting a new low in 68 months, while the WTO World Trade Outlook Indicator dropped to its lowest value in nine years. Due to the impact of the trade slump, the global economy has been weakening since the end of last year with expectations of further worsening.

Against the backdrop of global trade turbulences, the latest data from Japan, Germany, and the Eurozone suggests that the impetus provided by the major exporting nations is further weakening. Trade activities lack the momentum required to rebuild confidence in the manufacturing sector. Relevant data released on February 21, 2019 indicates that Japan's manufacturing PMI initial value dropped drastically from 50.3 in January to 48.5 in February, which represents the lowest level in 32 months. This is the first time since August 2016 that the PMI value has dropped below the watershed line of 50. Trade disputes and sluggish overseas demand have had an immense impact on the export-oriented Japanese economy which is shrouded in darkening clouds. Data released by the Japanese Ministry of Finance indicates a contraction of Japanese exports by 8.4% over the same period of the previous year, which falls significantly short of expectations and represents a new low since November 2016.

As for Europe, Germany's manufacturing PMI initial value dropped from 49.7 in January to 47.6, marking a record low in 74 months. This value falls significantly short of forecasts. The output index of the German manufacturing sector decreased from 50.3 in January to 48.0, marking a new low in 74 months. Export orders saw the largest drop in six years. Phil Smith, Principal Economist at HIS Markit, points out that the main factors causing sluggish order inflows of the German manufacturing sector include uncertainties associated with trade tensions, a weakening outlook of the automotive industry, and rising competitive pressure in Europe.

In February, the PMI initial value of the Eurozone manufacturing sector dropped below the watershed line of 49.2 for the first time since June 2013. Economic growth in the Eurozone in February was confined to the service sector. New orders of the manufacturing sector saw the largest drop in six years with an accelerating decrease in new export orders compared to January. Chris Williamson, Chief Business Economist at HIS Markit, points out that the Eurozone economy was still stagnant in February. The growth momentum is still one of the weakest since 2014. Survey data reveals that GDP growth in said area in Q1 is not expected to exceed 0.1%.

The automotive market as the key factor for the recovery of the global manufacturing sector

Japan and Germany, the leading car manufacturing countries, are deeply affected by the collapse of the global automotive market. The new year started out poorly for the global automotive industry. Car sales in China, the largest automotive market in the world, recorded the largest single month decrease in seven years. This represents a heavy blow for the global market. The number of new vehicle registrations in Europe has been decreasing for five consecutive years. The impetus of the US market is insufficient. A Zerohedge article argues that the automotive market is the key factor for the recovery of the global manufacturing sector. The industry currently faces numerous challenges caused by transitory factors such as the new emission standards of the EU, the expiration of preferential automobile tax policies in China, and trade disputes as well as structural transformations of the industry. Demand and supply is currently shifting from diesel and gasoline-powered cars to electric and hybrid vehicles. This leads to delayed purchases of cars by consumers in anticipation of the market launch of more electric/hybrid models.

World Trade Outlook Indicator drops to the lowest value in 9 years

Due to the impact of the trade slump, the global economy has been weakening since the end of last year with expectations of further worsening. Korean exports which are often referred to as a “canary in the goldmine” for the global economy still displayed a lack of vitality in January of this year. Relevant data released by the Korean Customs Service on February 1 indicate that the export volume reached US$ 46.3 billion in January 2019, which is the lowest value in 12 months (a decrease by 5.8% over the same period of the previous year). On February 19, 2019, WTO announced a World Trade Outlook Indicator reading of 96.3, which is the weakest since March 2010. This indicator encompasses several principal drivers of trade. A value below 100 signals below-trend trade expansion.

WTO points out in an official statement that global trade continues to lose momentum, which highlights the urgency of the tense situation caused by sluggish trade. This tense trade situation is coupled with political risks and financial turbulences which may foreshadow an even wider economic depression. WTO forecasts a growth of only 3.7% in global trade activities in 2019, which represents a drop by 3.9% compared to 2018 with a potential further decrease.

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:

A. 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.

Market research reports reveal that the international machine tool market will be characterized by stability and moderate recovery between 2016 and 2020. In the field of market competition, the industry entered a stage of reorganization and consolidation in 2015. This is clearly demonstrated by the merger of Mori Seiki and DMG (DMG Mori) and the acquisition of MAG by Fair Friend Group. Our main products are castings exclusively designed for lathes and columns of machine tool applications. As the economy picks up steam, experts forecast a growing demand for machine tools. Under the impact of Industry 4.0, we will accelerate the development of industrial machinery products as a key facet of our future sales strategy.

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.

Our main products are special castings for air compressor casing and rotors. Products are characterized by high added value, large demand, and low substitutability on the market. This industry therefore represents a long-term focus of our company. Atlas Copco, one of our major customers, has maintained its leadership position since 2010. The procurement volume from Yeong Guan has seen positive growth as of 2015 due to constant innovation and the latest energy-saving high-end centrifuge (MKII). In 2018, Yeong Guan initiated the development of other models with great growth potential.

However, judging from the overall supply situation, excessive production capacities will lead to massive price drops. The sluggish market also generates negative impacts. Some manufacturers pursue cost reductions through decreased deployment and lower quality. They even adopt non-standard methods and norms to lower product quality, which affects reliability and stability and adds uncertainty to the air compressor market.

B. Marine

C. equipment

As far as the market for marine equipment is concerned, the marine industry has been undergoing structural adjustments for some time due to the bleak outlook of the global marine 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 from 2018-2020.

Due to the higher technical requirements and the fact that all advanced countries have their register of marine 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 marine 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 marine 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.

Summary

As of 2017, we are constantly cooperating with our customers in the development of a larger number of models with exceptional performance. Customer demands and orders exhibit a stable growth pattern. We are also aware of the fact that market demand is centered around high-end brands. Order volumes of all major customers including the aforementioned DMG-Mori1 and Atlas, the industrial machinery manufacturer Bobst (packaging machines), and Man/Wartsila (marine engines) show positive growth.

The demand for industrial machinery is closely linked to overall economic development. All forecasts in 2018 indicate a significant economic recovery and orders are starting to pour in. In 2018, our main focus will therefore lie on the selection/development/retention of key industrial machinery customers.

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.

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 2018, 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

There is a serious lack of radiation therapy capabilities in these areas. This applies to Western Europe and emerging markets in these regions. In developing nations, radiation therapies and other forms of advanced cancer treatment are still scattered and scarce. In response to the increasing number of cancer cases and increased early diagnosis rates, Western Europe is currently investing in new radiation therapy capabilities. In addition, bad habits such as order changes and life cycle support create growth opportunities. The Eastern European market is currently characterized by active efforts and investments. Cancer therapy resources are dated and many countries rely on national programs for the expansion of nursing services and modernization of resources. This signals significant demand fluctuations over time.

In Africa, only a small percentage of the population has access to radiation therapies, which implies significant opportunities for long-term growth. In 2018, Elekta had a total market share of 49% in the radiation therapy equipment market of Europe, the Middle East, and Africa.

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. China is still the market with the highest investment volume and speed in this area. The Asia-Pacific market is characterized by the creation of new therapy capabilities. 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. In China, numerous large cities and urban areas are in the process of adopting or expanding radiation therapy services, which contributes to the creation of business opportunities for manufacturers of radiation treatment devices. In 2017 and 2018, markets with observed growth tendencies include India, Korea, Australia, and Thailand. On the other hand, Japanese market development continues to be sluggish. In 2018, Elekta had a total market share of 44% 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; %

Item \ Year	2017	2018	First Quarter of 2019
R&D expenses(Note)	163,176	159,430	32,209
Revenue	6,404,342	6,195,855	1,552,357
Share of revenue (%)	2.55%	2.57%	2.07%

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 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

Technology or product type	Properties and functions
	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 flask	Guarantees sufficient ventilation during the casting process and 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

1. 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., 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.

2. 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.

Long-term:

(1) 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

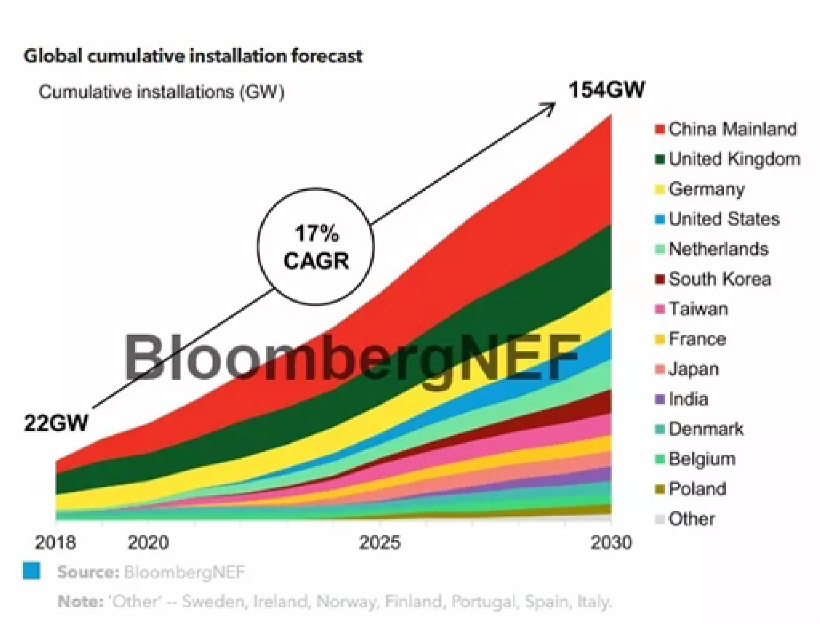
Unit: 1000NTD; %

Year / Region	2017		2018	
	Amount	%	Amount	%
Europe	2,578,744	40.27%	2,017,834	32.57%
China	2,118,100	33.07%	2,335,370	37.69%
USA	513,388	8.02%	506,657	8.18%
Asia	1,194,110	18.65%	1,335,994	21.56%
Total	6,404,342	100.00%	6,195,855	100.00%

2. Future supply conditions and growth potential of the market

Wind power industry

Development trends of global offshore wind power are shown in the chart below. The capacity of 154GW indicated below does not include the demand for onshore wind power castings. The demand structure is shifting toward large-sized castings. Demand for castings is therefore quite brisk. However, sea and land transportation will pose a significant challenge in the future.



Renowned international research organizations are highly optimistic with regard to the CAGR of offshore wind power as shown by the screenshots below.

"We expect global offshore installations to grow at a >15% CAGR through 2025, with Siemens Gamesa commenting that margins are better than in onshore, in part due to the higher market concentration (and so better pricing power) amongst suppliers"

Source: Citi, Global Wind Power Equipment, The wind is picking up: Mid-term growth prospects improving, 27 November 2018

"SGRE's Q1 results on 29 January showed onshore order pricing of EUR0.76/W, up sequentially and +5% y-o-y, cementing the view that underlying prices for onshore wind have stabilised. Falling turbine prices have been a key headwind over the past 18 months."

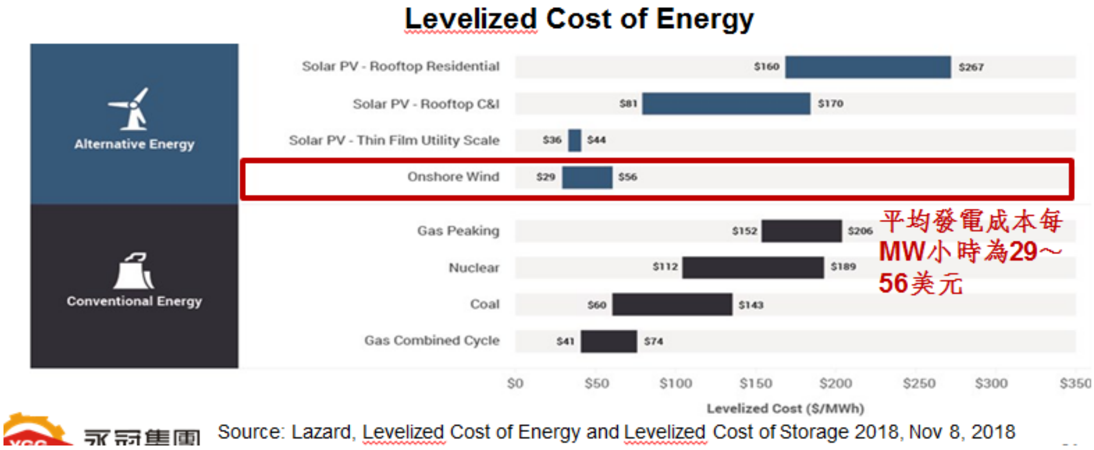
Source: HSBC, Siemens Gamesa (SGRE SM), Upgrade to Buy: Backing the offshore wind leader, 1 February 2019

In 2018, the wind power market will be characterized by new trends including larger turbines, better economic efficiency, and digitization. Almost all estimates indicate continued stable growth in the maturing offshore wind power market in 2018 with the added impact of robust growth in emerging markets since wind energy has consolidated its position as a mainstream energy technology. The wind power industry achieved a significant milestone in June 2017 as wind power installations reached a total capacity of 500 GW. The new GWEC provided the following rosy forecast for the industry: By 2020, the global capacity of new wind power installations may reach 80GW/year (newly installed capacity equaled 60GW/year in 2017) and the total installed capacity will amount to 797 GW (see image below)

Steve Sawyer, Secretary General of Global Wind Energy Council (GWEC), points out that total investments of the global wind power industry amounted to US$ 112.5 billion and over 1.2 million employment opportunities have been created, turning the wind power sector into one of the fastest growing industries in the world as well as the main driving force of energy transformation. The global wind power industry realized a series of key achievements in 2017. A notable example is the constantly increasing power generation capacity of wind turbines. In Europe, the power generation capacity of 90% of all newly purchased onshore turbines in the first half of 2017 exceeded 3 MW. The fact that a majority of wind turbine manufacturers will start delivering 4 MW turbines in 2018 clearly indicates that this trend will continue. The growing attention to low wind speed power generation in recent years will also bear fruit by boosting wind power development in undeveloped markets.

These developments help enhance the competitiveness of wind power compared to other forms of newly emerging or traditional power generation. A report released by the investment firm Lazard in 2016 estimates that the average cost of unsubsidized wind power in the US amounts to US$ 32-62 per MW. At the same time, the 2017 New Energy Outlook released by Bloomberg New Energy Finance predicts that the average cost of onshore wind power will have dropped by almost 50% by 2040. In view of these conditions, Steve Sawyer identifies two tipping points during the renewable energy transformation process. He points out that “we have already reached the first tipping point where onshore wind is the cheapest method to connect new power capacity to the grid with solar power as its main competitor. The second tipping point is reached when wind and solar power are more competitive than traditional energy sources. At this point, the closing of traditional power plants becomes more attractive from and economic perspective. I firmly believe that this will turn into a dominant trend in OECD markets in the near future.” Despite these heartening developments, Secretary General Sawyer admits that price pressure generates new challenges for the wind power industry. “The wind energy industry has two conflicting goals: the provision of a maximum quantity of carbon-free energy at the lowest prices and the creation of local employment opportunities and investments. These goals are often incompatible and conflicting. I don’t believe that these price pressures will disappear in the near future, which poses a huge problem for OEM. I sincerely hope we will see more mergers in the future. A higher number of players will sacrifice profits to maximize their market share which is unfavorable for the long-term development of the industry. Despite the fierce competition, the International Energy Agency (IEA) predicts in its latest wind energy industry outlook that wind energy will turn into the most important power source prior to 2040.”

Cost incurred from wind power generation has become more competitive from the following graph.



In addition to wind turbines, there are a rising number of new digitized and IoT analysis technology applications that help realize optimized operations and maintenance for wind power projects, generating more room for improved profitability. As the wind energy industry matures, the global energy eco-system is developing rapidly. This will also generate opportunities for the wind power industry. For instance, we witnessed several wind power projects characterized by complementary battery storage systems and onshore/offshore wind farms. This new operational model generates a new income source for wind farm operators, which is an encouraging development for an industry which faces relatively low profit margins. Following the initiation of a greater number of co-location projects, it remains to be seen whether the matching of wind energy and battery storage will turn into a new industry paradigm.

The 4th public tender for onshore wind power in Germany sees a departure from community-oriented project models

The German Federal Network Agency organized a series of auctions for new renewable energy projects of a capacity of 709 MW in February 2018. Following the previous three community-oriented onshore wind power auctions, Germany requires all bidders to acquire mandatory permits. These tenders will help fill the shortage of installations in 2018 and 2020 and enhance the project realization rate. The active development in the field of German wind power is a direct result of continued approval of projects as well as successful build-up by the Federal Government.

Dropping costs of offshore wind power in India

India may develop its first offshore wind power project this year. Against the backdrop of falling wind power prices, the Indian government plans to invite bids for a 5GW offshore project. The government plans to initiate the development of offshore wind power as onshore wind power prices hit a record low in India. Since the initiation of the auction system, onshore wind power prices have dropped by 50%. On the other hand, offshore development projects have been in limbo since announcement of the offshore wind power policy framework in 2015. The simultaneous development of onshore/offshore wind power is conducive to achievement of the national goal of 60GW of wind energy by March 2022.

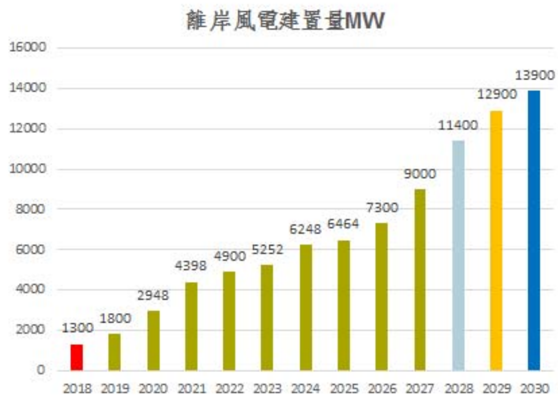
Wind power stages a comeback in Latin America

Following a two-year period of political and economic uncertainty, Brazilian wind power developers finally started placing bids in 2015. The robust Latin American wind power market is showing signs of recovery. The Brazilian government allocated new capacity of over 1.4GW in a public auction (A-4/A-6) organized in December 2017 (wind power prices are 51% lower than during the last public tender) . Following in the footsteps of Brazil, the neighboring Argentina has achieved similar success after implementation of its new wind power auction program ReovAr. Wind power was the main bid-winning power generation technology among new energy projects in Argentina in January in 2018.

Good news for US onshore and offshore wind power

Despite that fact that tax reform negotiations are likely to collapse, the US wind power industry performed respectably in 2017. The year 2018 looks even more promising. Last year, developers tried to ensure the safety of wind turbine equipment of a capacity of 10GW. In January 2018, new tariff policies led to a decreased capacity of domestic solar power installations between 2018 and 2022, which in turn creates more room for wind energy development. The US offshore wind power industry received four blessings from the government which will spur technological development in Maryland, Massachusetts, and New York state.

We can glean the deployment of offshore wind power in Asia from the image below.



- Newly added wind power capacity in the Asia-Pacific region (including India) from 2018-2030 amounts to 88GW (CAGR of 21.8%)
- South Korea has set the goal of an increase of the amount of renewable power in the country's energy mix to 20 percent by 2030

Data source: Make Consulting 2018.5/GWEC/National policies/
Metal Industry Intelligence (MII) (July 2018)

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

As per official announcement, equipment orders of the US manufacturing sector amounted to US$ 443 million in December 2018, which represents a drop by 2% and 6% compared to November and December 2017, respectively. The total order volume reached US$ 5.5 billion in 2018, which represents an increase by 19% compared to 2017. This is the fourth decrease from November to December in the 23-year history of the program. The year does not end with the increase in orders in the first eleven months.

Due to the US government shutdown, most KPIs of the manufacturing sector were not released in December 2018. Available information reveals that growth will be maintained, but momentum will be slowing in 2019. The Purchasing Managers Index released by ISM registered 6 percent in January, an increase of 2.3 percentage points from the December reading of 54.3 percent, which indicates a continued expansion of the manufacturing sector. Starting in 2019, annual new-vehicle sales are expected to reach around 17 million, while the Bureau of Labor Statistics announced the addition of a staggering 34,000 new jobs. This number is almost two times as high as forecasted.

Top executives of the US industrial machinery industry closely monitor the trade war with China. Despite the fact that a majority of US entrepreneurs agree that the US needs to take concrete action to prevent IPR theft and that it cannot be accepted that US companies are forced to provide investments and business secrets as the price for gaining entry into the huge Chinese market, it is not clear whether the current strategy is even more damaging for the US economy. However, US media remain upbeat about the outlook of the manufacturing technology market since preliminary forecasts of analysts point to a growth of 5% to 10% in industrial machinery orders in 2019 compared to the same period of 2018.

U.S. Manufacturing Technology Orders | USMTO | a statistical program of AMT

Feb-19 REV

	DEC 2018 (P)	Previous Month	% Change	Year Ago Month	% Change	YTD 18 (P)	YTD 17 (R)	% Change YTD
National								
Metal Cutting	432.40	437.22	-1.1%	455.59	-5.1%	5,233.73	4,415.28	18.5%
Metal Forming & Fabricating	10.82	15.55	-30.4%	14.96	-27.7%	218.98	152.45	43.6%
Total	443.22	452.77	-2.1%	470.55	-5.8%	5,452.71	4,567.73	19.4%
Regional								
Northeast								
Metal Cutting	100.47	95.29	5.4%	72.35	38.9%	987.93	751.91	31.4%
Metal Forming & Fabricating	1.42	1.47	-3.4%	3.76	-62.2%	23.29	20.31	D
Total	101.89	96.76	5.3%	76.11	33.9%	1,011.22	772.22	D
Southeast								
Metal Cutting	50.88	55.44	-8.2%	50.41	0.9%	671.64	511.66	31.3%
Metal Forming & Fabricating	D	3.14	D	D	-46.5%	21.06	D	D
Total	D	58.59	D	D	-2.3%	692.70	D	D
North Central-East								
Metal Cutting	98.49	94.86	3.8%	104.92	-6.1%	1,167.87	1,074.67	8.7%
Metal Forming & Fabricating	2.91	8.63	-66.3%	1.96	48.7%	64.51	52.58	22.7%
Total	101.40	103.49	-2.0%	106.88	-5.1%	1,232.39	1,127.24	9.3%
North Central-West								
Metal Cutting	70.84	74.58	-5.0%	102.41	-30.8%	1,012.35	868.65	16.5%
Metal Forming & Fabricating	1.94	1.58	23.4%	1.85	4.9%	82.48	21.24	288.4%
Total	72.79	76.16	-4.4%	104.26	-30.2%	1,094.83	889.88	23.0%
South Central								
Metal Cutting	27.55	33.60	-18.0%	44.77	-38.5%	484.50	414.20	17.0%
Metal Forming & Fabricating	D	D	66.3%	D	0.3%	11.48	D	D
Total	D	D	-16.5%	D	-37.6%	495.98	D	D
West								
Metal Cutting	84.17	83.45	0.9%	80.73	4.3%	909.44	794.20	14.5%
Metal Forming & Fabricating	1.58	0.12	*	2.75	-42.4%	16.17	8.85	82.7%
Total	85.75	83.57	2.6%	83.48	2.7%	925.61	803.05	15.3%

Northeast
Southeast
North Central - East
North Central - West
South Central
West

$ = millions of dollars
P – preliminary
R – revised
* – percent change greater than 1,000% Totals may not match due to rounding

Note on fields marked D: Due to a change in survey participants the year over year comparison number for Metal Forming and Fabricating is not an accurate reflection of the data. We have adjusted the data for the past 12 months to take this change into consideration. The new chart reflects a consistent year over year comparison of the data at the current participation level.

Image above: Report on US manufacturing sector orders in December 2018 (source: Association for Manufacturing Technology)

With regard to the German market, Dr. Heinz-Jürgen Prokop, Vorsitzender Verein Deutscher Werkzeugmaschinenfabriken e.V. (VDW) pointed out in an annual press conference held in Frankfurt that „the German machine tool industry is expected to increase its current record-level production by 2 percent, thus taking total production volume to 17.4 billion euros." He went on to explain that 2019 business would also continue to benefit from many orders taken in 2018 that will now be gradually processed throughout the course of 2019. In addition, Prokop pointed out that the VDW's forecasting partner Oxford Economics is expecting capital spending by key machine tool user industries in Germany to increase by 4 percent, and machine tool consumption to rise by 3 percent. "Both indicators are relevant to our industry's outlook, and both are showing very pleasing growth," he told the assembled journalists. Other positive factors include high capacity utilization in the machine tool industry and its client industries, plus the trend towards greater integration and automation as drivers of new investment, he said.

Dr. Wilfried Schäfer, Executive Director of VDW, the chief organizer of EMO Hannover, stated at the EMO press conference in March 2019 in China that "The global economy is not growing as dynamically as it did last year. However, this slow-down after the turbulent years of growth means that companies can once again concentrate on strategic issues and make decisions regarding their future investments." EMO Hannover 2019 represents the ideal platform for this.

The upcoming Metal Madrid, which is centered around the theme “Smart Technology as the Driving Force for Future Production”, aims to share relevant information on the current state of modern production technologies, online and digital production solutions of the future, and new services generated in coordination with traditional processing technologies. Despite the fact that economic data indicate suboptimal results compared to 2017/2018, sturdy growth has still been maintained. The industry benefits from the rapid development in Asia (GDP growth of 4.5%) followed by the Americas (GDP growth of 2.4%) and Europe (GDP growth of 1.6%). However, Europe still serves as a bellwether in the field of capital spending and machine tool consumption (increase by 3.8% and 4.7%, respectively). Total consumption in Eastern Europe is projected to increase significantly. Hungary, Poland, the Czech Republic, and Slovakia are still highly successful industrial regions characterized by sound development and attraction of investments. The German economy, which is the largest European market and birthplace of EMO Hannover, is thriving despite slightly sluggish growth.

It is expected that machine tool consumption in Germany will again exhibit sturdy growth of 3%. The growth rate of machine tool consumption in Asia and the Americas is 3.3% and 3%, respectively. Asia will therefore turn into the second largest international client next year. The growth rate in Southeast Asian nations such as Vietnam and Indonesia is relatively high, while machine tool consumption in the Indian subcontinent also by far exceeds average values. China, which is the largest market in Asia, is expected to maintain moderate growth in the field of machine tool consumption in sync with the whole region and will continue to exert significant influence in the upcoming years. In addition, US machine tool demand in 2019 is expected to remain at a high level despite a slowing down of the booming development caused by tax cuts by the government and highly attractive depreciation policies.

Of the nine key customer industries worldwide, it is the precision mechanics and optics sector, the automotive industry, the electrical engineering/electronics industry including power generation, the aircraft industry and the other transport sectors (above all rail transport and shipbuilding) that are investing at above-average levels. "Let me turn now to the state of the machine tool industry in the EMO host country Germany," says Schäfer. Production and exports have reached new record levels in 2018. According to estimated figures, the industry has produced over 17 billion euros worth of machinery and services. It exported about 68 percent of these.

Slowing down of the Chinese economy

After several years of rapid growth, the Chinese economy shows signs of slowing down. It now exhibits stable single-digit growth at a normal level. This is not unusual. Other Asian countries such as Japan and Korea have similar experiences. The Chinese government has adopted countermeasures in response to these transformations. This includes infrastructure investments, reduction of local government debt, restrictions on financing options, and supervision of real estate speculation. Germany Trade & Invest (GTAI) points out that these transformations indicate a gradually decreasing importance of capital investments. This is unavoidable in the development process. On the other hand, the government stimulates consumption through tax cuts since consumption is one of the main pillars of economic development.

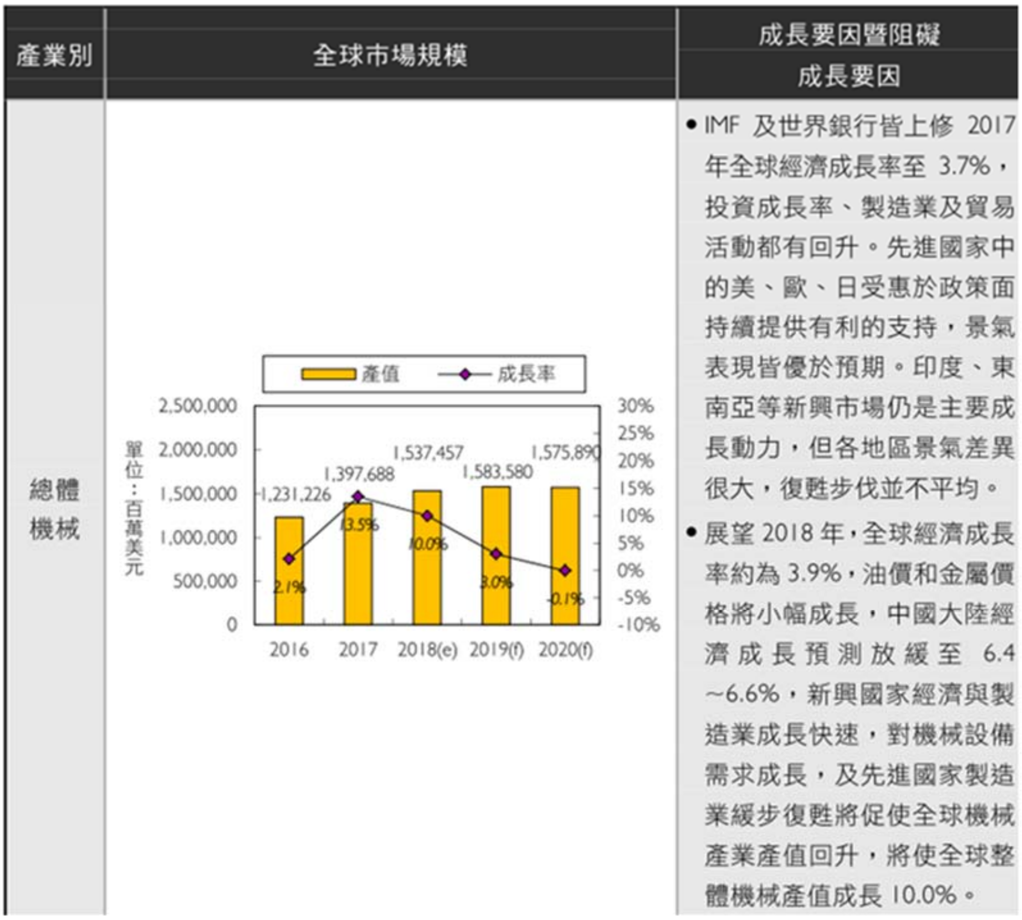
According to statistics released by Oxford Economics, the GDP growth rate in China is projected to reach 6.1%, while the GDP of the whole Asian region is expected to rise by 4.5%. Industrial production growth is more sluggish at 4.6%. Investments by the eight major machine tool customer industries are projected to increase by 3.5%. Greatly increased investment ratios have been recorded in the aircraft industry and other transport sectors (above all rail transport and shipbuilding), the automotive industry, and mechanical engineering. Modern production technologies available on the world market and domestically represent the key to enhancement of the competitiveness of the Chinese industry. China is the largest manufacturer of machine tools. However, the consumption of machine tools exceeds the domestic production volume by 75%. This data is a key reference for the realization of industry modernization goals. Oxford economists forecast that total machine tool consumption will grow by 3.3% in 2019 (the growth rate in 2018 was 7%).

In 2018, the value of Chinese machinery imports reached around EUR 8 billion, which turned China into the largest import nation in the world. Germany is China's second largest supplier, accounting for around 25% of its total import value. In 2018, German machinery exports to China increased by 6% to around EUR 2.3 billion. Orders mainly consisted of machining centers, grinding machines, lathes, parts, and accessories. "However, the Chinese-German machine tool business is by no means a one-way street," says Schäfer. Germany accounts for about 4 per cent of Chinese exports. From a German perspective, the country is one of the top ten suppliers with a share of over 4 per cent and a volume of around 170 million euros. In 2018, imports from China rose by 23 per cent.

The China Machine Tool & Tool Builders Association (CMTBA) stated on the 15th that the Chinese machine tool consumption market which exhibited a declining tendency in 2018 stabilized at year end. In 2019, the Chinese machine tool industry will enter a key period of transformation, upgrades, and high-quality development. Mr. Mao Yufeng, Vice Standing President of CMTBA, revealed as he described the operating conditions of the Chinese machine tool industry that total consumption of metalworking machines reached US$ 29.13 billion in 2018, which represents a slight decrease by 2.8% compared to the same period of the previous year. Gross output amounted to US$ 23.46 billion, a decrease of 4.3% over the same period of last year. Total exports and imports reached US$ 4 billion and US$ 9.67 billion, a rise by 21.6% and 10.6% over the same period of the previous year. A comprehensive analysis of the aforementioned consumption, production, and import/export data clearly shows that the Chinese metalworking machinery market still has significant potential despite demand fluctuations. The overall demand structure is characterized by constant upgrades.

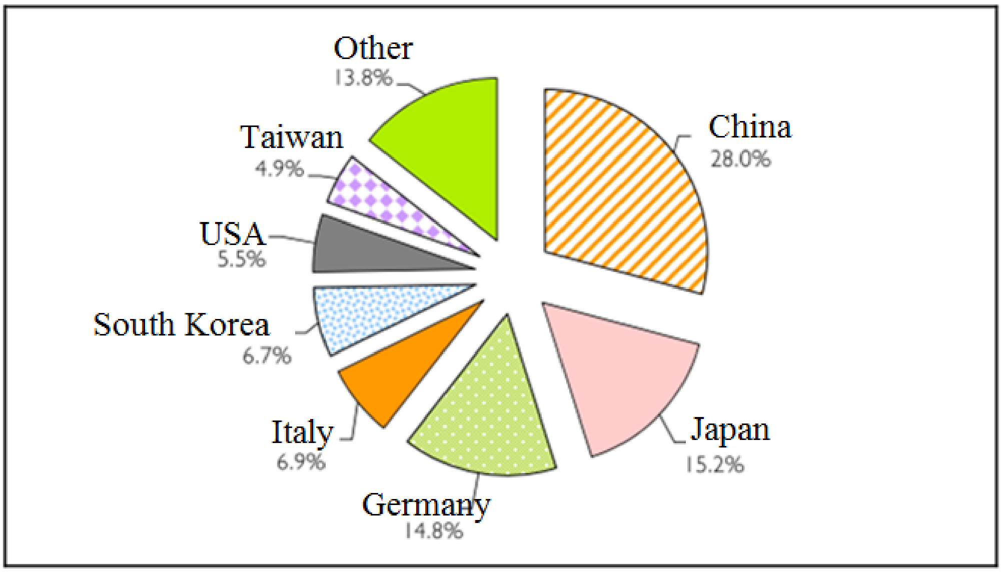
Mr. Mao points out that the national economy is expected to maintain steady, healthy, and sustainable growth despite pressures and challenges generated by far-reaching transformations of the external environment as well as economic transformations. Various policy measures including streamlined administration, tax cuts, fee reductions, and convenient financing coupled with constant improvements of the business environment effectively stimulate the market and business activities and are expected to generate new development opportunities for the manufacturing sector. China will promote high-quality development of the manufacturing sector to strengthen the industrial base and technological innovation capabilities and boost the integrated development of the advanced manufacturing sector and the modern service sector.

Mr. Mao points out that 2019 is a decisive year with key challenges for the Chinese machine tool sector which is about to enter a key period of transformation, upgrades, and high-quality development.



產業別	全球市場規模	成長要因暨阻礙 成長要因
總體機械		• IMF 及世界銀行皆上修 2017 年全球經濟成長率至 3.7%，投資成長率、製造業及貿易活動都有回升。先進國家中的美、歐、日受惠於政策面持續提供有利的支持，景氣表現皆優於預期。印度、東南亞等新興市場仍是主要成長動力，但各地區景氣差異很大，復甦步伐並不平均。 • 展望 2018 年，全球經濟成長率約為 3.9%，油價和金屬價格將小幅成長，中國大陸經濟成長預測放緩至 6.4~6.6%，新興國家經濟與製造業成長快速，對機械設備需求成長，及先進國家製造業緩步復甦將促使全球機械產業產值回升，將使全球整體機械產值成長 10.0%。

Chart above: Development trends of the global machinery industry
(Source: Industrial Technology Research Institute, May 2018)



Source: Industrial Technology Research Institute IEK (2018/06)

Chart above: Market shares of the largest supplying countries of machine tools in 2017

As for the global air compressor market, the overall demand for Atlas equipment and services has improved. Calculations in comparable currencies indicate that the order intake of Atlas group has increased by 4%, while the service volume including professional rental services grew by 11%. Positive development has been recorded in all business areas and regions. The main reason for the increased order volume for air compressors lies in the rising demand for large-scale industrial compressors and gas and process compressors. Due to the weakening demand of the semi-conductor and panel display industry mainly in Asia in the second half of the year, the demand for vacuum equipment dropped accordingly. The equipment demand of industrial and high vacuum applications remains stable with increasing order volumes.

The order intake of industrial tool and assembly solution providers is increasing mainly due to the rising demand of general industrial applications. Road vehicle, aerospace, and electronics industry applications. After a period of weak performance in the second half of the year, motor vehicle industry demand is picking up slowly. The order volume for portable air and electric compressors, construction tools, generators, and pumps is also increasing. For more details, please refer to p. 18-31 of the business area section. The order intake of Atlas Group increased by 8%, which represents a record high 97-132 (90 132). Organic orders increased by 5%, while more favorable exchange rates contributed 3%.

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.

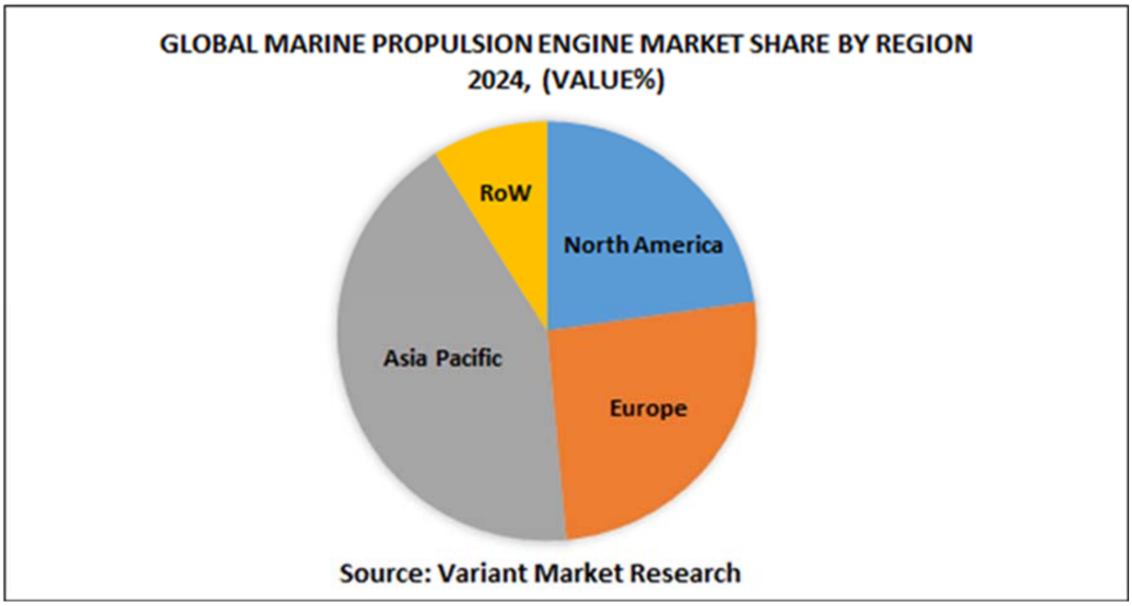


Chart above: Global Marine Propulsion Engine Market Share by Region in 2024
(Source: Variant Market Research)

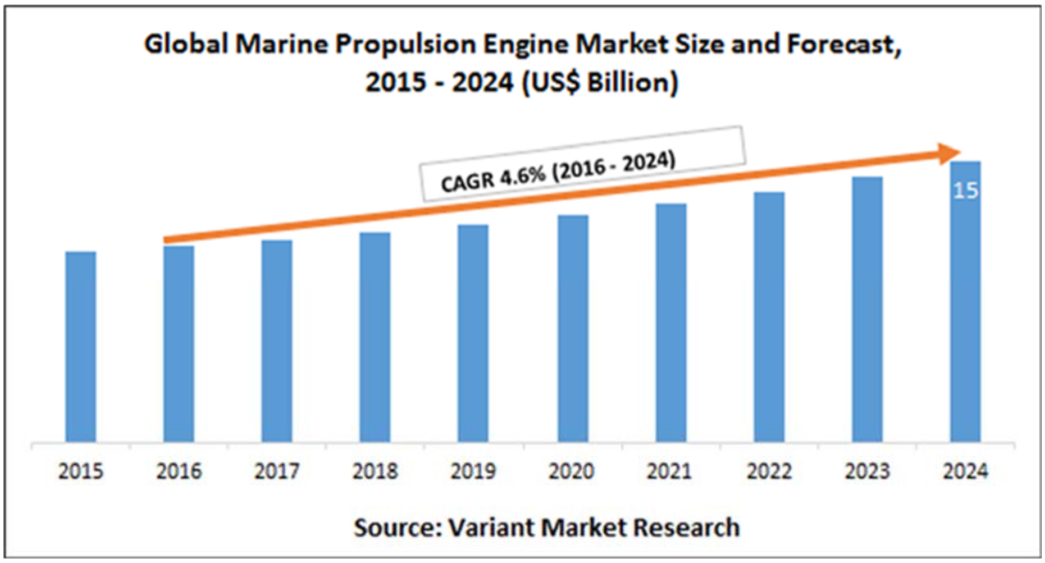


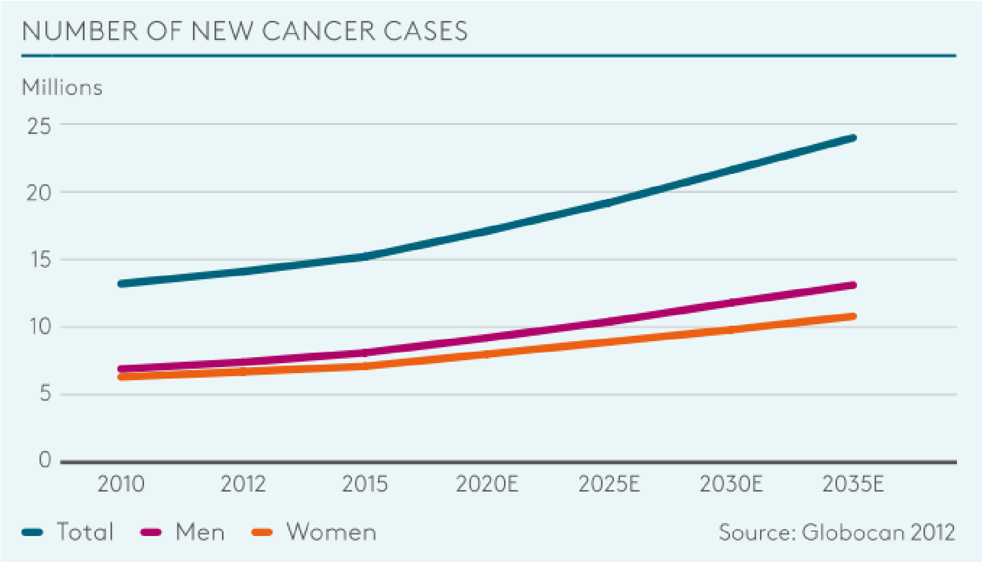
Chart above: Global Marine Propulsion Engine Market Size and Forecast
(Source: Variant Market Research)

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, new confirmed cancer cases exceed 15 million across the globe. It is expected that this is going to increase by 75% within the upcoming 20 years. The world's population and average life expectancy continue to increase as the time progresses. As such, respective countries' nurse competence continues to be under pressure. Today, more and more people survive from cancer and this has promoted the needs for continued treatment.

Estimates of New Confirmed Cancer Cases around the Globe

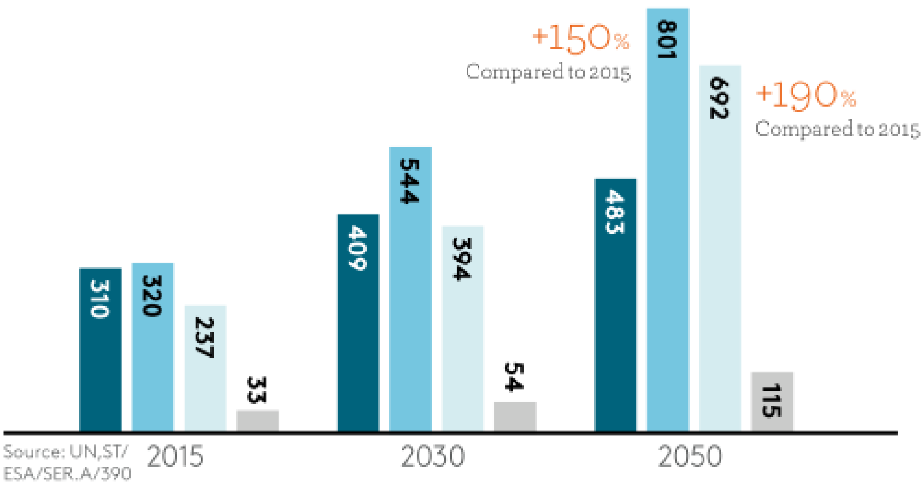


Drastic increase in global market demand is driving investments. Elekta has obtained new competence in both advanced system and standardized solution project. The world's economic growth in recent period is expected to be between 3% to 5% each year. Dramatic population growth in emerging markets shall also provide promising opportunities in these markets. The ever-increasing demand for cancer treatment also means that Yeong Guan shall utilize this business opportunity to continuously provide high quality product and service for its clients.

Even though with the extension of average life expectancy, most of the world's population today live in countries with income standards lower than average income standards. These countries are also the ones with the fastest growth in average life expectancy as well as population aged older than 60. Given the fact that most of today's cancer clinics and lineal accelerators are in high-income countries, the global market has an iconic need to increase installation basis for radioactive cancer treatment equipment.

Increase Trend for The World's Population Aged 60+

AGE 60+, EXPECTED NUMBER, 100 MILLIONS



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 field of industrial applications is very wide and production and sales counterparties and fields can be adjusted flexibly. In addition to existing global wind power clients, we shall explore more aggressively the development of various industry machinery clients and we shall pay more attention to the needs of auto car industry which is the end-user of injection machine clients.

產業機械

中國內需

- 中國公共基礎建設

產業鏈轉移

- 中美貿易戰下產業鏈轉移重組可能帶來新機會

自動化趨勢

- 長期將帶動空壓機、工具機、工作母機等成長。

注塑機

關注電動車產業

- 汽車產業為主要成長動能之一，新能源車、輕量化等趨勢帶動注塑機、壓鑄機、沖壓機和模具等需求。
- 耕耘數十年客戶關係緊密，品質穩定，產能規模優勢。

(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.

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.

The Company's investments in EHS and environmental protection have received recognition from various governments (Ministry of Industry and Information Technology, Yangtze River Delta Area, Jiangsu Province) for numerous times. This also establishes foundation for the Company's long-standing development in the future. It is an exponential affirmation to the Company's long-term development effort.

GE Green Supply-Chain Innovation(GSI): Through integration and innovation of green supply-chain management system, green supply-chain finance model innovation as well as green supply-chain service operation pattern innovation, a business internal-driven, executable and duplicable model which can be promoted is formed accordingly. GE collaborates with Yeong Guan Group in passing 2018 national green production project review. This was the only green supply-chain management project in that year, and it has been included into the national funding program. In January of 2019, it has received certified subsidy from the Ministry of Industry and Information Technology.

Yangtze River Delta eco-friendly advanced enterprise of mutual supervision and learning

The Company was recommended by environmental protection authority to represent Jiangsu Province VOC management advanced model unit for visit and exchange for exchange. On November 29th, 2018, "Yangtze River Delta Environmental Protection Agency Mutual Learning & Supervision Team" (composed of the Jiangsu Province Environmental Protection Agency, Zhejiang Province Environmental Protection Agency, Anhuei Environmental Protection Agency and Shanghai Environmental Protection Team) came to Pianyang for visit and exchange of views with environmental protection management advanced enterprise. The team arrived at Yeong Guan Group –Jiangsu Bright Steel Fine Machinery Co., Ltd. for visit and exchange of views.

Jiangsu Bright Steel is exempt from government imposed production restriction in case of High-Pollution weather or Autumn/Winter Staggered Peak production

江蘇鋼銳為“常州市秋冬季錯峰生産及重污染天氣應急管控停限産”豁免企業


常州市生态环境局

首页 | 新闻中心 | 专题专栏 | 政务公开 | 在线服务指南 | 公众参与 | 党建与纪检

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常州市秋冬季错峰生产及重污染天气应急管控停限产豁免企业名单（第三批）

【信息时间：2019-01-25　阅读次数：1057】

（全市43家，其中溧阳2家、金坛1家、武进3家、新北4家、天宁2家、钟楼30家、经开1家）

序号	辖市区	企业名称	企业地址	行业类别	豁免申请对应条件	豁免的主要生产线或生产设备	备注
1	溧阳	江苏安靠智能输电工程科技股份有限公司	天目湖工业园区悦朋路9号	电线、电缆制造	第五条第一款第七类	高压及超高压电缆附件生产线	符合《战略性新兴产业分类（2018）》要求
2	溧阳	江苏钢锐精密机械有限公司	溧阳市溧阳市天目湖工业园区天目湖大道100号	机械设备制造	第五条第一款第七类	风力发电关键设备制造生产线	符合《战略性新兴产业分类（2018）》要求

江蘇鋼銳為“常州市秋冬季錯峰生産及重污染天氣應急管控停限産”豁免企業

序號	轄市區	企業名稱	企業地址	行業類別	豁免申請對應條件	豁免的主要生產線或生產設備	備註
2	溧陽	江蘇鋼銳精密機械有限公司	溧陽市溧陽市天目湖工業園區天目湖大道100號	機械設備製造	第五條第一款第七類	風力發電關鍵設備製造生產線	符合《戰略性新興產業分類（2018》要求

(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.

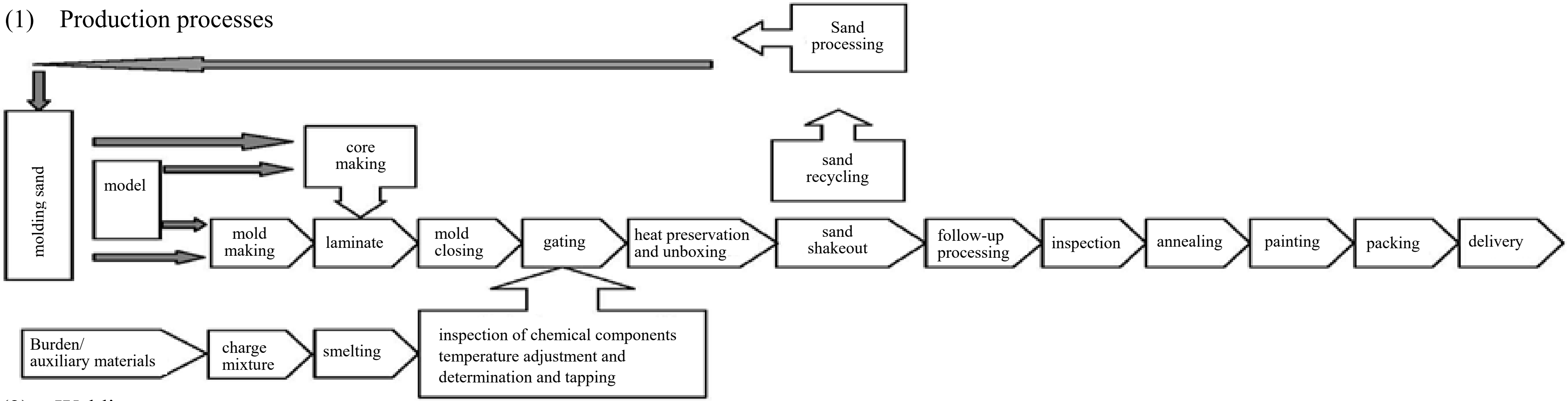
Responding Strategy:

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.

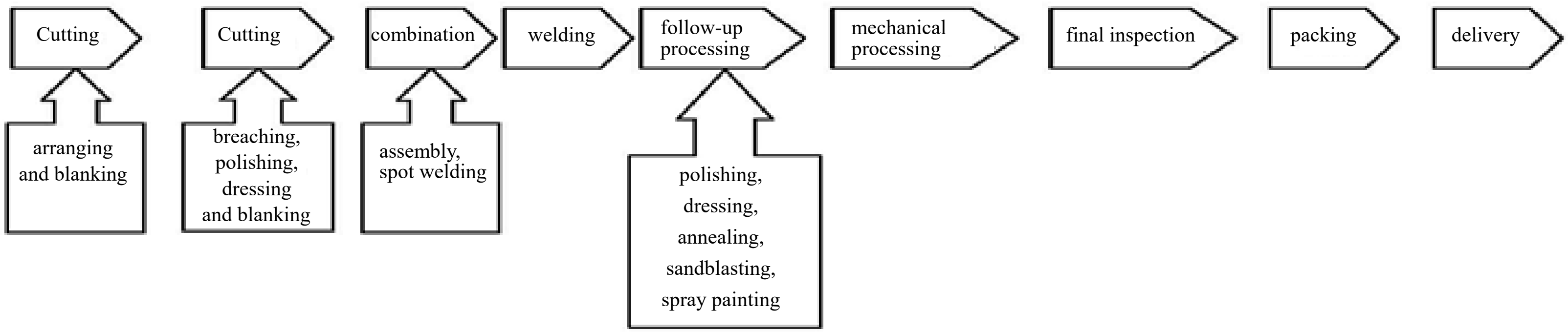
(b) Main uses and production procedures of major products

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.

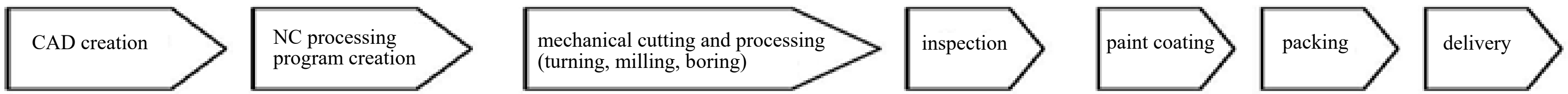
(1) Production processes



(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., Hebei Fongshan Casting Company, Linzhou Hexin Casting Industrial Co., Ltd., Ningbo Qi Chang Trading Co., Ltd.	Good
Scrap steel	Ningbo Jinlong Waste Metal Recycling Co., Ltd., Ningbo Yinzhou Hongli Metal Recycling Co., Ltd., Ningbo Zhonglie Renewable Resource Recycling Co., Ltd., Changzhou Hengguan Metal Company, Liyang City Tianheng Recycling Co., Ltd., Wenling City Hua Tai Resource Recycling Co., Ltd., Ningbo City Yinzhou Chihao Recycling Co., Ltd., Dongguan City Youxin Recycling Co., Ltd., Chiashan County Dong Tzu Scrap Metal Recycling Company., 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, Kunshan Hengwei Metals Company, Jiangyin Daewoo Special Irons Company	Good
Resin	Kao Chemical Corporation Shanghai (hereinafter referred to as Kao Shanghai), Jinan Shengquan Group Co., Ltd.	Good
Nodulizer	Sanxiang Advanced Materials 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; %

	2017				2018				1st Quarter of 2019			
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	267,889	8.67%	None	Benxi Shentie (Group)	285,477	8.23%	None	Benxi Shentie (Group)	207,802	20.20%	None
2	Benxi Shentie Iron Co., Ltd.	208,212	6.52%	None	Kao Shanghai	261,497	7.54%	None	Wu Hu Yaxin Casting Materials Limited	66,387	6.45%	None
3	Other	679,610	84.81%			2,920,467	84.23%		Kao Shanghai	56,770	5.52%	None
4					Other				Others	697,720	67.83%	
	Net purchases	3,194,355	100%		Net purchases	3,467,441	100%		Net purchases	1,028,679	100%	

Explanation on Reasons for Changes on Increase/Decrease:

1. The Company purchases more products from Benxi Shentie and Kao Shanghai because of their 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.

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; %

	2017				2018				1st Quarter of 2019			
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	977,790	15.27%	None	IO	540,160	8.72%	None	IO	174,233	11.22%	None
2	Other	5,426,552	84.73%		Other	5,168,142	91.28%		Other	1,378,124	88.78%	
	Net purchases	6,404,342	100.00%		Net purchases	6,195,855	100.00%		Net purchases	1,552,357	100.00%	

Explanation on Changes of Increase/Decrease:

1. IO Group's revenue is lower than the one for 2017. The main reason comes from the dropping of demand in the whole wind-power market for 2018. As such, needs for IO Group product also drop accordingly.
2. Increase of IO Group's revenue for 2019Q1 is because of increase of demands from the whole wind-power market for 2019 and, as such, orders from customers increase accordingly. Meanwhile, revenue from this Group's other wind-power customers also presents a trend of increase.

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

Unit: tons; 1000 NTD

Year / Production volume/value / Production categories	2017			2018		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Casting products	211,800	145,709	3,946,835	211,800	137,433	4,355,650
Precisely processed products(Note1)	293,264 (hour)	219,957 (hour)	1,084,589	348,507 (hour)	261,005 (hour)	1,190,963
Pressed scrap steel blocks	42,000	28,065	212,036	42,000	25,325	282,691
Other	Note 2	Note 2	470,140	Note 2	Note 2	324,899

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) Although production output for casting products in 2018 decreased, the output value increased by 10%. It's mainly because that, although needs for wind-power casting products decreased, sales prices for plastic injection machine and industry machinery products increased following the upward trend of raw material prices.

(2) Production capacity, output and output value for processed products increased in 2019. This is mainly because utilization of new processing equipment. However, output value per processing hour is lower because demands from wind-power market decreased and wind-power product processing prices were adjusted to ensure machine tool activation and output.

(3) Increase in ball scrape output value is because of increase in scrape steel prices.

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

Unit: tons; 1000 NTD

Year / Sales volume/value / Main products	2017				2018			
	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Energy product castings	9,338	440,689	37,501	1,800,896	9,426	468,143	25,931	1,232,816
Injection molding machine castings	27,416	969,840	34,338	1,203,907	26,237	979,260	33,476	1,242,505
Other castings	24,867	1,160,108	12,161	828,902	26,269	1,399,188	12,223	873,943
Total	61,622	2,570,637	84,001	3,833,705	61,932	2,846,591	71,650	3,349,264

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		2017	2018	1st Quarter of 2019
Number	Executives	73	71	75
	Production line staff	1,638	1,741	1,826
	General staff	468	449	441
	R&D personnel	66	74	74
	Total	2,245	2,335	2,416
Average age			37.79	38.36
Average years of service			6.57	7.01
Distribution of level of education (%)	PhD/MA	0.53%	0.51%	0.50%
	BA	9.67%	6.85%	6.71%
	Junior college or below	89.80%	92.63%	92.80%

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):
Penalties imposed for pollution of the environment in the most recent fiscal year up to the date of printing of the annual report amounted to NT$ 30,000. Incident details, countermeasures, and possible expenses are as follows:

(a) Jiangsu Bright Steel Fine Machinery Co., Ltd.
March 19th, 2018, hazardous waste of paint waste thinner had mostly been reused. Thinner residual which cannot be reused was mixed with paint residual. This was not reported separately and a fine of RMB30,000 was imposed accordingly.
Rectification Measures:
A supplementary report of contents of thinner items has been filed. Thinner and paint residual are collected and disposed separately.

(b) Other subsidiaries: 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
Lease Contract	Lessor: Ningbo Yeong Shang Lessee: Ningbo Yeong Chia Mei	2019-1-1 ~ 2023-12-31	Factory Building Lease	Nil
Insurance	Insured: Ningbo Yeong Shang Insurance company: PICC P&C	2018-6-29 ~ 2019-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Ningbo Yeong Shang	2018-7-5 ~ 2019-7-4	Property Insurance	Nil
Insurance	Insured: Ningbo Lu Lin Insurance company: PICC P&C	2018-6-29 ~ 2019-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Ningbo Lu Lin	2018-7-5 ~ 2019-7-4	Property Insurance	Nil
Insurance	Insured: Jiangsu Bright Insurance company: PICC P&C	2018-6-29 ~ 2019-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Jiangsu Bright	2018-7-5 ~ 2019-7-4	Property Insurance	Nil
Insurance	Insured: Dongguan Yeong Guan Insurance company: PICC P&C	2018-6-29 ~ 2019-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Dongguan Yeong Guan	2018-7-5 ~ 2019-7-4	Property Insurance	Nil
Insurance	Insured: Shanghai No.1 Machine Tool Foundry Insurance company: PICC P&C	2018-6-29 ~ 2019-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Shanghai No.1 Machine Tool Foundry	2018-7-5 ~ 2019-7-4	Property Insurance	Nil
Insurance	Insured: Ningbo Yeong Chia Mei Insurance company: PICC P&C	2018-6-29 ~ 2019-6-28	Employer Liability Insurance	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Dongguan Yeong Guan	2019-4 ~ 2019-11	Technology Service	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Jiangsu Bright	2019-4 ~ 2019-11	Technology Service	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Ningbo Yeong Shang	2019-4 ~ 2019-11	Technology Service	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Ningbo Lu Lin	2019-4 ~ 2019-11	Technology Service	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Shanghai No.1 Machine Tool Foundry	2019-4 ~ 2019-11	Technology Service	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.1.11	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.1.15	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.4.16	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.4.21	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Trade Purchaser: Ningbo Yeong Shang	2018.4.25	Pig iron	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Trade Purchaser: Shanghai No.1 Machine Tool Foundry	2018.4.25	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Jiangsu Bright	2018.4.25	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Yeong Shang	2018.4.25	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Shanghai No.1 Machine Tool Foundry	2018.4.25	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.5.15	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.6.9	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.7.3	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Yeong Shang	2018.7.13	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Shanghai No.1 Machine Tool Foundry	2018.7.13	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Shanghai No.1 Machine Tool Foundry	2018.7.13	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Ningbo Yeong Shang	2018.7.13	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.7.27	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.8.27	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Lu Lin	2018.8.31	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Yeong Shang	2018.8.31	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Shanghai No.1 Machine Tool Foundry	2018.8.31	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Jiangsu Bright	2018.8.31	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Ningbo Yeong Shang	2018.8.31	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Ningbo Lu Lin	2018.8.31	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Shanghai No.1 Machine Tool Foundry	2018.8.31	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Jiangsu Bright	2018.8.31	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.9.25	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Shanghai No.1 Machine Tool Foundry	2018.10.13	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Jiangsu Bright	2018.10.13	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Ningbo Yeong Shang	2018.10.13	Pig iron	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Ningbo Lu Lin	2018.10.13	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Lu Lin	2018.10.13	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Shanghai No.1 Machine Tool Foundry	2018.10.13	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Jiangsu Bright	2018.10.13	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.10.22	Pig iron	Nil
Sales & Purchase Contract	Supplier: Guangdong Hung De Purchaser: Ningbo Yeong Shang	2018.10.16	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.11.14	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Lu Lin	2018.12.06	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Jiangsu Bright	2018.12.06	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Shanghai No.1 Machine Tool Foundry	2018.12.06	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Ningbo Yeong Shang	2018.12.06	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Ningbo Lu Lin	2018.12.06	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Jiangsu Bright	2018.12.06	Pig iron	Nil
Sales & Purchase Contract	Supplier: Ningbo Yi Jung Purchaser: Shanghai No.1 Machine Tool Foundry	2018.12.06	Pig iron	Nil
Sales & Purchase Contract	Supplier: Tai Yuan Jin Ming Da Purchaser: Dongguan Yeong Guan	2018.12.15	Pig iron	Nil
Sales & Purchase Contract	Supplier: Wen Lin Hua Tai Purchaser: Ningbo Lu Lin	2015.1.2-long term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Supplier: Yu Huan Xin Duo Purchaser: Ningbo Lu Lin	2017.10.9-long term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Supplier: Ningbo Jui Yang Purchaser: Ningbo Lu Lin	2018.4.2-long term	Scrap Steel Sales & Purchase Contract	Nil
Collateral contract	Pledger: Dongguan Yeong Guan Debtor: Dongguan Yeong Guan Creditor: ICBC	2014.10 .17 ~ 2019.10.05	The pledger provides land and factory buildings as collateral for Financial derivative Agreements and other documents signed with the creditor valid from Oct 17, 2014 to Oct 5, 2019 such as Foreign Exchange Loan Contracts, Foreign Exchange Sub-loan Contracts, Bank Acceptance Agreements, Letter of Credit Issuance Agreements/Contracts, Guarantee Issuance Agreements, International and Domestic Trade Finance Agreements, and Agreements on Forward Transaction	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
			of Foreign Exchange. Secured claims shall not exceed the principal of RMB$ 36.8 million.	
Collateral contract	Guarantor: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2014-9-9 ~ 2019-9-8	The pledger provides 39,290 m2 of land and 24,895 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 9, 2014 to Sep 8, 2019 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 48.59 million.	Nil
Collateral contract	Pledger: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2014-9-9 ~ 2019-9-8	The pledger provides 13,350 m2 of land and 12,801 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 9, 2014 to Sep 8, 2019 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 18.4 million.	Nil
Collateral contract	Pledger: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2014-9-9 ~ 2019-9-8	The pledger provides 24,948 m2 of land and 36,394 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 9, 2014 to Sep 8, 2019 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 46.87 million.	Nil
Collateral contract	Pledger: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2014-9-9 ~ 2019-9-8	The pledger provides 33,344 m2 of land and 18,980 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 9, 2014 to Sep 8, 2019 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 36.47 million.	Nil
Foreign Exchange Loan Contract	Borrower: Ningbo Yeong Shang Lender: Shanghai Commercial & Savings Bank	2017-2-10 ~ 2020-2-9	Shanghai Commercial & Savings Bank provides Ningbo Yeong Shang with a working capital of US$ 3	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
			million. Principal and interest shall be payable once every three months.	
Collateral contract	Guarantor: 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	Guarantor: 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 Sep 22, 2015 to Sep 22, 2020 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 12.5 million.	Nil
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	2018-12-17 ~ 2019-12-16	Shanghai Commercial & Savings Bank provides Jiangsu Bright Steel with a working capital of US$ 2.5 million. Principal and interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Lender: Citibank	2019-1-14 ~ 2020-1-13	Citibank provides Jiangsu Bright Steel with a working capital of US$ 2 million. Principal and interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Lender: Citibank	2018-4-13 ~ 2019-4-12	Citibank provides Jiangsu Bright Steel with a working capital of US$ 3 million. Principal and interest shall be	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
			payable once every three months.	
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Lender: Shanghai Commercial & Savings Bank	2019-1-15 ~ 2020-1-14	Shanghai Commercial & Savings Bank provides Jiangsu Bright Steel with a working capital of US$ 2.5 million. Principal and interest shall be payable once every three months.	Nil
Credit Contract	Borrower: Shanghai No.1 Machine Tool Foundry Lender: E SUN Bank	2019-3-26 ~ 2019-9-26	E.SUN Bank (China) Shenzhen Branch provides Shanghai No.1 Machine Tool Foundry with a working capital of US$ 20 million. Principal and interest shall be payable once every month.	Nil
Credit Contract	Borrower: Shanghai No.1 Machine Tool Foundry Lender: CTBC Bank	2019-03-20 ~ 2019-09-19	CTBC Bank provides Shanghai No.1 Machine Tool Foundry with a working capital of US$ 10 million. Principal and interest shall be payable once every month.	Nil
Credit Contract	Borrower: Shanghai No.1 Machine Tool Foundry Lender: CTBC Bank	2018-11-21 ~ 2019-5-20	CTBC Bank Shanghai Branch provides Shanghai No.1 Machine Tool Foundry with a working capital of US$ 10 million. Principal and interest shall be payable once every month.	Nil
Foreign Exchange Loan Contract	Borrower: Shanghai No.1 Machine Tool Foundry Lender: E SUN Bank	2018-5-23 ~ 2019-5-21	E SUN Bank OBU provides Shanghai No.1 Machine Tool Foundry with a working capital of US$ 2.5 million. Principal and interest shall be payable once every three months.	Nil
Credit Contract	Borrower: Yeong Guan Energy Lender: BANK SINOPAC Hong Kong Branch	2018-12-04 ~ 2019-09-30	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	2019-01-02 ~ 2019-12-28	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	2018-08-01 ~ 2019-07-31	CTBC Bank provides Yeong Guan Energy with a revolving line of credit of US$ 8 million.	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Credit Contract	Borrower: Yeong Guan Energy Lender: Citibank	2018-09-01 ~ 2019-08-31	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	2018-10-31 ~ 2019-10-31	BNP Paribas provides Yeong Guan Energy with a revolving line of credit of US$ 3 million.	Nil
Credit Contract	Borrower: Yeong Guan Energy Lender: Shin Kong Bank	2018-11-20 ~ 2019-11-20	Shin Kong Bank provides Yeong Guan Energy Technology with a revolving line of credit of US$ 2.3 million.	Nil
Credit Contract	Borrower: Yeong Guan Energy Lender: DBS Bank	2018-10-22 ~ 2019-10-21	DBS Bank provides Yeong Guan Energy Technology with a revolving line of credit of US$ 10 million.	Nil
Credit Contract	Borrower: Yeong Chen Asia Pacific Lender: Land Bank of Taiwan	2018-11-09 ~ 2019-11-09	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 mortgage of NT$ 360 million. The bank provides the company with an additional US$ 0.4 million for financial derivative operations.	Nil
Credit Contract	Borrower: Yeong Chen Asia Pacific Lender: Citibank Joint guarantor: Yeong Guan Energy	2018-08-31 ~ 2019-08-31	Citibank provides Yeong Chen Asia Pacific with a revolving line of credit of US$ 2.5 million.	Nil
Credit Contract	Borrower: Yeong Chen Asia Pacific Lender: CTBC Bank Joint guarantor: Yeong Guan Energy	2018-10-31 ~ 2019-10-31	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 Technology Group Company Limited, Yeong Guan Holding 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 of ~ .	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) 2014	2015	2016	2017	2018	Current Financial Data as of March 31st, 2019 (Note 1)
Current Asset		6,726,999	9,557,290	8,127,766	7,312,847	7,805,153	7,730,397
Property, Plant and Equipment		4,310,151	5,251,823	5,700,681	6,279,225	5,920,262	6,022,245
Intangible Asset		134,386	133,214	145,208	144,002	139,618	140,897
Other Asset		507,107	647,429	1,078,734	746,716	665,604	942,336
Total Asset		11,678,643	15,589,756	15,052,389	14,482,790	14,530,637	14,835,875
Current Liability	Before allocation	2,067,879	2,473,907	2,546,022	4,657,277	3,571,359	3,882,806
	After Allocation	2,734,973	3,478,095	2,932,179	4,486,090	Note 2	Note 2
Non-current Liability		1,553,712	2,461,407	2,428,059	110,326	2,678,315	2,774,347
Total Liability	Before allocation	3,621,591	4,935,314	4,974,081	4,767,603	6,249,674	6,657,153
	After Allocation	4,288,685	5,939,502	5,360,238	4,596,416	Note 2	Note 2
Owner's Equities Attributed to Parent Company		7,937,034	10,542,667	9,774,150	9,423,372	8,131,634	8,019,704
Share Capital		1,048,890	1,179,796	1,188,175	1,188,175	1,116,175	1,056,175
Additional Paid-in Capital		4,045,959	6,091,651	6,204,774	6,204,774	5,837,900	5,553,059
Retained Earnings	Before allocation	2,314,788	2,998,411	3,002,521	2,869,086	2,298,397	2,185,687
	After Allocation	1,647,694	1,994,223	2,616,364	2,697,899	Note 2	Note 2
Other Equities		527,397	272,809	(621,320)	(838,663)	(1,021,629)	(775,217)
Treasury Share		0	0	0	0	99,209	0
Non-controlling Equities		120,018	111,775	304,158	291,815	149,329	159,018
Total Equities	Before allocation	8,057,052	10,654,442	10,078,308	9,715,187	8,280,963	8,178,722
	After Allocation	7,389,958	9,650,254	9,692,151	9,544,000	Note2	Note 2

Note 1: Financial data for last 5 years and those as of March 31st, 2019 have all been audited or reviewed by certified accountants.

Note 3: As of May 15, 2019, 2018 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, 2019 (Note 2)
	2014	2015	2016	2017	2018	
Operation Revenue	7,206,294	8,122,470	7,373,888	6,404,342	6,195,855	1,552,357
Operation Profit Margin	2,257,711	2,668,103	2,418,746	1,432,199	830,936	217,955
Operation Income	1,348,859	1,515,908	1,143,881	295,449	(245,012)	(37,944)
Non-operation Revenue & Expenses	(27,782)	272,605	180,777	46,318	13,111	(63,860)
Pre-tax Net Profit	1,321,077	1,788,513	1,324,658	341,767	(231,901)	(101,804)
Current Net Profit for Continuing Operations	1,001,817	1,349,123	997,419	257,924	(274,073)	(106,409)
Discontinued Operations Loss	0	0	0	0	0	0
Current Net Profit	1,001,817	1,349,123	997,419	257,924	(274,073)	(106,409)
Current Other Consolidated Income (after tax net amount)	455,109	(261,237)	(899,614)	(217,094)	(179,993)	249,800
Current Consolidated Income Total Amount	1,456,926	1,087,886	97,805	40,830	(454,066)	143,391
Net Profit Attributed to Parent Company Owner	1,002,164	1,350,717	1,008,298	270,474	(278,658)	(106,606)
Net Profit Attributed to Non-controlling Equities	(347)	(1,594)	(10,879)	(12,550)	4,585	197
Consolidated Income Total Attributed to Parent Company Owner	1,453,033	1,096,129	114,619	53,131	(461,624)	139,806
Consolidated Income Total Attributed to Non-controlling Equities	3,893	(8,243)	-16,364	-12,301	7,558	3,585
Earnings Per Share	9.78	12.24	8.50	2.28	(2.48)	(1.00)

Note 1: Financial data for last 5 years and current financial data as of March 31st, 2019 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
2014	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gon, Ze-Li	No Reservation
2015	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gon, Ze-Li	No Reservation
2016	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gon, Ze-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

2. Financial analysis for the last five years

I. Financial Analysis

Items Analyzed (note4) \ Year		2014	2015	2016	2017	2018	Current Financial Data as of March 31st, 2019
		Financial analysis for the last five years					
Finance Structure	Debt Ratio (%)	31.01	31.66	33.05	32.92	43.01	44.87
	Long Term Fund to Fixed Asset Ratio (%)	220.20	247.61	214.05	151.83	182.59	179.24
Repayment Capability	Current Ratio (%)	325.35	386.32	319.23	157.02	218.55	199.09
	Quick Ratios (%)	250.55	327.24	260.02	124.2	172.74	151.77
	Times Interest Earned	25.09	41.69	23.16	5.99	-0.74	-1.11
Operating Performance	Account Receivables Turnover Rate (Times)	3.59	3.61	3.14	3.04	2.97	2.96
	Average Collection Days	102	101	116	120	123	123
	Inventory Turnover Rate (Times)	3.82	3.92	3.72	3.69	3.76	3.33
	Account Payable Turnover Rate (Times)	4.55	4.67	4.44	4.45	4.91	-4.96
	Average Inventory Turnover Days	96	93	98	99	97	110
	Fixed Asset Turnover Rate (Times)	1.73	1.70	1.35	1.07	1.02	1.04
	Total Asset Turnover Rate (Times)	0.68	0.60	0.48	0.43	0.43	0.42
Profitability	Return on Asset (%)	9.93	10.19	6.86	2.13	-1.06	-0.43
	Return on Equity (%)	14.07	14.60	9.82	2.69	-3.17	-1.32
	Pre-tax Net Profit to Paid-in Capital (%)	25.93	20.85	17.92	4.62	-3.33	-0.57
	Net Margin Rate (%)	13.90	16.61	13.53	4.03	-4.42	-6.85
	Earnings Per Share (NTD)	9.78	12.24	8.5	2.28	-2.48	-1.00
Cash Flow	Cash Flow Ratio (%)	72.32	60.22	52.6	14.43	-3.84	-4.64
	Cash Flow Adequacy Ratio (%)	Note 1	Note 1	96.95	77.95	64.50	47.73
	Cash Re-investment Ratio (%)	9.69	5.30	2.27	2.25	-2.16	-1.27
Leverage	Operating Leverage	2.29	2.40	2.96	2.69	-1.19	-2.69
	Financial Leverage	1.04	1.03	1.05	1.30	0.65	0.44

Reasons for changes of various financial ratios within the last two years (analysis is exempted for changes of increase/decrease less than 20%)

1. Debt Ratio increases compared with the one for last year. This is mainly because of increase in new bank loan for the purpose of strengthening operation capital.
2. Long Term Fund to Fixed Asset Ratio increases compared with the one for last year. This is mainly because of increases in new bank loans.
3. Both Current Ratio and Quick Ratio" increased compared with the ones for last year. This is mainly because for corporate bond to be expired within one year during last year, these are 1-year puttable liabilities in terms of their liquidity. As such, they are recognized as current liabilities which come with relatively lower quick ratios. However, investors in this period exercised their put option. With this, the Company borrowed long term bank loans for repayment. This has led to increases in current ratio and quick ratio as compared with the ones for last year.

	4. Times Interest Earned, Return on Asset, Return on Equity, Pre-tax Net Profit to Paid-in Capital, Net Margin Rate, Earnings Per Share, Cash Flow Ratio, Cash Flow Adequacy Ratio, Cash Re-investment Ratio, Operating Leverage and Financial Leverage decreased. Main reason for this is lowered profit from increase in cost of goods sold.

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 2019

The Board of Directors has prepared and submitted to the undersigned, Audit Committee of the company the 2018 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, 2019

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	2017	2018	Difference	
			Amount	%
Current Asset	7,312,847	7,805,153	492,306	6.73%
Property, Plant and Equipment	6,279,225	5,920,262	(358,963)	-5.72%
Intangible Asset	144,002	139,618	(4,384)	-3.04%
Other Asset	746,716	665,604	(81,112)	-10.86%
Total Asset	14,482,790	14,530,637	47,847	0.33%
Current Liability	4,657,277	3,571,359	(1,085,918)	-23.32%
Non-Current Liability	110,326	2,678,315	2,567,989	2327.64%
Total Liability	4,767,603	6,249,674	1,482,071	31.09%
Share Capital	1,188,175	1,116,175	(72,000)	-6.06%
Paid-in Capital	6,204,774	5,837,900	(366,874)	-5.91%
Retained Earnings	2,869,086	2,298,397	(570,689)	-19.89%
Other Equities	(838,663)	(1,021,629)	(182,966)	21.82%
Treasury Stock	0	(99,202)	(99,202)	100%
Non-controlling Interest	291,815	149,329	(142,486)	-48.83%
Total Interest	9,715,187	8,280,963	(1,434,224)	-14.76%

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. Decrease of current liabilities: this is mainly from repayment of corporate bond.
2. Increase in current liabilities and total debt amount: this is mainly from increase in bank loan.
3. Decrease in retained earnings and total equities: this is mainly from decrease of profit.
4. Decrease in other equities: Because of RMB depreciation, exchange differences from calculating offshore business institute financial statements increased as compared with the ones for last years.

2. Financial Performance

(1). Operating Performance Analysis Table

Unit: NTD in thousands

Item \ Year	2017	2018	Difference	
			Amount	%
Operating Income	6,404,342	6,195,855	-208,487	-3.26%
Operating Cost	4,972,143	5,364,919	392,776	7.90%
Operating Gross Margin	1,432,199	830,936	-601,263	-41.98%
Operating Expense	1,136,750	1,075,948	-60,802	-5.35%
Operating Net Income	295,449	-245,012	-540,461	-182.93%
Non-Business Income & Expense	46,318	13,111	-33,207	-71.69%
Pre-Tax Net Income	341,767	-231,901	-573,668	-167.85%
Income Tax Expense	83,843	42,172	-41,671	-49.70%
Current Net Income	257,924	-274,073	-531,997	-206.26%

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: Decreased is mainly due to decrease in energy casting products demands.
2. Gross Profit: In 2017, decrease in energy casting products demands, increase in operating costs of raw materials and labor as well as increased production costs from environmental, safety and sanitary requirements have all contributed to the dropping of gross profit.
3. Operating Net Income, Pre-Tax Net Income and Current Net Income: Profits decreased as compared with the ones for last year and this is mainly from the drop of 2018 gross profit.
4. Income Tax Expense: Decreased is mainly from the drop of 2017 profit.

(2) Expected Sales and Reasons

The Company maintains a neutral and conservative attitude with regard to overall sales income for 2019 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	2017	2018	Increased (Decreased) Amount %	Increased (Decreased) Percentage %
Operating Activity	672,192	-137,115	-809,307	-120.40%
Investment Activity	-908,552	-774,859	133,693	-14.71%
Financing Activity	-544,044	840,127	1,384,171	-254.42%
Analysis of Changes: 1. Operating Activity: Decrease in 2018 operating activity net cash inflow is mainly from decrease in profits for this year. 2. Financing Activity: Increase of net cash inflow from 2018 funding activity is mainly from increase of loans in the current year.				

(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:

Goal of the Company’s capital expenditure in the latest year is to expand operation scale in order to respond to future industry development trend and enhance future competitiveness for the purpose of maintaining momentum for continuous growth in the future. As such, the Company built a factory in Taichung and purchased equipment accordingly to work with Taiwan government’s renewable energy policy. This shall assist in the Company’s achievement of future international competitiveness, power for sustained operation as well as generation of long term growth synergy. Meanwhile, the Company’s own capital will be first utilized for funding. Fund raising measures such as financing through loans will be conducted in the event of insufficiency in funds needed.

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 (2018)

Unit: NTD in thousands

Invested Enterprises	Recognized Investment Gain/Loss Amount	Reason for Gain or Loss	Improvement Plan
Yeong Guan International Co., Limited	-114,041	This is mainly because investment income is assessed using equity method.	—
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	-9,626	This is mainly because invested enterprise is still in its opening phase and business has not yet started.	Nil
Ningbo New Power Team Technology Co., Ltd.	16,164	Profit for main business remains steady.	Nil
Yeong Guan International Co., Ltd.	-176,051	This is mainly because investment income is assessed using equity method.	—
Shin Shang Trade Co., Ltd.	6,787	This is mainly because of order transfer benefits from shipments to Europe/US customers.	—
Yeong Chen Asia Pacific Co., Ltd.	63,547	This is mainly because of order transfer benefits from shipments to Europe/US customers, and profit for main business remains steady.	—
Lizhan Limited	417	This is mainly because investment income is assessed using equity method.	Nil
Ningbo Yeong Shang Casting Iron Co., Ltd.	83,790	Profit for main business remains steady.	—
Dongguan Yeong Guan Mould Factory Co., Ltd.	-1,023	Profit for main business is stable. The reason for loss is mainly because of investment losses recognized from losses incurred from invested company.	—
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	69,477	Profit for main business remains steady.	—
Jiangsu Bright Steel Fine Machinery Co., Ltd.	-289,346	This is because of decrease of profit from main business.	—
Ningbo Yong Jia Mei Trade Co., Ltd.	894	Profit for main business remains steady.	—
Shanghai No.1 Machine Tool Foundry (Su Zhou) Co., Ltd.	-109,976	Mainly due to the lack of labor force in the reinvested enterprise, and unable to adjust productivity	Continuously improve manpower shortage
Ningbo New Power Team Technology Co., Ltd.	-14	This is because of loss of main business.	—
Qing Dao Rui Yao Building Material Co., Ltd.	489	This is still within in launching period and profit is from interest revenue.	—

(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, and creates synergy effects fostering long-term growth.

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 2017 and 2018 are NTD21,795 thousands and NTD95,509 thousands with percentages of 0.34% and 1.54% 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 2017 and 2018 are NTD54,013 thousands and NTD13,018 thousands respectively accounting for 0.84% and 0.21% 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 2019. 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

The Company's clients include leading vendors across the world. Given the close collaboration relationship between both parties now, the Company is therefore able to access to information of the latest technology through such relationship. Losing such important clients is equal to losing critical sources to understand changes of technology as well as changes in the industry. Failure to master market trend and the trend for future product development will keep the Company from launching products needed by the market and operation may suffer from significant and negative impact. As such, the Company continuously pursues product promotion in an effort to elevate product positioning to the position of a market leading brand. On the other hand, the Company also follows clients' steps closely in order to obtain, at any time, the latest technology information in the market, understand future changes in the industry and master market trend as well as product future development trend.

The company’s main clients are currently concentrated in the energy, injection molding machinery, and industrial machinery industry. As for the energy sector, the design of wind power products, and offshore wind turbines in particular, is characterized by increasing size. These products pose new challenges in the fields of weight, dimensions, and technologies and represent the future trend of this industry. The company also plans to further upgrade its production capabilities and technologies in line with customer demands.

Information of industry market changes all the time. Only through close communication maintained with customers, joint mastering of market trends and changes of situation as well as implementation of responding adjustments can the Company maintain steady and vigorous growth. The Company shall also continue to develop new customers from different industries and invest in developing new products for existing customers for the purpose ensuring the Company’s continuous growth in energy product business as well as maintenance of excellent competitiveness and technology in this industry.

(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 154GW 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 comprehensive and careful assessment by responsible units. 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. 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 2018. 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 36.46% 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

For 2017 and 2018, in response to the recent contraction of the onshore wind power market and fierce competition within the industry due to the impact of the solar power industry, the group utilizes its competitive edge in the injection molding machine industry and related industrial machinery industry to initiate active expansion and development. Future industrial automation trends will result in increased demand in numerous manufacturing industries. These industries are also expected to see impressive growth. Our exquisite casting technologies and stable service quality are widely acclaimed by numerous international manufacturers. Yeong Guan also actively expands into other industries and fields such as agricultural and mining machinery, marine machinery, and car accessories. The company also aims to achieve a global equilibrium in the field of overseas sales and develop sales in the American and Japanese markets. In 2019, the wind-power industry recovers and global demands are rising speedily, the aforementioned strategies help reduce the concentration of product sales in a single customer in various industries and minimize the impact of market fluctuations on the group. In conclusion, these measures allow an effective control of sales and 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 3 finalized cases of litigation and arbitration for the Company and its subsidiaries. Nevertheless, total amount paid by the Company is only RMB54,000. 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 96 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, 2019, 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	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong	HKD 506,000	Investment in share holding
Shin Shang Trade Co., Ltd.	1998.01	OMC Chambers, P.O. Box 3152, 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. 1, Gang Kuo 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 80,000	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.	THB375,000	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	USD23,540	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

(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 Chang, Wen-Lung
Yeong Guan Heavy Industries (Thailand) Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung Chang, Cheng-Chung Tsai, Shu-Ken Chen, Wu-Chi Sutep Jatupornpakdi Niyom Jatupornpakdi
Yeong Guan International Co., Limited	Director	Chang, Hsien-Ming Chang, Wen-Lung
Shin Shang Trade Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung
Yeong Chen Asia Pacific Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung
Dongguan Yeong Guan Mould Factory Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung Chang, Cheng-Chung Tsai, Shu-Ken Chen, Wu-Chi
	General Manager	Chen, Wu-Chi
Ningbo Yeong Shang Casting Iron Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung Chang, Cheng-Chung Chen, Wu-Chi
	Supervisor	Hsu, Yu-Yue
	General Manager	Hsu, Ching-Hsiung
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung Chang, Cheng-Chung Tsai, Shu-Ken Chen, Wu-Chi
	Supervisor	Hsu, Yu-Yue
	General Manager	Lin, Tai-Feng
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung Tsai, Shu-Geng Hsu, Ching-Hsiung
	Supervisor	Chang, Cheng-Chung
	General Manager	Chang, Hsien-Ming
Ningbo Yong Jia Mei Trading Co., Ltd.	Director	Chang, Wen-Lung
	Supervisor	Chang, Hsien-Ming
Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd.	Director	Chang, Hsien-Ming Tsai, Shu-Ken Chen, Wu-Chi Huang, Wen-Hung Yu, Hsiao-Bin
	Supervisor	Chang, Chih-Kai

Name of Enterprise	Job Title	Name
Qing Dao Rui Yao Building Material Co., Ltd.	Director	Chang, Hsien-Ming Tsai, Shu-Ken Huang, Wen-Hung Chang, Hui-Chieh Lee, Yao-Xi
	Supervisor	Hu Jung
	General Manager	Chang, Hui-Chieh

(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.	4,483,660	11,030,117	83,287	10,947,830	-	(3,699)	(114,041)	(0.78)
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	474,000	450,616	446	450,170	-	(12,877)	(12,835)	(0.26)
Yeong Guan International Co., Limited	1,984,026	9,527,960	1,186,203	8,341,757	-	(137)	(175,929)	(0.35)
Shin Shang Trade Co., Ltd.	1,536	283,299	149,262	134,037	480,583	2,805	4,783	95.66
Yeong Chen Asia Pacific Co., Ltd.	95,000	1,604,265	1,050,218	554,047	2,434,185	56,069	62,103	Note
Dongguan Yeong Guan Mould Factory Co., Ltd.	121,540	689,684	127,727	561,957	530,389	37,320	(1,282)	Note
Ningbo Yeong Shang Casting Iron Co., Ltd.	1,323,601	4,165,087	1,068,131	3,096,956	2,223,412	74,189	84,453	Note
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	420,881	2,327,357	349,223	1,983,134	989,099	32,283	68,397	Note
Jiangsu Bright Steel Fine Machinery Co., Ltd.	3,527,084	6,059,751	1,299,793	4,759,958	2,436,633	(380,540)	(289,753)	Note
Ningbo Yong Jia Mei Trading Co., Ltd.	30,710	37,724	2,243	35,481	7,548	(395)	929	Note
Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd.	891,959	1,621,161	1,488,613	132,548	725,884	(50,571	(119,230)	Note
Qing Dao Rui Yao Building Material Co., Ltd.	73,383	74,249	-	74,249	-	(172)	881	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.

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
1. Shareholders holding the Company's outstanding shares for more than 1 year and with percentages of more than 3% 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. 2. 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.	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 1 year and with percentages of more than 3% of total shares issued are entitled to: (a) request, in writing, the Board of Directors' Meeting to authorize 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	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 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

Critical Matters on Shareholder's Equity Protection	Contents of Amendments on the Company's Articles of Incorporation	Reasons for Differences
	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 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.	duration) are entitled to raise litigation against directors on the 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 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.

IX. In the latest year and as of the date when annual report was published, occurrence of events with significant effect on shareholder’s equity or securities prices as prescribed in Clause 2, Paragraph 2, Article 36 of Securities & Exchange Law: None.

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements and Independent Auditors' Report

2018 and 2017

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REPORT OF INDEPENDENT ACCOUNTANTS
TRANSLATED FROM CHINESE

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD.

Opinion

We have audited the accompanying financial report of YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD.. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2018, and the consolidated income statement, table of consolidated statement of changes in equity, consolidated statement of cash-flows and notes to consolidated financial statement (including Explanation of Summarized Significant Accounting Policy) from January 1 to December 31 of 2017 and 2018.

In our opinion, all material aspects of aforementioned financial statements were compiled in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers of R.O.C. as well as International Financial Reporting Standards (hereinafter referred to as "IRFSs"), International Accounting Standards (hereinafter referred to as "IAS"), interpretation from International Financial Reporting Interpretations Committee and announcement made by Standing Interpretations Committee which are recognized and promulgated by the Financial Supervisory Commission. These statements can be utilized to appropriately describe consolidated financial status for YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD.. and its subsidiaries as of December 31, 2017 and 2018, as well as consolidated financial performance and consolidated cash-flow from January 1 to December 31 for 2017 and 2018.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. and its subsidiaries in accordance with the code of ethics for professional accountants, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. and its subsidiaries' financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Explanation of key audit matters on 2018 consolidated financial statement for YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. and its subsidiaries is as follows:

Closing Date for Operating Income

Operating income for both YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. and its subsidiaries mainly comes from export. Sea freight must be utilized due to product characteristics. According to related guidelines on income recognition timing prescribed in International Accounting Standards #15, condition for income recognition can only be qualified when enterprises transfer ownership major risks and compensation to buyers. Please refer to note #4 of consolidated financial statement. As such, the most critical matter for this audit is to verify if year-end export income has already been recorded correctly in accordance with business income recognition timing point.

With respect to this most critical matter, accountant hereto considered YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. and its subsidiaries' operating income recognition policy, assessed operating income related internal control design and implementation, selected samples of this implementation details from export income for verification and test, and checked audit procedure on transaction documents for the purpose of verifying if operating income has been recorded in correct timing point.

Accounting Judgments for Bad Debt Allowance

As described in note #10 of consolidated financial statement, for bad debt allowance, consideration of account receivable's collectability is also needed in addition to assessment over bad debt allowance recognition policy drafted by the company. This part involves major accounting assessment and judgment. In the event that future actual cash flow is lower than expected one, it is possible to incur major impairment loss. Disclosure of related major accounting assessment and judgment explanation is described in note #4 and #5 of consolidated financial statement. With this, this is the key audit matter for this audit.

With respect to most critical matter, accountant hereto reviewed YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. and its subsidiaries' bad debt allowance recognition policy, assessed design and implementation of account receivable assessment related internal control, tested management's assessment on bad debt and materials utilized, tested collectability through subsequent collection documents, re-calculated bad debt allowance amount which was then compared with Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' recognized bad debt allowance. This is to verify if recognition has already been conducted as well as its adequacy in accordance with Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' bad debt allowance policy.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. and its subsidiaries' or to cease operations, or have no realistic alternative but to do so.

Those charged with governance (including audit committee) are responsible for overseeing YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. and its subsidiaries' financial reporting process.

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters for YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. and its subsidiaries' 2018 consolidated financial statement. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte and Touche

CPA Chen, Chih-Yuan	CPA Chang, Ching-Ren
Financial Supervisory Commission Executive Yuan Approval Document No. Gin-Guan-Zheng-Shen-Tze No. 1060023872	Securities and Futures Committee, Ministry of Finance Approval Document No. Tai-Cai-Zheng-6-Tze No. 0920123784

March 12, 2019

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
Dec. 31, 2017 and 2018

Unit: in thousands of NTD

Code	Asset	Dec. 31, 2018 Amount	%	Dec. 31, 2017 Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalent(Notes 3, 4 and 6)	$ 3,152,846	22	$ 3,316,285	23
1110	Current financial assets at fair value through profit or loss(Notes 3, 4, 5, and 7)	5,948	-	17,121	-
1136	Financial asset measured based on amortized cost – current (Note 3, 4 and 8)	485,187	3	-	-
1147	Current investments in debt security with no active market(Notes 3, 4 and 9)	-		180,515	1
1150	Notes receivable(Notes 3, 4 and 31)	286,373	2	307,146	2
1170	Account receivables, net(Notes 4, 5, 10 and 31)	1,816,614	13	1,718,582	12
130X	Inventories, net(Notes 4, 5 and 11)	1,367,942	9	1,256,181	8
1419	Prepayments	268,139	2	272,346	2
1479	Other current assets(Notes 4, 16, 25, 27, 31 and 32)	422,104	3	244,671	2
11XX	Total Current Assets	7,805,153	54	7,312,847	50
	NON-CURRENT ASSETS				
1600	Property, plant and equipment(Notes 4, 5, 13, 31 and 32)	5,920,262	41	6,279,225	44
1760	Investment property, net(Notes 4, 5, 14, 28 and 32)	749	-	20,799	-
1805	Goodwill(Notes 4, 5 and 15)	139,618	1	144,002	1
1840	Deferred income tax assets(Notes 4, 5 and 25)	138,630	1	100,380	1
1915	Equipment prepayments	71,664	-	160,702	1
1985	Long-term prepaid rents(Notes 4, 16 and 32)	395,167	3	413,696	3
1990	Other non-current assets(Notes 3, 4 and 31)	59,394	-	51,139	-
15XX	Total Non-Current Assets	6,725,484	46	7,169,943	50
1XXX	TOTAL ASSETS	$ 14,530,637	100	$ 14,482,790	100
Code	LIABILITIES and SHAREHOLDER'S EQUITY				
	CURRENT LIABILITIES				
2100	Short-term debts(Notes 17 and 32)	$ 1,921,161	13	$ 523,055	4
2120	Current financial liabilities at fair value through profit or loss(Notes 3, 4, 5,7 and 18)	542	-	27,000	-
2150	Notes payable(Note 31)	216,403	2	387,713	3
2170	Accounts payable (Note 31)	833,832	6	748,615	5
2219	Other accounts payable(Notes 20 and 31)	495,226	3	447,948	3
2230	Current income tax liabilities(Notes 4, 5 and 25)	4,156	-	75,690	-
2321	Exercise of Corporate Bond Payable Put Option Within One Year (Note 4 and 18)	93,551	1	2,438,634	17
2399	Other current liabilities(Note 4 and 19)	6,488	-	8,622	-
21XX	Total Current Liabilities	3,571,359	25	4,657,277	32
	NON-CURRENT LIABILITIES				
2530	Bonds payable(Notes 4 and 18)	-	-	2,146	-
2540	Long-term debts(Notes 17 and 32)	2,662,945	18	89,370	1
2570	Deferred income tax debts(Notes 4, 5 and 25)	15,252	-	18,093	-
2613	Rent payable-non-current(Note 4 and 19)	118	-	714	-
2670	Other non-current liabilities	-	-	3	-
25XX	Total Non-Current Liabilities	2,678,315	18	110,326	1
2XXX	TOTAL LIABILITIES	6,249,674	43	4,767,603	33
	Shareholder's Equity				
3110	Common stock capital	1,116,175	8	1,188,175	8
3200	Additional paid-in capital	5,837,900	40	6,204,774	43
	Retained earnings				
3310	Legal reserve	487,072	3	460,025	3
3320	Special reserve	839,529	6	620,848	4
3350	Unappropriated retained earnings	971,796	7	1,788,213	13
3300	Total Retained Earnings	2,298,397	16	2,869,086	20
	Other Shareholder's Equity				
3410	Exchange difference on translation of foreign financial statements	(1,021,629)	(7)	(838,663)	(6)
3500	Treasury shares	(99,209)	(1)	-	-
31XX	The Company's Total Shareholder's Equity	8,131,634	56	9,423,372	65
36XX	Non-controlling interest	149,329	1	291,815	2
3XXX	TOTAL SHAREHOLDER'S EQUITY	8,280,963	57	9,715,187	67
	TOTAL LIABILITIS and SHAREHOLDER'S EQUITY	$ 14,530,637	100	$ 14,482,790	100

The accompanying notes constitute an integral part of this consolidated financial statement.

Chairman: Chang, Hsien-Ming General Manager: Chang, Hsien-Ming Chief Accountant: Lin, Yu-Yi

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries

Consolidated Income Statement

for periods from January 1 to December 31 of 2017 and 2018

Unit: in thousands of NTD

		2018		2017	
Code		Amount	%	Amount	%
4000	OPEARTING REVENUE (Notes 3, 4, 23 and 31)	$ 6,195,855	100	$ 6,404,342	100
5000	OPERATING COSTS (Notes 4, 11, 24 and 31)	5,364,919	87	4,972,143	78
5900	OPERATING GROSS PROFIT	830,936	13	1,432,199	22
	OPERATING EXPENSES(Note 10 and 24)				
6100	Marketing expenses	365,318	6	406,421	6
6200	General and administrative expenses	561,206	9	567,153	9
6300	Research and development expenses	159,430	2	163,176	3
6450	Gain on reversal of impairment loss of expected credit	(10,006)	-	-	-
6000	Total Operating Expenses	1,075,948	17	1,136,750	18
6900	OPERATING NET PROFIT	(245,012)	(4)	295,449	4
	NON-OPEARTING INCOME and EXPENSES				
7100	Interest income	89,257	2	64,938	1
7110	Rent income(Note 31)	607	-	656	-
7190	Other income and losses(Note 18 and 24)	18,158	-	77,749	1
7235	Financial product net profit (loss) at fair value through profit and loss (Notes 4, 5, 7 and 18)	25,677	-	25,461	1
7630	Foreign currency exchange net profit(loss) (Notes 24 and 32)	13,018	-	(54,013)	(1)
7510	Interest expenses(Note 18)	(133,606)	(2)	(68,473)	(1)
7000	Total Non-Operating Income and Expenses	13,111	-	46,318	1
7900	Pretax net profit	($ 231,901)	(4)	$ 341,767	5
7950	Income tax(Notes 4, 5 and 25)	42,172	-	83,843	1
8200	Current net profit	(274,073)	(4)	257,924	4
	Other Comprehensive Income				
8361	Exchange Differences on Translation of Foreign Financial Statements	(179,993)	(3)	(217,094)	(3)
8500	Current Total Comprehensive Income	($ 454,066)	(7)	$ 40,830	1
	Net Profit Attributed to:				
8610	Shareholders	($ 278,658)	(4)	$ 270,474	4
8620	Non-Controlling Interest	4,585	-	(12,550)	-
8600		($ 274,073)	(4)	$ 257,924	4
	Comprehensive Income Attributed to:				
8710	Shareholders	($ 461,624)	(7)	$ 53,131	1
8720	Non-Controlling Interest	7,558	-	(12,301)	-
8700		($ 454,066)	(7)	$ 40,830	1
	Earnings Per Share(Note 26)				
9750	Basic	($ 2.48)		$ 2.28	
9850	Diluted	($ 2.48)		$ 2.27	

The accompanying notes constitute an integral part of this consolidated financial statement.

Chairman: Chang, Hsien-Ming   General Manager: Chang, Hsien-Ming   Chief Accountant: Lin, Yu-Yi

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
for periods from January 1 to December 31 of 2018 and 2017

Unit: in thousands of NTD

		EQUITY ATTRIBUTED TO SHAREHOLDERS (Notes 4, 18 and 22)													
			Capital Surplus				Retained Earnings								
Code		Common Share	Additional Paid-In Capital	Stock Option	Invalid Stock Option	total	Legal Reserve	Special Reserve	Retained Earnings	TOTAL	Treasury shares	Exchange Differences on Translation of Foreign Financial Statements	The Company's Total Shareholder's Equity	Non-Controlling Interests (Notes 4 and 22)	Total Shareholder's Equity
A1	Balance, January 1 , 2017	$ 1,188,175	$ 6,047,761	$ 157,013	$ -	$ 6,204,774	$ 359,195	$ 8,214	$ 2,635,112	$ 3,002,521	$ -	($621,320)	$ 9,774,150	$ 304,158	$ 10,078,308
	Appropriation and distribution Of 2016 earnings:														
B1	Legal reserve	-	-	-	-	-	100,830	-	(100,830)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	-	612,634	(612,634)	-	-	-	-	-	-
B5	Cash dividend	-	-	-	-	-	-	-	(386,157)	(386,157)	-	-	(386,157)	-	(386,157)
	Sub-total	-	-	-	-	-	100,830	612,634	(1,099,621)	(386,157)	-	-	(386,157)	-	(386,157)
D1	2017 Net profit	-	-	-	-	-	-	-	270,474	270,474	-	-	270,474	(12,550)	257,924
D3	2017 Other consolidated income	-	-	-	-	-	-	-	-	-	-	(217,343)	(217,343)	249	(217,094)
D5	2017 Total consolidated income	-	-	-	-	-	-	-	270,474	270,474	-	(217,343)	53,131	(12,301)	40,830
I1	Convertible corporate bond converted	-	-	(6,562)	6,562	-	-	-	-	-	-	-	-	-	-
O1	Non-controlling Interest change	-	-	-	-	-	-	-	(17,752)	(17,752)	-	-	(17,752)	(42)	(17,794)
Z1	Balance, Dec. 31, 2017	1,188,175	6,047,761	150,451	6,562	6,204,774	460,025	620,848	1,788,213	2,869,086	-	(838,663)	9,423,372	291,815	9,715,187
	2017 Earnings appropriation and distribution:														
B1	Legal reserve	-	-	-	-	-	27,047	-	(27,047)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	-	218,681	(218,681)	-	-	-	-	-	-
B5	Cash dividend	-	-	-	-	-	-	-	(171,187)	(171,187)	-	-	(171,187)	-	(171,187)
	Sub-total	-	-	-	-	-	27,047	218,681	(416,915)	(171,187)	-	-	(171,187)	-	(171,187)
D1	2018 Net profit	-	-	-	-	-	-	-	(278,658)	(278,658)	-	-	(278,658)	4,585	(274,073)
D3	2018 Other consolidated income	-	-	-	-	-	-	-	-	-	-	(182,966)	(182,966)	2,973	(179,993)
D5	2018 Total consolidated income	-	-	-	-	-	-	-	(278,658)	(278,658)	-	(182,966)	(461,624)	7,558	(454,066)
L1	Repurchase of treasury shares	-	-	-	-	-	-	-	-	-	(648,793)	-	(648,793)	-	(648,793)
L3	Cancel of treasury shares	(72,000)	(366,874)	-	-	(366,874)	-	-	(110,710)	(110,710)	549,584	-	-	-	-
T1	Convertible corporate bond sold back	-	-	(144,828)	144,828	-	-	-	-	-	-	-	-	-	-
O1	Controlling Interest change	-	-	-	-	-	-	-	(10,134)	(10,134)	-	-	(10,134)	(150,044)	(160,178)
Z1	Balance, Dec. 31, 2018	$ 1,116,175	$ 5,680,887	$ 5,623	$ 151,390	$ 5,837,900	$ 487,072	$ 839,529	$ 971,796	$ 2,298,397	($99,209)	($ 1,021,629)	$ 8,131,634	$ 149,329	$ 8,280,963

The accompanying notes constitute an integral part of this consolidated financial statement.

Chairman: Chang, Hsien-Ming General Manager: Chang, Hsien-Ming Chief Accountant: Lin, Yu-Yi

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flows

For periods from January 1 to Dec. 31 of 2018 and 2017

Unit: in thousands of NTD

Codes		2018	2017
	Cash Flows from Operating Activities		
A10000	Pre-tax net profit	($ 231,901)	$ 341,767
A20010	Income/Expense item not affecting cash flows		
A20100	Depreciation expense	526,340	491,223
A20200	Amortization expense	9,483	8,583
A20300	Gain on reversal of bad debts	(10,006)	-
A20300	Bad debt expense	-	6,826
A20400	Financial instrument net profit at fair value through profit and loss	24,214	(10,635)
A20900	Interest expense	133,606	68,473
A21200	Interest income	(89,257)	(64,938)
A22500	Net loss from disposal and abolishment of property, factory and equipment	4,767	10,200
A22900	Net profit from disposal of subsidiary	(27,229)	(584)
A23800	Inventory devaluation and obsolescence loss (price recovery gain)	27,745	40,128
A24100	Unrealized foreign currency exchange net profit	(15,958)	(1,685)
A24200	Loss from corporate bond payable sold back	37,807	2,944
A29900	Amortization of prepaid lease payment	10,879	10,588
A30000	Net change on operating assets and liabilities		
A31130	Notes receivable	15,342	(33,307)
A31150	Account receivable	(144,813)	143,014
A31200	Inventory	(196,795)	(58,912)
A31230	Advance payments	(7,870)	(30,782)
A31240	Other current assets	35,010	(60,666)
A32110	Financial instrument at fair value through profit and loss	(9,879)	6,196
A32130	Notes payable	(166,905)	24,668
A32150	Account payable	124,624	34,407
A32180	Other payables	59,193	(58,954)
A32230	Other Current Liabilities	8,198	(50,208)
A33000	Operating net cash inflows	116,595	818,346
A33300	Interest paid	(95,509)	($ 21,795)
A33500	Income tax paid	(158,201)	($ 124,359)
AAAA	Operating Activity Net Cash Inflows	(137,115)	$ 672,192

(to be continued)

(brought forward)

Codes		2018	2017
	Investment Activity Cash Flows		
B00040	Investments in Financial Asset Measured Based on Amortized Cost – Current	($ 313,360)	$ -
B00600	Investments in Debt Securities with No Active Market	-	(178,210)
B02200	Acquisition of subsidiaries	(130,748)	3,005
B02700	Purchase of property, plant and equipment	(334,477)	(766,735)
B02800	Disposal of property, plant and equipment	2,367	27,904
B04500	Payment for intangible assets	(1,602)	(17,898)
B06700	Increase in other non-current assets	(19,041)	(5,018)
B07100	Increase in equipment prepayments	(67,120)	16,450
B07300	Long term lease prepayments	-	(51,846)
B07500	Interests collected	89,122	63,796
BBBB	Investment Activity Net Cash Outflow	(774,859)	(908,552)
	Financing Activity Cash Flows		
C00100	Increase in short term loan	1,445,703	12,679
C00200	Decrease in short term loan	(2,444,462)	(147,333)
C01200	Issuance of Corporate Bond	2,620,892	88,229
C01600	Long term loan	-	(93,668)
C01700	Long term loan repayment	(3)	-
C03000	Increase in deposit received	(171,187)	(386,157)
C04500	Cash dividend	(648,793)	-
C05800	Non-controlling Interest change	37,977	(17,794)
CCCC	Financing Activity Net Cash Inflow (Outflow)	840,127	(544,044)
DDDD	Exchange rate change effects on cash and cash equivalents	(91,592)	(144,129)
EEEE	Cash and cash equivalents increase (decrease)	(163,439)	(924,533)
E00100	Cash and cash equivalents, beginning of the period	3,316,285	4,240,818
E00200	Cash and cash equivalents, end of the period	$ 3,152,846	$ 3,316,285

The accompanying notes constitute an integral part of this consolidated financial statement.

Chairman: Chang, Hsien-Ming
General Manager: Chang, Hsien-Ming
Chief Accountant: Lin, Yu-Yi

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
for periods from January 1 to Dec. 31 of 2018 and 2017
(Unless otherwise specified, all amounts are in thousands of NTD.)

1. History of Company

Yeong Guan Energy Technology Group Co., Ltd. (hereinafter referred to as the "Company") was established on January 22, 2008 in British Cayman Islands under the main purpose of organization restructuring. According to the Company's equity swap agreement, organization restructuring was completed on September 22, 2008. The Company has become an investment holding company after the restructuring.

The Company's stocks was listed and traded in Taiwan Stock Exchange starting April 27, 2012.

Consolidated financial statements hereto are presented in the Company's functional currency of NTD.

2. The Date of Authorization for Issuance of the Consolidated Financial Statements and Procedures for Authorization

The consolidated financial statements were approved by the Board of Directors on March 12, 2019.

3. Application of Newly Promulgated and Modified Guidelines and Explanation

I. This is the first application of amended Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as International Financial Reporting Standard (IFRS), International Accounting Standard (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations (herein after referred to as "IFRSs") recognized and published by the Financial Supervisory Commission (hereinafter referred to as "FSC").

With the exception of explanations prescribed hereunder, application of amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs recognized and published by FSC is not expected to cause major changes to the consolidated company's accounting policy

A. Annual Improvement for 2014-2016 Period

Annual Improvement for 2014-2016 Period modifies guidelines of IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures."

Modification of IFRS 12 is to clarify that, with the exception that summarized financial information for a subsidiary, a joint venture or an affiliate does not need to be disclosed with respect to equities of a subsidiary, a joint venture or an affiliate classified as to be sold or to be included in the to be sold group, the remaining shall all be disclosed in accordance with IFRS 12 requirements.

For 2018, there was no major impact from applying aforementioned modification.

B. IFRS 9 "Financial Instrument" and Related Modifications

IFRS 9 "Financial Instrument" replaces IAS 39 "Financial Instrument: Recognition and Measurement." Other standard of IFRS 7 "Financial Instrument: Disclosure" has also been modified accordingly. IFRS 9 new standard encompasses classification, measurement and impairment as well as average hedging accounting for financial asset. Please refer to note 4 for related accounting policy.

Classification, Measurement and Impairment of Financial Asset

Based on facts and situations existed on January 1, 2018, the consolidated company conducted assessments on that day over classifications for financial assets already existed and made retrospective adjustments accordingly, and decided not to re-compile comparison period. On the day of January 1, 2018, measurement types and book amounts for respective financial assets determined in accordance with IAS 39 and IFRS 9 and their changes are summarized as follows:

Financial Asset Types	Measurement Types IAS 39	Measurement Types IFRS 9	Book Amount IAS 39	Book Amount IFRS 9	Explanation
Cash and Cash Equivalent	Loans and Receivables	Measured Under Amortized Costs	$3,316,285	$3,316,285	(2)
Time Deposit with Original Maturity Exceeding 3 Months	Loans and Receivables	Measured Under Amortized Costs	180,515	180,515	(1)
Notes Receivables, Account Receivables and other Receivables	Loans and Receivables	Measured Under Amortized Costs	2,069,985	2,069,985	(2)
Refundable Deposit	Loans and Receivables	Measured Under Amortized Costs	26,766	26,766	(2)

	January 1, 2018 Book Amount (IAS 39)	Re-Classification	January 1, 2018 Book Amount (IFRS 9)	Explanation
Financial Assets Measured Under Amortized Costs	$ -			
Add: Loans and Receivables(IAS 39) Reclassification		$ 5,593,551	$ 5,593,551	(1),(2)
	$ -	$ 5,593,551	$ 5,593,551	

(1) For bond investments which were originally classified as non-active market debt instrument investments and measured under amortized costs in accordance with IAS 39, the contract cash flow originally recognized is fully used to pay for principal and interest for outstanding principal amount. Meanwhile, operation model assessed based on facts and situations existed on January 1, 2018 is to collect contract cash flow which is to be measured in accordance with amortized costs under IFRS 9 classification, and expected credit loss is assessed accordingly.

(2) Cash and cash equivalent , notes receivable, account receivable, other receivable and refundable deposit were originally classified as loans and receivables in accordance with IFRS 39. They are, however, now classified as financial assets measured based on amortized costs in accordance with IFRS 9, and expected credit loss has also been assessed accordingly.

For 2018, there was no major impact from applying aforementioned modification.

C. IFRS 15 “Revenue from Contracts with Customers” and Related Modifications

IFRS 15 mandates recognition principles for revenue from contracts with customers. This guideline shall replace IAS 18 “Revenue”, IAS 11 “Accounting for Construction Contracts” and related interpretations. Please refer to Note 4 for related accounting policy.
For 2018, there was no major impact from applying aforementioned modification.

D. IAS 12’s modification of “Recognition of Unrealized Loss related to Deferred Income Tax Asset”

IAS 12’s modification is mainly for the clarification that regardless if a consolidated company retrieves fair value measured debt instrument investment through selling or collecting cash equivalent, or if there is unrealized loss related to such asset, temporary difference shall be determined based on the difference between asset fair value and taxable base.

Additionally, unless tax laws restrict deductible revenue types for deductible temporary difference and therefore assessment shall be conducted on deductible temporary differences to verify if they shall be recognized as deferred income tax asset, otherwise all temporary differences shall be assessed together. Upon assessment to verify if they shall be recognized as deferred income tax assets and in the event that there is enough evidence indicating that the consolidated company is quietly likely to retrieve assets at prices higher than their book values, asset retrieval amounts to be considered when assessing future taxable income will therefore not be limited to their book values, and estimate on future taxable income shall exclude effects incurred as a result of deductible temporary difference reversal.

Upon assessment of deferred income tax asset, the consolidated company originally used book value as asset recovery amount to assess future taxable income. Aforementioned amendments shall be applied retrospectively in 2018.

For 2018, there was no major impact from applying aforementioned modification.

E. Modification of IAS 40 "Investment Property Conversion"

This modification clarifies that conversion of property into or from investment property can only conducted when the consolidated company's real property complies (or no longer complies) with the definition of investment property and there is evidence of change of application purpose. Mere change of management's intention on property utilization shall not be used as evidence of change of application purpose. Additionally, this modification also clarifies that evidence for change of application purpose is not limited to the ones listed in IAS 40.

For 2018, there was no major impact from applying aforementioned modification.

F. IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 mandates that original recognition of foreign currency transaction shall be recorded in functional currency which is converted from sport exchange rate between functional currency and foreign currency based on foreign currency amount on the transaction day. IFRIC 22 further explains that in the event that an enterprise originally recognized non-functional currency asset, or consideration has already been prepaid or received prior to being indebted, original recognition day when consideration is prepaid or received shall serve as the transaction day. In the event that prepaid or pre-received consideration is conducted by enterprise in multiple times, transaction day for each prepaid or pre-received consideration shall be determined.

The consolidated company will have a prospective application of IFRIC 22 starting from January 1, 2018.

For 2018, there was no major impact from applying aforementioned modification.

II. 2019 Application of Regulations Governing Preparation of Financial Reports by Securities Issuers and IFRSs Recognized by the Financial Supervisory Commission ("FSC")

Newly Published / Rectified / Modified Guidelines and Explanations	Effective Dates Published by IASB (Note1)
"Annual Improvement for 2015-2017 Period"	January 1, 2019
IFRS 9's modification of "Prepayment Features with Negative Compensation"	January 1, 2019 (note 2)
IFRS 16- Leases	January 1, 2019
IAS 19's modification of "Defined Benefit Plan: Employee Contribution"	January 1, 2019 (note 3)
IAS 28's modification of "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019

Note 1: Unless otherwise stipulated, aforementioned newly published/rectified/modified guidelines or explanations shall become effective in the years starting after respective dates.

Note 2: FSC allows the consolidated company to choose early application of this amendment on January 1, 2018.

Note 3: Planned modification, reduction or repayment occurred after January 1, 2019 shall apply this amendment.

A. IFRS 16 "Lease"

IFRS 16 governs identification of lease agreement and accounting handling for lessor and lessee. This standard will replace related interpretations of IAS 17 "Lease" and IFRIC 4 "Determining whether an Arrangement Contains A Lease."

Definition of Lease

Upon its first application of IFRS16, the consolidated company will only assess agreements entered (or modified) after January 1, 2019, in accordance with IFRS 16, to verify if they are (include) leases. Agreements currently identified as lease in accordance with IAS 17 and IFRIC 4 will not be re-assessed and will be processed in accordance with IFRS 16 transit requirements.

Consolidated Company as a Lessee

Upon first application of IFRS 16, with the exception of low-value object asset lease and short-term lease which are recognized as expenses in accordance with straight-line basis, other leases will be recognized as right-of-use assets and lease liabilities on consolidated balance sheet. However, right-of-use assets matching definition of investment real property will be listed as investment real property. Consolidated income statement will list out separately depreciation expense for right-of-use asset and interest expense incurred from lease liability based on effective interest method. On the consolidated statement of cash flow, principal amount used to repay lease liability will be expressed as fund-raising activity while repayment of interest will be listed as business activity. Agreements classified as business lease (including real property equities matching the definition of investment real property) prior to application of IFRS 16 are recognized as expenses in accordance with straight-line basis. Advanced lease payments to pay for acquisition of land right-of-use in the People's Republic of China are recognized as advance lease payment. Differences between amount paid and the rent generated from rent stabilization are recognized as expenses payable/prepaid lease payment. Business lease cash flow is expressed in business activities on the consolidated statement of cash flow. Agreements classified as financing lease are recognized as lease assets and payable lease.

The consolidated company is expected to adjust cumulative effect of changes, which incurred from retrospective application of IFRS 16, on January 1, 2019 retained earnings, and comparison information will not be re-drafted.

For agreements currently processed as business lease in accordance with IAS 17, measurement of lease liability on January 1, 2019 will discount remaining lease payment using lessee's incremental borrowing interest rate on that specific day. All right-of-use assets will be measured in accordance with lease liability amount of that day (prepaid or payable lease amount previously recognized have also been adjusted). With the exception of the following applications of expedient methods, right-of-use assets recognized shall all apply IAS 36 Assessment of Impairment.

The consolidated company is expected to apply the following expedient methods:

(1) Apply single discount rate to lease assortments with reasonable similar characteristics to measure lease liabilities;

(2) Lease with lease period ending prior to December 31, 2019 shall be processed in accordance with short-term lease;

(3) Initial direct costs will not be included in the measurement of right-of-use assets on January 1, 2019.

(4) Upon measurement of lease liability, retrospective views will be applied to decision on lease period.

For lease classified as financing lease in accordance with IAS 17, book values for lease asset and lease liability on December 31, 2018 will be treated as book values for right-of-use asset and lease liability on January 1, 2019.

Consolidated Company as a Lessor

No adjustments will be made on lessor's lease during the transit period. IFRS 16 will be applied starting January 1, 2019.

Expected Impact on Asset, Liability and Equity on January 1, 2019

	Dec. 31, 2018 Book Value	Adjustments from Initial Application	Jan. 1, 2019 Adjusted Book Value
Right-of-Use Asset	$ -	$ 263,449	$ 263,449
Asset Impact	$ -	$ 263,449	$ 263,449
Lease Liability－Current	$ -	$ 27,183	$ 27,183
Payable Lease－Current	583	-	583
Lease Liability－Non-Current	-	236,266	236,266
Payable Lease－Non-Current	118	-	118
Liability Impact	$ 701	$ 263,449	$ 263,449

B. IFRIC 23 "Uncertainty over Income Tax Treatment"

IFRIC 23 clarifies that when there is an uncertainty existed in income tax processing, the consolidated company must therefore assume tax competent authority is able to retrieve all related materials for review. In the event that processing for reported income tax is assessed to be likely accepted by tax competent authority, the consolidated company's decisions over taxable income, taxable base, unused tax loss, unused tax credit and tax rate must therefore be consistent with income tax processing adopted for income tax reporting. In the event that tax competent authority is not very likely to accept income tax processing reported, the consolidated company must therefore adopt assessments of the most likely amount or expected value (method capable of better predicting uncertainty final result among these two shall be adopted accordingly). In the event of changes to facts or circumstances, the consolidated company must re-assess its judgement and assessment.

Under the premise of not using hindsight, the consolidated company may apply IFRIC 23 retrospectively and recompile information for the compared period, or recognize first application cumulative effect on the day of first application.

C. Amendment of IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 prescribes that if agreement terms allow issuer (i.e. the debtor) to repay debt instrument prior to maturity, or, allow owner (i.e., creditor) to sell debt instrument back to issuer prior to maturity and early repayment amount almost represents unpaid principal, interest for outstanding principal and reasonable compensation for early agreement termination, the contract cash flow shall therefore be totally for payments of principal and interests for outstanding principal amount. Such amendment further explains that aforementioned reasonable compensation may be paid or collected by either party of the agreement. This means the party raising early repayment request may also collect reasonable compensation.

When aforementioned amendment takes effect, the consolidated company shall apply retrospectively. However, it may choose to recognize cumulative effect from retrospective application on the first application date, or, recompile information for the compared period under the premise of not using hindsight.

D. Annual improvement for 2015-2017 Cycle

Annual improvement for 2015-2017 cycle amends IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs.” Specifically, IAS 23 amendment clarifies that if a specifically borrowed loan still remains outstanding after related asset reaches expected utilization or selling status, this loan shall therefore be included in capitalization interest rate calculation for average loan. Aforementioned amendments will be applied prospectively.

In addition to aforementioned influences and as of the day when this consolidated statement was approved and published, the consolidated company will continue to assess influences to financial status and financial performance from other guideline or interpretation’s amendments. Related influences will be disclosed after assessment is completed.

III. IFRSs which has already been announced by IASB but has yet been recognized by FSC and therefore has not taken effect accordingly.

Newly Published / Rectified / Modified Guidelines and Explanations	Effective Dates Published by IASB (Note1)
IFRS 3’s modification of “Definition of a Business”	January 1, 2020 (note 2)
IFRS 10 and IAS 28’s modification of “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
IFRS 17- Insurance Contracts	January 1, 2020
IAS 1 and IAS 8’s modification of “Definition of Material”	January 1, 2020 (note 3)

Note 1: Unless otherwise stipulated, aforementioned newly published/rectified/modified guidelines or explanations shall become effective in the years starting after respective dates

Note2: Purchase dates for business mergers started after January 1, 2020 during annual report period as well as asset acquisitions occurred after the aforementioned date will apply this modification.

Note3: Annual period started after January 1, 2020 will be postponed in apply this modification.

As of the release date for this consolidated financial statement, the consolidated company still continues to assess impact to financial conditions and financial performance from modifications of other standards and interpretations. Related impact will be disclosed after completion of assessment.

4. Explanation of Summarized Significant Accounting Policy

(1) Compliance Announcement

This consolidated financial statement is prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of China and IFRS 34 which is recognized by the Financial Supervisory Commission.

(2) Consolidation Basis

In addition to financial assets measured at fair value, this consolidated financial statement is prepared in accordance with historical cost basis.

Fair value measurements are categorized from Level 1 to Level 3 in accordance with Observability and importance of related input values:

1. Level 1 Input Value: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date (without adjustment);
2. Level 2 Input Value: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly(i.e., price) or indirectly(i.e., inferred from price).
3. Level 3 Input Value: Inputs are unobservable inputs for the asset or liability.

(3) Standards for Distinguishing Current and Non-Current Assets and Liabilities
Current assets include:

1. Assets held mainly for the purpose of transaction;
2. Assets realized within twelve (12) months after the balance sheet date; and

3. Cash and cash equivalents (but excluding the ones which have been restricted as a result of being used for liability exchange or repayment exceeding twelve (12) months after balance sheet date).

Current liabilities include:

1. Liabilities held mainly for the purpose of transaction;
2. Liabilities to be repaid upon maturity twelve (12) months after balance sheet date; and
3. Liabilities whose repayment deadlines cannot be extended unconditionally to at least twelve (12) months after balance sheet date.

For those which are not aforementioned current assets or current liabilities, they are categorized as non-current assets or non-current liabilities.

(4) Consolidation Basis

This consolidated financial statement is a financial statement which includes the Company and entities controlled by the Company (subsidiaries). Consolidated income statement has already included purchased or disposed subsidiaries' current operating income starting from purchase date or until disposal date. Subsidiaries' financial statements have already been adjusted to ensure their accounting policies are consistent with the one for consolidated company. During preparation of consolidated financial statement, transactions, account balances, income and expense impairments among respective entities have already been eliminated. Subsidiaries' total consolidated income is attributed to the Company's owners and non-controlling interests even if non-controlling interests have become loss balance as a result of this.

In the event that consolidated company's equities on subsidiary change but this does not lead to loss of control, it shall be processed as equity transaction. Adjustment of book amounts for the consolidated company and non-controlled equities has been conducted to reflect changes of its relative equities in such subsidiary. Difference between adjusted amount for non-controlled equities and fair value for consideration paid or received shall be recognized directly as equities and shall be attributed to the company's owners.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between: (1)the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. The Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

For details of subsidiaries, shareholding percentages and business items, please refer to note 12 “Subsidiary”, Appendix 5 and Appendix 6.

(5) Business Merge

Business merge is processed using acquisition method. Acquisition related costs are recognized as expenses for the year when costs are generated and services are acquired.

Goodwill is measured over the net amount which is the sum of transfer consideration fair value and non-controlling interest amount of the purchased party exceeding the sum of identifiable assets obtained and liabilities assumed on the merger day.

Current ownership interest over the purchased party as well as non-controlling interest, which is entitled to the purchased party’s net assets during liquidation, are measured over the percentage of rights on the purchased party’s identifiable net asset amounts already recognized.

(6) Foreign Currency

During respective entities’ preparation of financial statements, transactions entered in currencies other than respective entities’ functional currencies (foreign currency) have been recorded by exchanging such currencies into functional currencies in accordance with exchange rates of the days for transactions.

Foreign currency items have been translated based on closing rates of each balance sheet day. Exchange differences incurred from settlement currency items or exchange currency items have been recognized as current profit or loss.

Foreign currency non-monetary items measured in historical costs have been translated based on exchange rates of transaction days and there are no re-translation for these items.

During preparation of consolidated financial statements, assets and liabilities of consolidated company's offshore operating institutions (including subsidiaries or branches with operating locations or currencies used different from the ones for the Company) have been translated in New Taiwan Dollar based on exchange rates for each balance sheet day. Items of income and expense impairment are translated based on current average exchange rates, and exchange differences incurred accordingly have been recognized as other consolidated profit or loss.

(7) Inventory

Inventory includes raw materials, finished goods and work-in-process. Inventory is measured in cost or net realizable value, whichever is lower. With the exception of inventory of the same category, comparison of cost and net realizable value is based on inventory of respective categories. Net realizable value is, under normal circumstances, the balance from selling price's deducting of estimated costs still needed for completion of production and estimated costs needed to complete sales. Calculation of inventory cost adopts weighted average method.

(8) Property, Factory and Equipment

Property, factory and equipment (including assets held under finance leases) are recognized based on their costs. Going forward, they will be measured in amounts from cost's deducting of accumulated depreciation and accumulated impairment loss.

Property, factory and equipment in progress are recognized in amounts from cost's deducting of accumulated impairment loss. Costs hereto include professional service fees as well as borrowing costs which are in line with capitalized conditions. Upon such assets' completion of construction and reaching of expected utilization status, they will be classified into proper categories of property, factory and equipment, and depreciation shall begin to incur accordingly.

Depreciation for property, factory and equipment is based on linear basis, while depreciation for every significant portion is incurred separately. The consolidated company reviews service life, residual value and depreciation method on fiscal year ending day at least for each fiscal year. Influence from changes in accounting estimates is processed using prospective application.

Gain or loss amounts generated from the de-recognition of property, factory and equipment are differences between such assets' net disposal proceeds and book values, and these amounts are recognized as current income (loss).

(9) Investment Property

Investment property is property held for the purposes of earning rents, or increasing capital, or both. Investment property also includes lands held with future purpose yet to be determined as of now.

Originally, investment property is measured in costs (including transaction costs), and going forward will be measured in amounts from cost's deducting of accumulated depreciation and accumulated impairment loss. The consolidated company adopts linear basis to recognize depreciation.

Gain or loss amounts generated from de-recognition of investment property are differences between such assets' net disposal proceeds and book values, and these amounts are recognized as current income (loss).

(10) Goodwill

Goodwill obtained from corporate merger adopts goodwill amounts recognized on the purchase day as costs, and going forward it will be measured in amounts from cost's deducting of accumulated impairment loss.

For the purpose of impairment test, goodwill is amortized to the consolidated company's respective cash generating units or cash generating unit groups which are expected to benefit from the synergy of consolidation (cash-generating unit (CGU)).

Each year (or when there are signs indicating impairment already incurred to such unit), the cash generating unit with amortized goodwill conducts its impairment test through the comparison between such unit's book value, which includes goodwill, and its recoverable amounts. In the event that goodwill, which is amortized to cash generating units or cash generating unit groups, is obtained through current year corporate merger, such units or unit groups shall therefore conduct impairment test prior to the end of that current year. In the event that recoverable amount for the goodwill-amortized cash generating unit is lower than book value, impairment loss shall first be deduction of such cash generating unit's amortized goodwill book value, and the next will be proportionate deduction of respective asset book values based on the percentages of other respective assets within such unit. Any impairment loss shall be directly recognized current loss. Goodwill impairment loss shall not be reversed in subsequent periods.

In the event of disposing goodwill-amortized cash generating unit's certain operation, goodwill amounts related to such disposed operation is included the operation's book value in order to determine disposal gain or loss.

(11) Intangible Assets

1. Separate Acquisition

Originally, intangible assets with limited service life from separate acquisition are measured in costs. Going forward, they will be measured in amounts from cost's deducting of accumulated depreciation and accumulated impairment loss. The consolidated company adopts linear basis in its depreciation amortization, and reviews estimated service life, residual value and depreciation method on the fiscal year ending day at least for each fiscal year. With the exception of the consolidated company's expected disposal of intangible asset prior to the expiration of such asset's economic life, residual value for intangible asset with limited service life is estimated to be zero. Influence from changes in accounting estimates is processed using prospective application.

2. De-Recognition

Gain or loss amounts generated from de-recognition of intangible assets are differences between such assets' net disposal proceeds and book values, and these amounts are recognized as current income (loss).

(12) Tangible and Intangible Assets (excluding Goodwill) Impairment

On each balance sheet day, the consolidated company conducts assessments to clarify if there are any signs to indicate that tangible and intangible assets (excluding goodwill) may have already been impaired. In the event of existence of any impairment sign, the recoverable amount for such asset will therefore be assessed. In the event that recoverable amount for individual asset cannot be estimated, the consolidated company will then estimate recoverable amount for the cash generating unit to which such asset belongs. In the event that shared resources can be amortized to individual cash generating units based on a reasonable and consistent basis, such resources will then be amortized to individual cash generating units accordingly. Otherwise, such resources will be amortized to the smallest cash generating group based on a reasonable and consistent basis.

As for intangible assets with un-defined service life and are not yet available for use, impairment tests shall be conducted at least each year, or when there is a sign of impairment.

Recoverable amount comes from fair value's deducting of selling cost or utilization value, whichever is higher. In the event that recoverable amounts for respective asset or cash generating units are lower than their book values, book values for such assets or cash generating units shall therefore be adjusted and reduced to recoverable amounts. Impairment loss shall be recognized in profit and loss.

During impairment loss's subsequent reversal, book values for aforementioned assets or cash generating units will be adjusted and increased to modified recoverable amounts. However, these increased book values shall not exceed aforementioned assets or cash generating units' book values (less amortization or depreciation) determined prior to previous year's recognition of impairment loss. Reversal of impairment loss is recognized in profit or loss.

(13) Financial Instruments

In the event that consolidated company becomes a party for such instrument contract, both financial assets and financial liabilities are recognized in balance sheet.

During original recognition of financial assets and financial liabilities, in the event that financial assets and financial liabilities are not measured at fair value through profit and loss, they should therefore be measured at fair value plus transaction costs which can be directly attributed to the acquisition or issuing of financial assets or financial liabilities. Transaction costs which can be directly attributed to the acquisition or issuing financial assets or financial liabilities measured at fair value through profit and loss are immediately recognized in profit and loss.

1. Financial Assets

Regular way purchase or sale for financial assets adopts transaction day accounting recognition and de-recognition.

(1) Types of Measurements

<u>2018</u>

Types of financial assets held by the consolidated company are financial assets at fair value through profit or loss and financial assets measured by amortized costs.

A. Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are financial assets which are mandatorily measured of their fair values through profit or loss.

Financial assets at fair value through profit or loss are measured based on fair values. Profit or loss incurred from the measurement will be recognized as profit or loss. Please refer to note 30 for methods to determine fair value.

B. Financial Assets Measured by Amortized Costs

In the event that consolidated company’s financial assets meet with the following two conditions at the same time, they will then be classified as financial assets measured by amortized costs:

a. Assets are held under certain operation model. Purpose of the model is to collect cash equivalent through the holding of financial assets; and

b. Cash flow of specific dates will be generated by agreement terms. Such cash flow is a solely payment for principal and interest.

After original recognition of financial assets measured by amortized costs (including cash and cash equivalent, account receivable measured by amortized costs, notes receivable, other receivables as well as time deposit with more than 3 months of maturity and refundable deposit), amortized costs, which is the balance of total book value amount determined through effective interest method being deducted by any impairment loss, will then be used for measurement. Profit or loss incurred from any foreign currency exchange will be recognized as profit or loss.

With the exception of the following two conditions, interest income will be calculated by using effective interest rates multiplied by financial asset total book value:

a. For credit-impaired financial asset purchased or originated, credit-adjusted effective interest rates are used to multiply financial assets of amortized costs in order to calculate interest income.

b. For financial asset which is not purchased or originated credit-impaired but subsequently becomes credit-impaired, effective interest rates are used to multiply financial asset of amortized costs in order to calculate interest income.

Cash equivalent includes highly liquid, low value change risk time deposit which is acquired within 3 months and can be converted into fixed amount cash at any time. It is used to satisfy short-term cash commitment.

2017

Financial assets held by the consolidated company are financial assets at fair value through profit and loss and loans extended and account receivables.

A. Financial Assets at Fair Value through Profit and Loss

Financial assets at fair value through profit and loss are financial assets held for the purpose of transaction.

Financial assets at fair value through profit and loss are measured at fair value. Profit or loss generated from re-measurement will be recognized in income. Method for measuring the fair value, please refer to Note 30.

B. Loans and Account Receivables

Loans and account receivables (including account receivables, cash and cash equivalents, and bond investment with no active market) are measured using amounts from amortized costs', which are derived from effective interest rates method, blessing of impairment losses. However, short term account receivables interest recognition without significance is excluded.

Cash equivalents include time deposits which are obtained in less than three (3) months after acquisition dates with high liquidity, and can be transformed into fixed amounts of cash at any time with very little risks of change in value. This is to be used for meeting short term cash commitments.

(2) Impairment of Financial Assets

<u>2018</u>

On each balance sheet date, the consolidated company uses expected credit loss to assess impairment loss for financial assets (including account receivable) measured by amortized costs.

Account receivables are recognized as allowances for loss based on expected credit loss during existence period. For other financial assets, assessment will be conducted to verify if credit risks have increased substantially after original recognition. Allowances for loss will be recognized based on 12-month expected credit loss if there is no substantial increase. However, allowances for loss will be recognized using expected credit loss during existence period if there is substantial increase.

Expected credit loss is a weighted average credit loss using risk of default as weights. 12-month expected credit loss represents financial instrument's expected credit loss incurred from possible default within 12 months after the report date. Expected credit loss within existence period represents financial asset's expected credit loss incurred from all possible defaults during expected existence period.

All impairment losses for financial assets lower their book values through allowance accounts. However, allowance losses for debt instrument investment measured at fair value through other consolidated profit or loss are recognized in other consolidated profit or loss and their book values will not be reduced.

2017

In addition to financial assets at fair value through profit and loss, consolidated company assesses other financial assets on each balance sheet day to clarify if there are objective evidences for impairment. If there is an objective evidence indicating that single or multiple items generated after financial asset's original recognition has/have caused losses to financial asset's estimated future cash flow, financial asset under such circumstances has already suffered from impairment.

For financial assets such as account receivables which are recognized in amortized costs, there will be another collective assessment on impairment if there is no objective impairment evidence for such assets. Collectively existed objective impairment evidence for account receivables may include consolidated company's previous payment collection experience, increased cases of delayed payments which collectively exceed average credit extension period of ninety (90) days, and observable national or regional economic situation changes which are related to default in account receivables.

Impairment loss amounts for financial assets recognized in amortized costs are the differences between such assets' book values and estimated future cash flow discounted in accordance with such financial assets' original effective interest rates.

For financial assets recognized in amortized costs, in the event that impairment loss amounts decrease in subsequent period and objective judgment indicates that such decrease is related to matters occurred after recognition of impairment, previously recognized impairment loss under such circumstances will be reversed, either directly or through adjustments in allowance accounts, and recognized in income. However, such reversal shall not make financial assets' book values exceed original amortized costs on the reversal day if there is no recognition of impairment.

Financial assets' other objective impairment evidences include issuer's or debtor's major financial difficulty, default (such as delay or suspension of interest or principal payment), or increased possibilities of debtor's entering into bankruptcy or other financial restructuring.

All of financial assets' impairment losses are deducted directly from such financial assets' book values. For account receivables, however, it will be by lowering their book values through allowance accounts. In the event that account receivables are determined to be unrecoverable, allowance accounts in such cases will be offset accordingly. Payment which was originally offset but later recovered will be credited in allowance accounts. With the exception that account receivables are unrecoverable and are therefore offset against allowance accounts, changes in allowance account book value amounts shall be recognized in income.

(3) De-Recognition of Financial Assets

Financial assets shall only be de-recognized if the consolidated company's cash flow contract rights from such financial assets have become invalid, or when such financial assets have already been transferred and almost all risks and remuneration from such assets' ownership have already been transferred to other enterprise.

Prior to 2017 (included), upon de-recognition of a certain financial asset as a whole, the difference between its book value and considerations collected is recognized in income. From 2018, upon de-recognition of a financial asset recognized in amortized costs, the difference between its book value and considerations collected is recognized in income.

2. Equity Instruments

Debts and equity instruments issued by the consolidated company are categorized as financial liabilities or equities based on natures of contract agreements and definitions of financial liabilities and equity instruments. Equity instruments issued by the consolidated company are recognized in amounts from acquisition prices' blessing of direct issuance costs.

Reacquired own equity instruments are recognized and added/deducted under equities. Purchase, sale, distribution or write-off of the company's own equity instruments will not be recognized as profit or loss.

3. Financial Liabilities

(1) Subsequent Measurement

With the exceptions hereunder, all financial liabilities are measured in amortized costs using effective interest rate method:

Financial Liabilities at Fair Value through Profit and Loss

Financial liabilities at fair value through profit and loss are held for transaction purpose.

Financial liabilities at fair value through profit and loss are first measured at fair value. After that, profit or loss generated will be measured accordingly.

(2) De-Recognition of Financial Liabilities

Upon de-recognition of financial liabilities, differences between book value and considerations paid (including any non-cash assets transferred or liabilities assumed) are recognized as income.

4. Convertible Corporate Bond

During original recognition, components of compound financial instruments (convertible corporate bonds) issued by the consolidated company are categorized into financial liabilities and equities based on nature of contract agreement and definitions for financial liabilities and equity instruments. During original recognition, fair values for liability components are estimated using current market interest rates for similar inconvertible instruments. Upon conversion or prior to maturity, aforementioned fair values will be measured using amortized costs from effective interest rate method. Liability components for embedded non-equity derivatives are measured at fair value.

Conversion rights, which are categorized as equities, equals to residual amounts from such compound instrument overall fair value's blessing of separately determined liability component fair values. They are recognized as equities after income tax effects are blessed and there will be no subsequent measurements. Upon execution of such conversion rights, related liability components and equity amounts will be recognized as Capital and Additional Paid-In Capital – Issuance Premium. In the event that convertible corporate bond conversion rights are not executed upon maturity, amounts originally recognized as equities will now be recognized as Additional Paid-In Capital – Issuance Premium.

Related transaction costs to issue convertible corporate bonds will be amortized to such instrument's liabilities (as liability book value) and equity components (as equities) based on amortization percentage for total payment.

5. Derivatives

Derivative instruments entered by the consolidated company are forward exchange contracts which are utilized to manage the consolidated company's exchange rate risks.

Derivative instruments originally were recognized at fair value when derivative instrument contact was entered. Later on the balance sheet day, they will be re-measured at fair value, and subsequent profit or loss generated are measured and directly recognized in income. Derivative instruments will be recognized as financial assets when their fair values are positive. On the other hand, they will be recognized as financial liabilities when their fair values are negative.

Prior to 2017 (included), in the event that embedded derivative matches the definition of derivative instrument, and its risks and characteristics are not tightly related to risks and characteristics of the main contract, and mixed contracts are not financial assets or financial liabilities measured at fair value through profit or loss, such derivative shall then be treated as an independent derivative instrument. Starting from 2018, if a derivative instrument is embedded in an asset main contract within the scope of IFRS 9, the classification of financial asset shall then be determined based on the overall contract. In the event that a derivative instrument is embedded in the asset main contract which is not within the scope of IFRS 9 (e.g., embedded in financial liability main contract), and the embedded derivative instrument matches with the definition of derivative instrument, and its risks and characteristics are not closely related to the risks and characteristics of the main contract, and mixed contract is not measured at fair value through profit or loss, such derivative instrument shall then be treated as an independent derivative instrument.

(14) Income Recognition

2018

After the consolidated company identifies performance obligations in client contract, transaction prices will then be amortized to respective performance obligations and will be recognized as income upon fulfillment of respective performance obligations.

1. Product Sales Income

Product sales income comes from sales of various high end casting products. With respect to high end casting product delivery patterns such as shipping origin and destination, clients are already entitled to the rights of setting prices and utilization, and clients also assume risks of products being obsolete. Accordingly, the consolidated company recognized revenue and account receivables at that specific point of time.

During subcontract processing, control of ownership for processed products is not transferred. Therefore, subcontract processing is not recognized as income.

2. Provision of Service

Service revenue is recognized upon provision of services.

2017

Income is measured at fair values of consideration received or consideration receivables, with estimated customer returns, discounts and other similar allowances blessed. Sales returns are recognized based on previous experiences as well as reasonable estimated future return amounts derived from other relevant factors.

1. Sale of Products

Sale of Products are recognized as income when all of the following conditions are met:

(1) Consolidated company has already transferred ownership's significant risks and remuneration to buyer;
(2) Consolidated company does not continuously participate in management nor maintain effective control over products already sold;
(3) Income amounts can be measured in a reliable way;
(4) There is a great possibility that transaction related economic efficiencies will flow into the consolidated company; and
(5) Transaction related costs already incurred or about to incur can be measured in a reliable way.

During subcontract processing, significant risks and remuneration of ownership for processed products have not been transferred. Therefore, there is no sales accounting process for subcontract processing.

2. Provision of Labor

Provision of labor is recognized when labor is provided.
Income incurred from provision of labor is recognized in accordance with extents of contract completed.

3. Interest Income

Financial asset interest income is recognized when it is possible for economic efficiency to flow into the consolidated company and income amounts can be measured in a reliable way. Interest income is recognized based on outstanding principal, which depends on the time lapsed, and effective interest rates applied under accrual basis.

(15) Lease

In the event that lease terms transfer asset ownership's almost all risks and remuneration to lessee, the lease shall therefore be categorized as financial lease, while all other leases shall be categorized as business lease.

1. Consolidated Company as Lessor
   Lease income from business lease is recognized, in accordance with linear basis and during relevant lease periods, as income. Under business lease, contingent rents are recognized as current income for the period when it is incurred.
2. Consolidated Company as Lessee
   For financial leasing, the lowest lease payment present value total amount among respective installments or lease asset fair value on the day of lease commencement, which ever is lower, shall be recognized as costs and lease payable liability shall also be recognized accordingly.
   Interest implied in each installment lease payment is recognized as current finance expense, and it will be capitalized if it can be directly attributed to assets which meet requirements
   Under business lease, contingent rents are recognized as current expense for the period when it is incurred.
3. Leased Land
   Leased land from consolidated company's business lease is a land utilization rights in China region and it is amortized under linear basis during lease period.

(16) Borrowing Costs

Borrowing costs directly attributed to acquisition, building or production of qualified assets will serve as a portion of such assets' costs until almost all necessary activities for such assets to reach expected utilization or sale status are completed.
With the exception of aforementioned, all other borrowing costs are recognized as current profit or loss.

(17) Government Subsidy

Government subsidy shall only be recognized in the event that it is reasonably assured that the consolidated company shall comply with conditions attached to government subsidy and the subsidy will be received.

During the period when related costs, which are to be compensated by government subsidy, are recognized by the consolidated company as expenses, government subsidy is then recognized as profit/loss under systematic basis. Government subsidy, which are under the terms that the consolidated company shall purchase, build or via other measures in order to obtain non-current assets, is recognized as deferred income, and is transferred to profit/loss during related asset's durable period under reasonable and systematic basis.

In the event that government subsidy is used to compensate expenses or losses already incurred, or, is provided under the purpose of giving immediate financial support to the consolidated company and there is no future related costs, it will therefore be recognized as profit/loss during the period when it can be received.

(18) Post-Employment Benefits

With respect to pension in a defined contribution pension plan, pension to be contributed during employee service period shall all be recognized as current expense.

(19) Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current Income Tax

Retained earnings calculated in accordance with income tax law plus 10% requisitioned income tax are recognized as income tax expense for the year of shareholders' meeting resolution.
Adjustments over income tax payable for the previous year is recognized as current income tax.

2. Deferred Income Tax

Temporary differences incurred between consolidated financial statement asset and liability book values and taxable bases, which are used for income tax calculation, are recognized as deferred income tax. Generally, all taxable temporary differences are recognized as deferred income tax liability, while deferred income tax asset is recognized when there's a possibility of taxable income for use on income tax deduction which is generated from deductible temporary difference and loss carry-forward.

Taxable temporary differences related to subsidiary investments are all recognized as deferred income tax liabilities. Nevertheless, cases that consolidated company is able to control the timing of temporary difference reversal and it's quite possible that such temporary differences will not be reversed in the foreseeable future will be excluded. Deferred income tax assets incurred from deductible temporary differences related to such investments and equities are recognized only to the extent that it's quite possible that there is enough taxable income to realize benefits of temporary differences, and within the scope of reversal in the foreseeable future.

Deferred income tax book values are reviewed on each balance sheet day. Adjustment and reduction of book values will be made on those that it is impossible for them to have enough taxable income to retrieve all or partial assets. For those which have not been recognized as deferred income tax assets, they will also be reviewed on each balance sheet day. Adjustment and increase of book values for these items will be made in the future when it is possible for them to generate taxable income to retrieve all or partial assets.

Deferred income tax assets and liabilities are measured based on current tax rates for expected liability repayment or asset realization. Such tax rates are based on tax rates and tax laws already established or substantially established on the balance sheet day. Measurements of deferred income tax liability and asset reflect tax consequences for an enterprise generated from methods of expected retrieval or repayment of asset and liability book values on the balance sheet day.

3. Current and Deferred Income Tax for This Year

Current and deferred income tax are recognized as profit or loss. However, current and deferred income tax related to items recognized in other consolidated income or items directly recognized as equities are recognized as other consolidated income or are directly recognized as equities. In the event that current income tax or deferred income tax is generated from a corporate merger, accounting process on income tax effect incurred will therefore be included in accounting process for such merged corporation.

5. Significant Accounting Judgment, Assessment and Major Source of Assumption Uncertainty

With respect to related information not easily accessible from other resources, the consolidated company's accounting policy requires that management must make related judgment, assessment and assumption based on historical experience and other relevant factors. Actual results may be different from assessments.

Management will continue to review assessments and basic assumptions. Current recognition will be modified accordingly if modification is expected to have current influence only. In the event that modification, based on accounting estimate, poses both current and future influence, recognition shall therefore be made in current and future periods accordingly.

(1) Estimated Impairment for Financial Assets (applicable in 2018)
Estimated impairments for account receivable, debt instrument investment and financial guarantee contract are based on the consolidated company's assumptions on default rate and expected loss rate. The consolidated takes historical experience, current market situation and pioneering information into consideration in making assumptions and selecting input value for estimated impairment. Please refer to note 8 and note 10 for critical assumptions and input values adopted. Possible material impairment loss may incur in the event that future actual cash flow is fewer than expected.

(2) Account Receivable Estimated Impairment (applicable in 2017)
In the event of objective evidence indicating sings of impairment, the consolidated company will consider estimates for future cash flow. Impairment loss amount is measured based on the difference between such asset's book value and estimated future cash flow (excluding future credit loss not yet incurred) current value discounted by such financial asset's original effective interest rate. There is a possibility of significant impairment losses if future actual cash flow is less than expected.

(3) Inventory Impairment

Inventory net realizable value is estimated based on, during normal business process, balance from estimated sale price's blessing of estimated costs still needed for work completion and sale of products. Such estimates are based on current market conditions and historical sale experiences for similar products. Changes in market conditions may have major influences over results for such estimates.

(4) Income Tax

As of Dec. 31 for both 2018 and 2017, deferred income tax related to tax loss are NTD138,630,000 and NTD100,380,000 respectively. Given the unforeseeability of future profit, consolidated company still has tax losses of NTD95,890,000 and NTD93,258,000 not recognized as deferred income tax assets as of Dec. 31, 2017 and 2018 respectively . Realization of deferred income tax assets mainly depends on whether there are sufficient profits or taxable temporary differences in the future. In the event that profits generated in the future are less than anticipated ones, it will be possible to have a reversal incurred on deferred income tax assets. Such reversal will be recognized as profit or loss for the period of occurrence.

6. Cash and Cash Equivalents

Mortgaged or Pledged Assets

	Dec. 31, 2018	Dec. 31, 2017
Cash On Hand	$ 2,191	$ 3,261
Bank Check and Demand Deposit	1,229,501	2,162,845
Cash Equivalents		
Time Deposit with Original Maturity within 3 months	1,921,154	1,150,179
	$ 3,152,846	$ 3,316,285

Scope of Bank Deposit Market Interest Rates on Balance Sheet Day:

	Dec. 31, 2018	Dec. 31, 2017
Bank Deposit	0.01%~4.25%	0.01%~5.1%

7. Financial Instruments at Fair Value through Profit and Loss

	Dec. 31, 2018	Dec. 31, 2017
Financial Assets - Current		
Held for Transaction		
Derivatives (not designated as a hedging instrument)		
－Forward Exchange Contract	$ -	$ 17,121
at fair value through profit or loss		
Derivatives (not designated as a hedging instrument)		
－Forward Exchange Contract	5,948	-
	$ 5,948	$ 17,121

	Dec. 31, 2018	Dec. 31, 2017
Financial Liabilities－Current		
Held for Transaction		
Derivatives (not designated as a hedging instrument)		
－Domestic Second Convertible Corporate Bond (Note18)	$ -	$ 27,000
at fair value through profit or loss		
Derivatives (not designated as a hedging instrument)		
－Domestic Second Convertible Corporate Bond (Note18)	542	-
	$ 542	$ 27,000

Forward Exchange Contract with Hedge Accounting not Applied and Maturity not Reached on Balance Sheet Day:

Dec. 31, 2018

	Currency	Periods of Maturity	Contract Amounts (in thousands)
Forward Exchange Sold	USD/RMB	2019.01.07-2019.05.29	USD 8,000/RMB 55,684
Forward Exchange Sold	EUR/RMB	2019.01.02-2019.04.09	EUR 7,000/RMB 55,914

Dec. 31, 2017

	Currency	Periods of Maturity	Contract Amounts (in thousands)
Forward Exchange Sold	USD/RMB	2018.01.08-2018.06.14	USD 10,300/RMB 69,231
Forward Exchange Sold	EUR/RMB	2018.01.04-2018.05.14	EUR 10,100/RMB 80,518
Forward Exchange Sold	EUR/USD	2018.01.04	EUR 200/USD 241

Purpose of consolidated company's forward exchange transactions is mainly for avoiding exchange rate fluctuation risks incurred from foreign currency assets and liabilities.

8. Financial Assets Measured By Amortized Costs - 2018

	Dec. 31, 2018
Current	
Time Deposit with Maturity Exceeding 3 Months	$ 485,187

As of December 31 of 2018, interest rate range for time deposit with maturity exceeding 3 months is 2.8%~4.55%per annum. Such deposit was originally classified as non-active market debt instrument investment in accordance with IAS 39. Please refer to note 3 and note 9 for its re-classification and 2017 information.

9. Debt Instrument Investment with No Active Market

	Dec. 31, 2017
Current	
Time Deposits with Original Maturity Exceeding 3 Months	$180,515

As of December 31, 2017, annual interest rates for time deposits with original maturity exceeding 3 months range from 1.8% to 5.1%.

10. **Account Receivables**

Financial asset measured based on amortized cost – current

	Dec. 31, 2018	Dec. 31, 2017
Account Receivables		
Measured based on amortized cost		
Total Book Value	$ 1,831,026	$ 1,743,207
Less: Bad Debt Reserves	(14,412)	(24,625)
	$ 1,816,614	$ 1,718,582

2018

The consolidated company's average credit extension period for product sales is 90 days and no interests are incurred from account receivable. The consolidated company's adopted policy is to only be engaged in transactions with parties with ratings over (and including) investment rating, and shall obtain sufficient collateral if necessary in order to mitigate risks of financial loss incurred from default. The consolidated company conducts ratings over its main clients using other publicly available financial information and historical transaction records. The consolidated company shall continue to monitor credit exposure as well as its transaction counterparties' credit ratings, and shall distribute total transaction amount to clients with different credit ratings. Meanwhile, each year the Credit Risk Management Committee will review and approve transaction counterparties' credit amount for the purpose of credit exposure management.

The consolidated company adopts IFRS 9 simplified measures to recognize loss allowance for account receivable based on expected credit loss during existence period. Expected credit loss during existence period is calculated using provision matrix which takes a client's previous default records, current financial status, industry economical situation and industry outlook into consideration. Based on the consolidated company's historical experience on credit loss, there are no obvious differences among different client groups with respect to types of loss. Accordingly, provision matrix does not further differentiate client groups and only establishes expected credit loss rates based on days of default on account receivables.

In the event that there evidences indicating a transaction counterparty is facing serious financial difficulty and the consolidated company cannot reasonably expect amount to be recovered, the consolidated company will directly write off related account receivables, and recovered amounts will be recognized in profit or loss.

The consolidated company's loss allowance for account receivables measured by provision matrix is as follows:

Dec. 31, 2018

	Non-Default	Default 1～90 Days	Default 91～180 Days	Default Exceeding 181Days	Total
Expected Credit Loss Rate	0.0092%	5%	50%	100%	-
Total Book Value	$ 1,759,360	$ 60,421	$ 32	$ 11,213	$ 1,831,026
Loss Allowance（Expected Credit Loss During Existence Period）	(162)	(3,021)	(16)	(11,213)	(14,412)
Amortized Costs	$ 1,759,198	$ 57,400	$ 16	$ -	$ 1,816,614

Information for changes in account receivable allowance for bad debt is as follows:

	2018
Beginning Balance（IAS 39）	$ 24,625
Beginning Balance（IFRS 9）	24,625
Disposal of Subsidiary	(37)
Deduct: Current Reverse Impairment Loss	(10,006)
Foreign Currency Exchange Difference	(170)
Closing Balance	$ 14,412

2017

The consolidated company's credit extension policy for 2017 is same as the one for aforementioned 2018. In terms of assessment over bad debt allowance for account receivable, the consolidated company's average credit extension period for product sales is 90 days, and no interest is incurred from account receivables. Upon determining recoverability for account receivables, the consolidated company considers any change to credit quality of account receivables starting from the original credit extension date to the balance sheet date. Given the fact that historical experience indicates that account receivables aged exceeding 180 days cannot be recovered, the consolidated company recognized 100% of account receivables aged exceeding 180 days as bad debt allowance. For account receivables aged between 0 day and 180 days, unrecoverable amounts for bad debt allowance are estimated under references of transaction counterparties' previous default records as well as analysis over their current financial status.

Aging analysis for account receivables is as follows:

	Dec. 31, 2017
Non-Default	$ 1,587,518
Below 90 Days	122,158
90～180 Days	21,610
Exceeding 180 Days	11,921
Total	$ 1,743,207

The aforementioned is aging analysis conducted based on default days.

Information of changes to bad debt allowance for account receivables is as follows:

	Group Estimated Impairment Loss
Balance for Jan. 1, 2017	$ 19,751
Add: Current Bad Debt Expense Recognized	6,826
Deduct: Current Actual Write-Off	(1,661)
Difference in Foreign Currency Exchange	(291)
Balance for Dec. 31, 2017	$ 24,625

11. **Net Inventory**

	Dec. 31, 2018	Dec. 31, 2017
Finished Goods	$ 575,791	$ 527,556
Work-In-Progress	420,365	321,242
Raw Materials	371,786	407,383
	$ 1,367,942	$ 1,256,181

Operating costs related to inventory for 2018 and 2017 are NTD 5,364,919,000 and NTD 4,972,143,000 respectively. Operating cost includes reduction of inventory to market of NTD27,745,000 and NTD40,128,000.

12. Subsidiaries

Subsidiaries included in this consolidated financial statement

Subjects for this consolidated financial statement are as follows:

Investor Company	Subsidiary	Nature of Business	2018 Dec. 31	2017 Dec. 31
Yeong Guan Energy Technology Group Co., Ltd.	Yeong Guan Holding Co. , Ltd. (Yeong Guan Holding Company)	Investment	100	100
	Yeong Guan Heavy Industry (Thailand) Co., Ltd. (Yeong Guan Heavy Industry Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	75	75
Yeong Guan Holding Co., Ltd.	Yeong Guan International Co., Ltd. (Yeong Guan International Company)	Investment	100	100
	Shin Shang Trade Co., Ltd. (Shin Shang Trade Company)	Transaction of various steel castings and casting molds as well as related import/export businesses	100	100
	Yeong Chen Asia Pacific Co., Ltd. (Yeong Chen Asia Pacific Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	New Power Team Technology Co., Ltd. (New Power Company)	Processing, manufacturing and selling of various of machinery and hardware	- (Note 1)	52
Yeong Guan International Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd. (Yeong Shang Casting Iron Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	Ningbo Lu Lin Machine Tool Foundry Co., Ltd. (Lu Lin Machine Tool Foundry Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	Dongguan Yeong Guan Mould Factory Co., Ltd. (Dongguan Yeong Guan Mould Factory Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	Jiangsu Bright Steel Fine Machinery Co., Ltd. (Bright Steel Fine Machinery Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	80	80
	Ningbo Yeong Chia Mei Trade Co., Ltd. (Yeong Chia Mei Trade Company)	Transaction of various steel castings and casting molds as well as related import/export businesses	100	100
	Shanghai No. 1 Machine Tool Foundry (Su zhou) Co., Ltd.(Shanghai No. 1 Machine Tool Foundry Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	42.96 (Note 2)	53
Yeong Shang Casting Iron Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd. (Bright Steel Fine Machinery Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	20	20
Dongguan Yeong Guan Mould Factory Co., Ltd.	Shanghai No. 1 Machine Tool Foundry (Su zhou) Co., Ltd. (Shanghai No. 1 Machine Tool Foundry Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	51.37 (Note 2)	40

Investor Company	Subsidiary	Nature of Business	2018 Dec. 31	2017 Dec. 31
	Qing Dao Rui Yao Building Material Co., Ltd. (Qing Dao Rui Yao Company)	Manufacturing and selling of Decorative Material, processing and selling of stones material	25 (Note3)	-
Lu Lin Machine Tool Foundry Company	Qing Dao Rui Yao Building Material Co., Ltd.	Manufacturing and selling of Decorative Material, processing and selling of stones material	25 (Note3)	
Shanghai No. 1 Machine Tool Foundry Co., Ltd.	Shanghai No. 1 Foundry Trading Co., Ltd.(Shanghai Trading Company)	Trading, importing and exporting of various steel and iron castings and casting mold	-	- (Note 4)
New Power Team Technology Co., Ltd.	Lizhan Limited (Lizhan Company)	Investment	- (Note 5)	100
Lizhan Limited	Ningbo New Power Team Technology Co., Ltd. (Ningbo New Power Company)	Manufacturing of base of medical equipment, wind turbine hub and semiconductor equipment products	- (Note 6)	100

Note 1: Under resolution from the Board of Director’s Meeting, the Yeong Guan Holding Co., Ltd. sold all equities of its subsidiary the New Power Team Technology Co., Ltd on November 8, 2018. This was approved by the Investment Commission of the Ministry of Economic Affairs on December 27, 2018. An assignment agreement was entered with the Ki Giant Technology Incorporation on December 27, 2018. Change of registration was approved by the Taoyuan City Government on January 7, 2019.

Note 2: On November 8, 2018, the Shanghai No. 1 Machine Tool Foundry Company issued new shares, which were completely purchased by Dongguan Yeong Guan Mould Factory Company. Accordingly, shareholding percentage increased from 40% to 51.37%. Shareholding percentage for Yeong Guan International Company dropped from 53% to 42.96% because it did not purchase new shares.

Note 3: On March 29, 2018, Dongguan Yeong Guan Mould Factory Company and Lu Lin Machine Tool Foundry Company conducted cash capital increase and formed a joint venture of Qing Dao Rui Yao Building Material Co., Ltd., with each party holding 50% equity ownership. Qing Dao Rui Yao Building Material Co., Ltd. issued new shares on April 10, 2018. Both Dongguan Yeong Guan Mould Factory Company and Lu Lin Machine Tool Foundry Company did not purchase new shares. Accordingly, both of their holdings decreased from 50% to 25%. The consolidated company occupies more than half the seats for the company’s directors and the Group still has control over the company. Therefore, it is included in the consolidated entity.

Note 4: On August 3, 2017, the Shanghai No. 1 Machine Tool Foundry Company disposed 100% share equities of its subsidiary Shanghai sales company.

Note 5: On April 25, 2018, New Power Company dissolved its subsidiary Lizhan Company under resolution from its Shareholders Meeting. Liquidation was completed on May 7, 2018.

Note 6: On July 10, 2017, Lizhan Company dissolved its subsidiary Ningbo New Power Company under resolution from its Shareholders Meeting. Liquidation was completed on April 11, 2018.

13. Property, Factory and Equipment

	Self-Owned Land	Building	Machine Equipment	Transportation Equipment	Other Equipment	Leased Asset	Work-in-Progress Property	Total
Cost								
Balance, Jan. 1, 2017	$ 693,861	$ 3,034,205	$ 3,469,620	$ 73,393	$ 515,372	$ 1,767	$ 1,332,556	$ 9,120,774
Disposal of subsidiary	-	-	-	(1,344)	(156)	(1,170)	-	(2,670)
Addition	75,664	26,136	192,924	7,281	34,176	2,344	426,069	764,594
Disposal	-	(16,254)	(69,723)	(10,296)	(38,866)	-	(11,700)	(146,839)
Reclassification	-	324,167	777,388	1,356	50,230	-	(730,330)	422,811
Net Exchange Difference	3,710	(52,436)	(54,779)	(1,250)	(9,076)	(22)	(22,780)	(136,633)
Balance, Dec. 31, 2017	$ 773,235	$ 3,315,818	$ 4,315,430	$ 69,140	$ 551,680	$ 2,919	$ 993,815	$10,022,037
Accumulated Depreciation and Impairment								
Balance, Jan. 1, 2017	$ -	$ 1,063,254	$ 1,961,555	$ 46,061	$ 349,064	$ 159	$ -	$ 3,420,093
Disposal of subsidiary	-	-	-	(1,318)	(8)	(19)	-	(1,345)
Disposal	-	(16,253)	(53,206)	(6,382)	(32,894)	-	-	(108,735)
Depreciation Expense	-	146,945	290,814	6,496	46,070	444	-	490,769
Reclassification	-	4,235	(321)	-	(2,020)	-	-	1,894
Net Exchange Difference	-	(18,274)	(34,205)	(801)	(6,586)	2	-	(59,864)
Balance, Dec. 31, 2017	$ -	$ 1,179,907	$ 2,164,637	$ 44,056	$ 353,626	$ 586	$ -	$ 3,742,812
Net amount, Dec. 31, 2017	$ 773,235	$ 2,135,911	$ 2,150,793	$ 25,084	$ 198,054	$ 2,333	$ 993,815	$ 6,279,225
Cost								
Balance, Jan. 1, 2018	$ 773,235	$ 3,315,818	$ 4,315,430	$ 69,140	$ 551,680	$ 2,919	$ 993,815	$10,022,037
Disposal of subsidiary	(161,293)	(97,623)	(5,748)	(2,511)	(3,813)	-	-	(270,988)
Addition	-	34,350	77,956	6,173	32,182	-	200,329	350,990
Disposal	-	(54,329)	(19,795)	(7,382)	(12,998)	-	-	(94,504)
Reclassification	-	101,942	91,221	783	30,762	-	(105,277)	119,431
Net Exchange Difference	14,206	(59,795)	(77,410)	(6,510)	(10,818)	(54)	(12,383)	(152,764)
Balance, Dec. 31, 2018	$ 626,148	$ 3,240,363	$ 4,381,654	$ 59,693	$ 586,995	$ 2,865	$ 1,076,484	$ 9,974,202
Accumulated Depreciation and Impairment								
Balance, Jan. 1, 2018	$ -	$ 1,179,907	$ 2,164,637	$ 44,056	$ 353,626	$ 586	$ -	$ 3,742,812
Disposal of subsidiary	-	(23,868)	(4,850)	(1,549)	(2,811)	-	-	(33,078)
Disposal	-	(54,329)	(16,152)	(5,830)	(11,059)	-	-	(87,370)
Depreciation Expense	-	160,559	297,477	6,532	60,874	548	-	525,990
Net Exchange Difference	-	(22,647)	(63,727)	(719)	(7,301)	(20)	-	(94,414)
Balance, Dec. 31, 2018	$ -	$ 1,239,622	$ 2,377,385	$ 42,490	$ 393,329	$ 1,114	$ -	$ 4,053,940
Net amount, Dec. 31, 2018	$ 626,148	$ 2,000,741	$ 2,004,269	$ 17,203	$ 193,666	$ 1,751	$ 1,076,484	$ 5,920,262

Depreciation for consolidated company’s property, factory and equipment is recognized under linear basis:

Building	5 to 20 years
Machine Equipment	3 to 10 years
Transportation Equipment	5 to 20 years
Other Equipment	3 to 10 years
Leased Asset	5 years

Major components for consolidated company’s building include factory main building and power generating equipment. Depreciation for them is recognized based on service life of 20 years and 5 years respectively.

Please refer to note 32 for property, factory and equipment amounts serve as loan collaterals during the consolidated company’s creation of pledge.

14. **Investment Property**

	Total
Cost	
Balance, Jan. 1, 2017	$ 33,774
Transfer-out for the current period	(10,176)
Net Exchange Difference	(338)
Balance, Dec. 31, 2017	$ 23,260
Accumulated Depreciation	
Balance, Jan. 1, 2017	$ 6,369
Depreciation Expense	454
Transfer-out for the current period	(4,236)
Net Exchange Difference	(126)
Balance, Dec. 31, 2017	$ 2,461
Balance, Dec. 31, 2017	$ 20,799
Cost	
Balance, Jan. 1, 2018	$ 23,260
Disposal of subsidiary	(22,462)
Balance, Dec. 31, 2018	$ 798
Accumulated Depreciation	
Balance, Jan. 1, 2018	$ 2,461
Disposal of subsidiary	(2,762)
Depreciation Expense	350
Balance, Dec. 31, 2018	$ 49
Balance, Dec. 31, 2018	$ 749

Depreciation for consolidated company's investment property is recognized under linear basis and 20-year service life.

Consolidated company's investment properties for end of 2017 are buildings and lands located in No. 575, Sec. 1, Cheng Gong Rd., Cao Ta Village, Guan Yin District, Taoyuang City and No. 9, Minquan Road, Dayuan District, Taoyuan City. Given the fact that this site is located within an industry zone, the comparable market transactions are less frequent and reliable assessments to replace fair values cannot be obtained.

Therefore, fair values cannot be determined in a reliable manner. However, the consolidated company's management considers that inability to obtain fair value assessment report for aforementioned investment real property is not expected to incur significant influence.

All of consolidated company's investment properties are equity capitals. Please refer to note 32 for investment property amounts pledged by consolidated company as loan collaterals.

15. Goodwill

	2018	2017
Cost		
Balance, Beginning	$ 144,002	$ 145,208
Disposal of subsidiary (Note 27)	(3,269)	-
Net Exchange Difference	(1,115)	(1,206)
Balance, Ending	$ 139,618	$ 144,002

Determination of goodwill recoverable amount is based on utilization value. Utilization value is estimated based on cash flow for future 5-year financial budget approved by consolidated company's management, and has been calculated based on annual discount rates of 7.56% and 9.63% in 2018 and 2017 respectively.

Management of the consolidated company does not think any reasonable possible changes of critical assumptions which are used as recoverable amount basis may lead to goodwill book value total amount's exceeding of recoverable amounts.

16. Lease Prepayment

	Dec. 31, 2018	Dec. 31, 2017
Current (included in other current assets)	$ 10,644	$ 10,674
Non-Current	395,167	413,696
	$ 405,811	$ 424,370

As of Dec. 31 for 2018 and 2017, prepaid lease is for land utilization rights in China. Please refer to note 32 for prepaid lease amounts pledged by consolidated company as loan collaterals.

17. Loans

(1) Short Term Loans

	Dec. 31, 2018	Dec. 31, 2017
Secured Loans (Note 32)		
－Bank Loan	$ 1,921,161	$ 523,055

Bank revolving loan interest rates on Dec. 31, 2018 and 2017 are 1.00%-5.22% and 0.95%-2.69% respectively.

(2) Long Term Loan

	Dec. 31, 2018	Dec. 31, 2017
Secure Loan (Note 32)		
Bank Loan	$ 92,130	$ 89,370
Syndicated loan	2,577,115	-
	2,669,245	89,370
Minus: Syndicated loan fee	(6,300)	-
	$ 2,662,945	$ 89,370

As of Dec. 31, 2018 and 2017, annual interest rates for long term loans are 1.8%~3.35% and 2.31% respectively.

On May 4, 2018, the consolidated company entered a syndicated loan agreement of credit extension total amount of NTD4.2 billion with ten financial institutes including the Land Bank of Taiwan. Specifically, (1) A-1 credit extension: It is for the borrower Yeong Guan Energy Technology Group Company Limited to repay its domestic 2nd unsecured convertible bond. Credit line is USD85 million dollars. Multiple drawdowns are available. However, revolving credit is not allowed. (2) A-2 Credit Extension: It is for the borrower Yeong Guan Energy Technology Group Company Limited to strengthen mid-term operation capital. Credit line is USD53 million dollars. Revolving credit is available. (3) B-1 Credit Extension: It is for the borrower Yeong Guan Holdings Co., Limited Taiwan Branch to strengthen mid-term operation capital. Credit line is NTD1 billion dollars or foreign currency with equivalent value (limited to USD, Euro Dollar). Multiple drawdowns are available. However, revolving credit is not allowed. (4)B-2 Credit Extension: It is for the borrower Yeong Guan Holdings Co., Limited Taiwan Branch to strengthen mid-term operation capital. Credit line is NTD2.7 billion dollars or foreign currency with equivalent value (limited to USD, Euro dollar). Revolving credit is available. (5) C Credit Extension: It is for borrower Yeong Cheng Asia Pacific Co., Ltd. to strengthen mid-term operation capital. Credit line is NTD1.5 billion dollars or foreign currency with equivalent value (limited to USD, Euro Dollar). Revolving credit is available.

18. Corporate Bond Payable

	Dec. 31, 2018	Dec. 31, 2017
Domestic First Un-Secured Convertible Corporate Bond	$ 2,189	$ 2,146
Domestic Second Un-Secured Convertible Corporate Bond	91,362	2,438,634
	93,551	2,440,780
Minus: One-year Putable Bond	91,362	2,438,634
Listed as the ones with expiration within one year.	2,189	-
	93,551	2,438,634
	$ -	$ 2,146

(1) On June 3, 2014, the Company issued 15,000 units NTD denominated un-secured convertible corporate bond with 0% coupon rate and total principal amount of NTD1.5 billion.

Each unit corporate bond holder is entitled to convert the bond into the Company’s common shares under the price of NTD158/share. After determination of conversion price, adjustments shall be made in accordance with conversion price adjustment formula in the event of ex-right or ex-dividend. As of Dec. 31, 2018, conversion price has been adjusted to NTD133.9 and conversion period starts from September 4, 2014 to May 24, 2019. In the event of unconverted corporate bond upon expiration of aforementioned period, onetime cash repayment of bond face value plus interest compensation will be made on June 3, 2019. Interest compensation upon maturity is 5.01% of face value for creditor’s rights. In the event that conditions are met, the Company shall be entitled to request to redeem this convertible corporate bond from creditors based on agreed prices.

During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event the Company's common share closing prices in Taiwan Stock Exchange exceed this bond's conversion price at that time over 30% (included) for 30 consecutive business days, the Company will be entitled to send out a 30-day-expiration "Bond Redemption Notice" within subsequent 30 business days, and redeem all bonds in cash calculated based on face value upon expiration of aforementioned period. During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event that this bond's outstanding balance is lower than 10% of original total issue amount, the Company will therefore be entitled to send out a 30-day-expiration "Bond Redemption Notice" based on names recorded on bondholder's name list 5 business days prior to the mailing day, and redeem outstanding bond in cash calculated based on face value upon expiration of aforementioned period.

Respective expiration dates of 2-year and 3-year periods after issuance are pre-mature sell back record dates for bondholders of this bond. Bondholders are entitled to send out notice in writing to the Company's share agent within 30 days prior to aforementioned sell back record dates requesting the Company to redeem bond held by them in cash and in 102.015% and 103.03% of face value.

This convertible corporate bond include liability and equity components. Equity components are presented as Additional Paid-In Capital - Share Subscription Right under equities. Liability components, on the other hand, are cognized as liabilities of embedded derivative financial instruments and non-derivative products. Such embedded derivative financial instrument has been assessed at fair value of 0 thousand on Dec. 31, 2018 and 2017. Non-derivative product liability has been measured on Dec. 31, 2017 and 2016 as NTD2,189 thousands and NTD2,146 thousands based on amortized cost and its effective interest rate originally recognized is 1.0715%.

Issuance Proceeds (less transaction cost of NTD3,714 thousands)	$ 1,496,286
Equity Components	(68,829)
Net Liability Components on Issue Day (including NTD1,427,607 thousands of corporate bond payable and NTD150 thousands of financial assets at fair value – noncurrent)	1,427,457
Interest Calculated in Effective Interest Rate	36,992

Corporate bond payable converted to common stock	(1,318,006)
Corporate bond payable - put option exercised	(144,389)
Loss on Valuation of Financial Instrument	135
Liability Components on Dec. 31, 2018	$ 2,189

Holder of this bond redeemed 1 unsecured convertible bond with face value of NTD143,000 thousand dollars (with NTD4,333 thousand dollars of interest and compensation added) in May and June of 2017. This incurred a sell-back loss of NTD2,944 thousand dollars (included under the item of other gains and losses).

As of Dec. 31, 2018, 1 unsecured convertible corporate bonds with face value of NTD1,354,900 thousand dollars have already been converted into the Company's shares of 8,929,000 shares.

(2) On August 18, 2015, the Company issued 25,000 units NTD denominated un-secured convertible corporate bond with 0% coupon rate and total principal amount of NT$2.5 billion.

Each unit corporate bond holder is entitled to convert the bond into the Company's common shares under the price of NTD217/share. After determination of conversion price, adjustments shall be made in accordance with conversion price adjustment formula in the event of ex-right or ex-dividend. As of Dec. 31, 2018, conversion price has been adjusted to NTD195.1 and conversion period starts from November 18, 2015 to August 18, 2020. In the event of unconverted corporate bond upon expiration of aforementioned period, onetime cash repayment of bond face value plus interest compensation will be made on August 18, 2020. Interest compensation upon maturity is 2.53% of face value for creditor's rights. In the event that conditions are met, the Company shall be entitled to request to redeem this convertible corporate bond from creditors based on agreed prices.

During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event the Company's common share closing prices in Taiwan Stock Exchange exceed this bond's conversion price at that time over 30% (included) for 30 consecutive business days, the Company will be entitled to send out a 30-day-expiration "Bond Redemption Notice" within subsequent 30 business days, and redeem all bonds in cash calculated based on face value upon expiration of aforementioned period. During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event that this bond's outstanding balance is lower than 10% of original total issue amount, the Company will therefore be entitled to send out a 30-day-expiration "Bond Redemption Notice" based on names recorded on bondholder's name list 5 business days prior to the mailing day, and redeem outstanding bond in cash calculated based on face value upon expiration of aforementioned period.

Respective expiration dates of 3-year and 4-year periods after issuance are pre-mature sell back record dates for bondholders of this bond. Bondholders are entitled to send out notice in writing to the Company's share agent within 30 days prior to aforementioned sell back record dates requesting the Company to redeem bond held by them in cash and in 101.51% and 102.02% of face value.

This convertible corporate bond include liability and equity components. Equity components are presented as Additional Paid-In Capital - Share Subscription Right under equities. Liability components, on the other hand, are cognized as liabilities of embedded derivative financial instruments and non-derivative products. Such embedded derivative financial instrument have been assessed at fair value of NTD542,000 and NTD27,000,000 respectively on Dec. 31, 2018 and 2017; non-derivative product liability have been measured on Dec. 31, 2018 and 2017 and NTD91,362,000 NTD2,438,634,000 respectively based on amortized cost and its effective interest rate originally recognized is 0.8351%

Issuance Proceeds (less transaction cost of NTD6,546 thousands)	$ 2,493,454
Equity Components	(150,355)
Net Liability Components on Issue Day (including NTD2,331,130 thousands of corporate bond payable and NTD11,969 thousands of financial assets at fair value – noncurrent)	2,343,099
Interest Calculated in Effective Interest Rate	137,267
Corporate bond payable - put option exercised	(2,406,655)
Gain on Valuation of Financial Instrument	18,193
Liability Components on Dec. 31, 2018	$ 91,904

Bondholders redeemed the second unsecured convertible corporate bond with book value of NTD 2.408 billion dollars (plus interest compensation amount of NTD36.362 million dollars) in August 2018. A loss of NTD37.807 million dollars was incurred from this sell back (included under the item of other profit or loss).

All of the second unsecured convertible corporate bonds have not yet been converted as of Dec. 31, 2018.

19. Lease Payable

	Dec. 31, 2018	Dec. 31, 2017
Mimimum Lease Payment		
Less Than 1 Year	$ 736	$ 1,079
1～5 Years	126	878
	862	1,957
Less: Future Finance Expense	161	534
Minimum Lease Payment Present Value	$ 701	$ 1,423
Mimimum Lease Payment Present Value		
Less Than 1 Year（included in other current liabilities）	$ 583	$ 709
1～5 Years	118	714
	$ 701	$ 1,423

The consolidated company leased transportation equipment via finance leasing in April 2018 and June 2017, with a lease period of 3 years. Ownership of such transportation equipment will be transferred to the consolidated company without consideration upon expiration of the lease period. Interest rate for the lease are 43.31% and 20.13%.

20. Other Account Payables

	Dec. 31, 2018	Dec. 31, 2017
Salary Payable	$ 228,111	$ 226,859
Freight Payable	56,810	37,771
Payables on Equipment	19,140	22,112
Tax Payable	56,872	40,691

Interest Payable	8,747	609
Others	125,546	119,906
	$ 495,226	$ 447,948

21. **Post-Employment Benefit Plan**

Pension system of "Labor Pension Act" applied by consolidated company's Yeong Chen Asia Pacific Co., Ltd. and New Power Team Technology Co., Ltd. is a defined contribution pension plan managed by government. 6% of employee's monthly salary will be contributed to personal account in Bureau of Labor Insurance.
Consolidated company's subsidiaries in China apply defined contribution pension regulation. A certain percentage of contribution from pension contributed in accordance with employee salary will be contributed, together with the pension, into pension fund accounts managed by local insurance institution designated by law. Upon employee's retirement, deposits form employee him/herself and deposits from company's contribution together interests incurred can be withdrawn from such pension fund account.

22. **Equities**

(1) Share Capital

	Dec. 31, 2018	Dec. 31, 2017
Number of Shares Authorized (in thousands)	300,000	300,000
Amount of Capital Authorized	$ 3,000,000	$ 3,000,000
Number of Outstanding Shares with Share Payment Fully Collected (in thousands)	$ 111,618	$ 118,818
Outstanding Share Capital	$ 1,116,175	$ 1,188,175

Par value for each outstanding common share is NTD10 and each share enjoys one voting rights as well as rights to collect dividend.

(2) Additional Paid-In Capital

Proceeds form share premium issuance, which exceeds par value, of Additional paid-in capital can be used to compensate losses. They can also be used to distribute cash dividend, or to be contributed as share capital, when there is no loss incurred to the Company. However, contribution of share capital is limited to certain percentages of paid-in capital each year.

Additional paid-in capital generated from convertible bond stock option shall not be utilized for any purpose;

Additional paid-in capital generated from failed stock option can only be used to compensate losses.

(3) Policy for Retained Earnings and Dividends

As per surplus distribution policy requirements of the Articles of Incorporation, in the event that the Company enjoys surplus after annual final account settlement, surplus shall first be used to pay for tax as required by laws and make up for accumulated losses before appropriating 10% as legal reserve. Special reserve shall then be recognized or reversed from the balance as required by laws. In the event that there is still surplus, the Board of Directors Meeting shall then stipulate surplus distribution proposal over such surplus and accumulated retained earnings and submit the proposal to the Shareholder’s Meeting for resolution over distribution of dividend and bonus to shareholders. Please refer to Note 24(3) Employee Benefit Expense on the compensation policy for employees and directors/supervisors before and after modification of Articles of Incorporation.

Distribution of shareholder dividend and employee bonus can be distributed, pursuant to Board of Director’s Meeting determination, to employees or shareholders in cash, proceeds from fully paid shares not yet issued, or both cash and aforementioned proceeds. For shareholder dividend, however, cash dividend distributed shall not be less than 10% of all dividends. The Company will not pay for interest on undistributed dividend or bonus.

Legal reserve shall be appropriated until its balance equals the Company’s paid-in capital total amount. Legal reserve can be used to compensate losses. In the event of no losses incurred to the Company, except that legal reserve exceeding 25% of paid-in capital total amount shall be appropriated as share capital, legal reserve can be distributed in cash.

The Company appropriates and reverses special reserve in accordance with letters of Gin-Guan-Zheng-Fa-Tze No. 1010012865 and Gin-Guan-Zheng-Fa-Tze No. 1010047490 as well as “Application Q&A on Special Reserve Appropriation after Adoption of IFRSs” guideline. In the event of subsequent reversal on other shareholder equity deduction balance, the reversal portion can be used to distribute earnings.

The Company held shareholder meetings on June 5, 2018 and June 13, 2017 respectively, and approved, through resolutions, earnings distribution, employee bonus and director/supervisor remuneration for 2017 and 2016 as follows:

	Earnings Distribution		Earnings Per Share (dollar)	
	2017	2016	2017	2016
Legal Reserve	$ 27,047	$ 100,830		
Special Reserve	218,681	612,634		
Cash Dividend	171,187	386,157	$ 1.53	$ 3.25

2017 Earnings Distribution proposal is pending for resolution from the shareholders' meeting which is expected to be held in May 2018.

2018 Earnings Distribution proposal is pending for resolution from the Board of Directors' Meeting which is expected to be held on June 20, 2019.

(4) Special Reserve

	2018	2019
Balance, Beginning of Year	$ 620,848	$ 8,214
Special Reserve		
Exchange Difference on Translation of Foreign Financial Statement	218,681	612,634
Balance, End of Year	$ 839,529	$ 620,848

Upon the Company's first adoption of IFRSs, accumulated conversion adjustment amount transferred into retained earnings was NTD8,214 thousand dollars. The same amount of special reserve has already been appropriated accordingly. Upon earnings distribution, other shareholder's equity deduction as of the ending day of reporting period as well as special reserve appropriated during first adoption of IFRSs shall also be recognized. In the event that there is a subsequent reversal on other shareholder's equity reduction balance, distribution of earnings can then be conducted on the reserved portion.

(5) Non-Controlling Interest

	2018	2017
Balance, Beginning of Year	$ 291,815	$ 304,158
Reduction of non-controlling interests from disposal of New Power Team Technology Co., Ltd.	(198,155)	-
Portion for Non-Controlling Interest		
Current Net Loss	4,585	(12,550)
Exchange Difference on Translation of Foreign Financial Statement	2,973	249
Non-Controlling Interest Increased by Acquisition of New Power Team Technology Inc.	38,025	-
Non-Controlling Interest Increased(decreased) by Acquisition of Shanghai No. 1 Machine Tool Co., Ltd.	10,086	(42)
Balance, End of Year	$ 149,329	$ 291,815

(6) Treasury Share

Reasons for Repurchase	Repurchase to Decrease (shares in thousands)
Maintain Company Credit and Shareholder's Equities	
Number of Shares on January 1, 2018	-
Increase in Current Period	9,120
Decrease in Current Period	(7,200)
Number of Shares on December 31, 2018	1,920

In accordance with regulations stipulated in the Securities and Exchange Law, the Company's treasury shares are prohibited from being pledged and shall not be entitled to rights of dividend distribution or voting rights.

The Company repurchased and decreased treasure shares from January to March in 2018. A total of 7,200 thousand shares with the face value of NTD10 dollars per share were decreased. Repurchase amount was NTD549,584 thousand dollars with share capital reduction of NTD72,000 thousand dollars, share premium reduction of NTD366,874 thousand dollars and undistributed earning reduction of NTD110,710 thousand dollars. This has been approved as per official mail from the Financial Supervisory Commission dated March 16, 2018 under reference number of Jin-Guan-Zheng-Jiao-Tze No. 1070307113.

The Company will repurchase and decrease treasury shares from December of 2018 to February of 2019. It is expected to repurchase 6,000 thousand shares with par value of NTD10 dollars per share. As of December 31, 2018, 1,920 thousand shares of treasury shares have been repurchased with par value of NTD10 per share. Total repurchase amount is NTD99,209 thousand dollars.

23. Revenue

	2018	2017
Client Contract Revenue		
Product Sales Revenue	$ 6,195,855	$ 6,404,342

Products are sold in fixed prices as agreed in contract.

Please refer to note 35 for detail information on client contract revenue.

24. Net Profit

(1) Other Profits and Losses

	2018	2017
Subsidized Income	$ 31,488	$ 77,551
Profit from Disposal of Subsidiary	27,229	584
Net Loss from Disposal and Abandonment of Property, Factory and Equipment	(4,767)	(10,200)
Sell Back Loss from Bonds Payable	(37,807)	(2,944)
Others	2,015	12,758
	$ 18,158	$ 77,749

(2) Depreciation, Amortization and Employee Benefit Expense

	2018			2017		
	Business Cost	Business Expense	Total	Business Cost	Business Expense	Total
Employment Benefit Expense	$ 48,871	$ 14,677	$ 63,548	$ 43,131	$ 13,376	$ 56,507
Post-Employment Benefit	847,094	343,535	1,190,629	808,802	337,460	1,146,262
Other Employment Benefit	$ 895,965	$ 358,212	$ 1,254,177	$ 851,933	$350,836	$1,202,769
Depreciation	$ 447,319	$ 78,671	$ 525,990	$ 433,695	$ 57,074	$ 490,769
Amortization	$ 23	$ 9,460	$ 9,483	$ 23	$ 8,560	$ 8,583

Aforementioned depreciation expense does not include depreciation expenses of NTD350,000 and NTD454,000 for investment real property for 2018 and 2017 (included under non-operating revenue and expense – other benefits and losses).

(3) Employee Compensation and Director/Supervisor Compensation
The Company shall appropriate employee compensation and director/supervisor compensation in accordance with respective distribution zones of 2%~15% and no higher than 3% after current year pre-tax benefits prior to the distribution of employee and director/supervisor compensation are deducted. This Company held regular shareholder's meeting on March 8, 2018 and March 9, 2017 respectively, resolutions for employee bonus/compensation and director/supervisor compensation were passed during the meetings as follows:

Ratio

	2017
Employee Compensation	6%
Director/Supervisor Compensation	-

	2017	
	Cash Bonus	Share Bonus
Employee Compensation	$ 18,000	$ -
Director/Supervisor Compensation	-	-

Changes in amounts after annual consolidated financial statement approval and release date shall be processed in accordance with changes in accounting estimates and adjustment entry shall be made accordingly in the next year.

There are no differences between employee bonus and director/supervisor compensation to be distributed through resolutions from shareholder's meetings in 2017 and 2016 and employee bonus and director/supervisor compensation recognized on 2017 and 2016 consolidated statements.

For information regarding the Company's employee and director/supervisor compensation approved by Board of Director meeting in 2019 and 2018, please refer to "Market Observation Post System" of Taiwan Stock Exchange.

(4) Foreign Currency Exchange Profit/Loss

	2018	2017
Foreign Currency Exchange Profit Total Amount	$ 431,993	$ 639,017
Foreign Currency Exchange Loss Total Amount	(418,975)	(693,030)
Net Profit (Loss)	$ 13,018	($ 54,013)

23. Income Tax

(1) Income Tax Recognized As Profit/Loss

Major items for income tax expense are as follows:

	2018	2017
Current Income Tax		
Income tax incurred in current year	$ 153,241	$ 132,809
Undistributed Earnings Taxed	-	13,302
Previous Adjustments	(58,473)	(37,749)
	94,768	108,362
Deferred Income Tax		
Income tax incurred in current year	(53,174)	(20,194)
Tax Rate Change	578	(4,325)
	(52,596)	(24,519)
Income Tax Expense Recognized in Profit/Loss	$ 42,172	$ 83,843

Adjustments of accounting income and income tax expenses are as follows:

	2018	2017
Pre-tax net profit(loss)	($ 231,901)	$ 341,767
Income tax profit(loss) calculated from pre-tax net profit under mandatory tax rate	$ 69,361	$ 113,282
Undeductible expense of tax	4,316	(1,886)
Unrecognized deductible temporary difference	29,305	3,809
R&D tax credit	(2,915)	(2,590)
Undistributed earnings taxed	-	13,302
Tax Rate Change	578	(4,325)
Current adjustment using previous year's current income tax expense	(58,473)	(37,749)
Income Tax Expense Recognized in Profit / Loss	$ 42,172	$ 83,843

Being an entity applying Income Tax Act of the Republic of China, the consolidated company's tax rate applied in 2017 was 17%. Profit-seeking enterprise income tax was adjusted from 17% to 20% after amendments on the Income Tax Act of the Republic of China in February 2018, and such adjustment was implemented starting 2018. Additionally, tax rate applied to retained earing for 2018 was lowered from 10% to 5%. For subsidiaries in China, with the exception of 15% tax rate applied to the Gunri Machinery Company because of its receiving of high-tech enterprise certification in mainland China, tax rate applied to the remaining subsidiaries is 25%.

Given the uncertainty over 2019 shareholder meeting's determination on earnings distribution, it is impossible to determine, in a reliable way, potential income tax consequences if 5% income tax is imposed on 2018 undistributed earnings.

(2) Current Income Tax Asset and Liability

	Dec. 31, 2018	Dec. 31, 2017
Current Income Tax Liability (included in other Current Assets)		
Income Tax Refund Receivable	$ 8,940	$ 6,753
Income Tax Liabilities in Current Period		
Income Tax Payable	$ 4,156	$ 75,690

(3) Deferred Income Tax Assets and Liabilities

Changes in deferred income tax assets and liabilities are as follows:

2018

	Beginning Balance	Recognized in P/L	Exchange Difference	Other	Ending Balance
Deferred Income Tax Assets					
Temporary Difference					
Allowance for Inventory Valuation and Obsolescence Loss	$ 26,296	$ 3,012	($ 1,807)	($ 6,305)	$ 21,196
Bad Loan Allowances	3,772	(288)	(59)	(254)	3,171
Loss Carry forward	67,074	46,893	(2,045)	-	111,922
Others	3,238	(640)	(831)	574	2,341
	$ 100,380	$ 48,977	($ 4,742)	($ 5,985)	$ 138,630
Deferred Income Tax Liability					
Temporary Difference					
Adjustments of Unrealized Financial Instrument Evaluation Gain or Loss	$ 2,604	($ 2,132)	$ 256	$ -	$ 728
Unrealized Exchange Net Profit	7,013	(1,893)	(257)	1,511	6,374
Capitalized Interest	8,069	(747)	(137)	-	7,185
Others	407	575	(17)	-	965
	$ 18,093	($ 4,197)	($ 155)	$ 1,511	$ 15,252

2017

	Beginning Balance	Recognized in P/L	Exchange Difference	Other	Ending Balance
Deferred Income Tax Assets					
Temporary Difference					
Allowance for Inventory Valuation and Obsolescence Loss	$ 16,182	$ 6,090	($ 126)	$ 4,150	$ 26,296
Bad Loan Allowances	4,123	(439)	(65)	153	3,772
Loss Carry forward	45,047	22,619	(592)	-	67,074
Others	6,714	(1,591)	(37)	(1,848)	3,238
	$ 72,066	$ 26,679	($ 820)	$ 2,455	$ 100,380
Deferred Income Tax Liability					
Temporary Difference					
Adjustments of Unrealized Financial Instrument Evaluation Gain or Loss	$ 1,415	$ 1,185	$ 4	$ -	$ 2,604
Unrealized Exchange Net Profit	585	6,721	(293)	-	7,013
Capitalized Interest	10,821	(643)	(245)	(1,864)	8,069
Others	1,225	(778)	(34)	(6)	407
	$ 14,046	$ 6,485	($ 568)	($ 1,870)	$ 18,093

(4) Items not Recognized as Deferred Income Tax Asset

	Dec. 31, 2018	Dec. 31, 2017
Loss Carry-Forward		
Due in 2018	$ -	$ 12,361
Due in 2019	14,961	828
Due in 2020	1,314	1,424
Due in 2021	263	2,826
Due in 2022	249	2,673
Due in 2023	2,603	-
Due in 2026	1,576	1,576
Due in 2027	115	115
Due in 2028	1,034	1,034
	$ 22,115	$ 22,837

(5) Related Information of Unused Loss Carry-Forwards and Tax Exemption

As of December 31, 2018, related information on loss carry-forward is as follows:

Last Carry-Forward Year	Balance yet to be credited against
2019	$ 60,125
2020	38,652
2021	70,012
2022	66,128
2023	406,530
2026	7,882
2027	576
2028	5,168
	$ 655,073

26. Earnings per Share

Earnings and common share weighted average shares used in earnings per share calculation are as follows:

Current Net Profit (Loss)

	2018	2017
Profit (loss) attributable to owners of the company used to calculate basic and diluted earnings(loss) per share	($ 278,658)	$ 270,474

Number of Shares Unit: 1,000 shares

	2018	2017
Weighted average common shares used to calculate basic earnings(loss) per share	112,293	118,818
Potential common share influence with dilution effect :		
Employee Bonus or Compensation	-	314
Weighted average common shares used to calculate diluted earnings(loss) per share	112,293	119,132

When calculating diluted earnings per share, if the consolidated company is entitled to choose to distribute employee bonus in stock or cash and if stocks will be distributed as employee bonus, then weighted average outstanding shares will be added when such potential common shares come with dilution effect for the purpose of calculating diluted earnings per share. When calculating diluted earnings per share prior to next year shareholder meeting's resolution over the number of shares to be distributed as employee bonus, such potential common share dilution will continue to be considered.

The consolidated company's first and second outstanding domestic unsecured convertible bonds and employee compensation are potential common shares. However, given the counter-dilution effect from such potential common shares of 2017 and 2018, they are not included in the calculation of diluted earnings per share.

27 Disposal of Subsidiary

The consolidated company entered an agreement to dispose the New Power Company on December 28, 2018. New Power Company was engaged in processing, manufacturing and transaction of various machinery and hardware. An agreement to dispose Shanghai Trading Company was entered on August 3, 2017. Shanghai No. 1 Machine Tool Foundry (Suzhou) Company Limited was engaged in transactions and related import/export businesses for various steel castings and casting molds. The consolidated company completed its disposal on December 28, 2018 and August 3, 2017 respectively, and therefore lost control over subsidiaries.

(1) Consideration Collected

	New Power Company	Shanghai Trading Company
Cash and Cash Equivalent	$ 130,748	$ 7,322
Disposal of Investment Receivables	(221,000)	(10,327)
Total Consideration Collected	($ 90,252)	($ 3,005)

(2) Analysis of Assets and Liabilities of Which Control Is Lost

	New Power Company	Shanghai Trading Company
Current Asset		
Cash and Cash Equivalent	$ 130,748	$ 7,322
Account receivables, net	23,974	-
Inventories, net	31,644	67
Prepaid Payments	605	2,522
Other Current Assets	1,172	-
Non-Current Asset		
Real Property, Factory and Equipment	237,910	1,325
Investment property, net	19,700	-
Goodwill	3,269	-
Deferred income tax assets	1,326	-
Other Non-Current Assets	1,781	117
Current Liability		
Notes Payable	(66)	-
Account Payable	(23,743)	(112)
Other Account Payables	(7,173)	(692)
Other Current Liabilities	(10,092)	(199)
Non-Current Liability		
Lease Payment Payable-Non-Current	-	(607)
Disposed Net Assets	$ 411,055	$ 9,743

(3) Disposal of Subsidiary's Interest

	New Power Company	Shanghai Trading Company
Consideration Collected	$ 221,000	$ 10,327
Disposed Net Assets	(411,055)	(9,743)
Non-controlling Interest	198,155	-
Exchange Differences on Translation of Foreign Financial Statements	20,273	-

Disposal Profit	$ 28,373	$ 584

(4) Net Cash Inflow from Disposal of Subsidiary

	New Power Company	Shanghai Trading Company
Consideration Collected in Cash and Cash Equivalent	$ 221,000	$ 10,327
Minus: Disposed Cash and Cash Equivalent	(130,748)	(7,322)
Minus: Disposal proceeds not received at year-end (Recognized as other current assets)	(221,000)	-
	($ 130,748)	$ 3,005

28. Business Lease Agreement

(1) Consolidated Company as Lessee

Business lease shall mean and refer to leasing of land building with lease term from 1 to 5 years. Consolidated company does not enjoy favorable purchase rights over leased land/building when lease term expires.

Irrevocable Business Lease Future Minimum Lease Payment Total Amount:

	Dec. 31, 2018	Dec. 31, 2017
Less than 1 year	$ 19,291	$ 21,158
1～5 years	80,019	84,761
Over 5 years	163,792	178,173
	$ 263,102	$ 284,092

(2) Consolidated Company as Lessor

Business lease shall mean and refer to consolidated company's renting out of its investment property with lease term from 1 to 5 years. Lessee does not enjoy favorable purchase rights over such property when lease term expires.

Irrevocable Business Lease Future Minimum Lease Payment Total Amount:

	Dec. 31, 2018	Dec. 31, 2017
Less than 1 year	$ 60	$ 79
1～5 years	82	-
	$ 142	$ 79

29. Capital Risk Management

Consolidated company engages itself in capital management to ensure necessary finance resources and operation plan for the purpose of meeting the needs for future 12-month operation capital, capital expenditure, debt repayment as well as dividend payment. Under the premise that respective enterprise of the Group will be able to operate continuously, shareholder's compensation will be maximized through optimization of debt and equity balances.

Consolidated company's major management regularly review the Group's capital structure. Contents of review include consideration of various capital costs as well as their related risks. With major management's suggestions, the consolidated company balances its overall capital structure through dividend payment, new share issuance, new debt issuance or repayment of existing debt.

30. Financial Instruments

(I) Fair Value Information — Financial Instruments not Measured at Fair Value

With respect to financial liabilities not measured at fair value, material differences between book value and fair value are as follows:

	Dec. 31, 2018		Dec. 31, 2017	
	Book Value	Fair Value	Book Value	Fair Value
Financial Liability				
Liability Measured in Amortized Costs:				
-Convertible Corporate Bond	$ 93,551	$ 95,001	$ 2,440,780	$ 2,486,904

Levels for aforementioned fair values are as follows:

Dec. 31, 2018

	Level 1	Level 2	Level 3	Total
Financial Liability				
Liability Measured in Amortized Costs:				
-Convertible Corporate Bond	$ 95,001	$	$	$ 95,001

Dec. 31, 2017

	Level 1	Level 2	Level 3	Total
Financial Liability				

Liability Measured in Amortized Costs:				
-Convertible Corporate Bond	$ 2,486,904	$	$	$ 2,486,904

(II) Fair Value Information — Financial Instruments Measured at Fair Value

1. Fair Value Levels

Dec. 31, 2018

	Level 1	Level 2	Level 3	Total
Financial Assets Held for Trading with Profit/Loss Measured at Fair Value				
Derivatives	$ -	$ 5,948	$	$ 5,948
Financial Liabilities Held for Trading with Profit/Loss Measured at Fair Value				
Derivatives	$ -	$ 542	$	$ 542

Dec. 31, 2017

	Level 1	Level 2	Level 3	Total
Financial Assets Held for Trading with Profit/Loss Measured at Fair Value				
Derivatives	$ -	$ 17,121	$ -	$ 17,121
Financial Liabilities Held for Trading with Profit/Loss Measured at Fair Value				
Derivatives	$ -	$ 27,000	$	$ 27,000

There are no cases of transfer of fair value measurements between Level 1 and Level 2 for 2018 and 2017.

2. Assessment Techniques and Input Values for Level 2 Fair Value Measurement

Types of Financial Instruments	Assessment Techniques and Input Values
Forward Exchange Contract	This is measured by forward exchange contract quotation and yield rate curve which is inferred from quotation interest rate matching contract expiring period.
Domestic First Unsecured Convertible Corporate Bond	Under the assumption that corporate bond will be redeemed on April 24, 2019, discount rate adopted is calculated via interpolation method using government

	bond yield rates from public offer 2-year and 5-year period.
Domestic Second Unsecured Convertible Corporate Bond	Under the assumption that corporate bond will be redeemed on August 18, 2020, discount rate adopted is calculated via interpolation method using government bond yield rates from public offer 5-year and 10-year period.

(III) Types of Financial Instruments

	Dec. 31, 2018	Dec. 31, 2017
Financial Asset		
Loans and account receivables (note 1)	$ -	$ 5,593,551
Measured in amortized costs (note 2)	6,042,412	-
Financial assets at fair value through profit and loss	5,948	17,121
Financial Liability		
Measured in amortized costs (note 3)	6,223,118	4,637,484
Financial liabilities at fair value through profit and loss	542	27,000

Note. 1: Balance includes loans and account receivables of cash and cash equivalents, bond investments without active market-current, note receivables, account receivables, other account receivables and refundable deposits, all of which are measured in amortized costs.

Note 2: Balance includes cash and cash equivalent, financial asset measured by amortized cost – current, notes receivable, account receivable other receivables and financial assets measured by amortized cost such as refundable deposit.

Note. 3: Balance includes financial liabilities of short term loan, notes payable, account payable, other account payable, corporate bond payable, long term loan and deposit, all of which are measured in amortized costs.

(IV) Purpose and Policy of Finance Risk Management

Consolidated company’s major financial instruments include cash and cash equivalents, account receivable, account payable, corporate bond payable, and loan.

Consolidated company's finance management department provides services to respective business units, and coordinates practices to enter domestic and international financial markets, and supervise and manage financial risks related to consolidated company's operation through internal risk reports which are based on exposure analysis over risk levels and scope. Such risks include market risks (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

Consolidated company avoids risk exposure through derivative financial instruments in order to mitigate influences from such risks. Utilization of derivative financial instruments is regulated by policies approved by the Company's Board of Directors Meeting. Such policies are principles in writing for exchange rate risk, interest rate risk, credit risk, utilization of derivative financial instruments and non-derivative financial instruments as well as investments of residual current capital. Internal audit staff shall continuously conduct audits over policy compliance and exposure amounts. Consolidated company is not engaged in financial instrument (including derivative financial instruments) transactions out of speculation purpose.

After completion of derivative financial instrument transaction, finance department will file report to the Board of Directors Meeting accordingly.

1. Market Risk

Consolidated company's operation activities result in the Company's assuming of major financial risks of foreign currency exchange rate change risk (please refer to note 1 below) and interest rate change risk (please refer to note 2 below).

There are no changes as to consolidated company's exposure related to financial instrument market as well as its methodologies to manage and measure such exposure.

(1) Exchange Rate Risk

Several of the Company's subsidiaries are engaged in foreign currency denominated purchase and sales transactions. This has exposed the consolidated company to exchange rate change risks. The consolidated company's exchange rate exposure management is to utilize forward exchange contract to manage risks within the scope permitted by policies.

Please refer to notes 7 and 33 for the consolidated company's non-functional currency denominated currency assets and currency liabilities (including non-functional currency denominated currency items already offset on consolidated financial statement) book values as well as book values for derivative financial instruments with exchange rate risk exposure on the balance sheet day.

Sensitivity Analysis

Consolidated company is mainly affected by fluctuations in USD and EUR exchange rates.

The table below offers a detail explanation on consolidated company's sensitivity analysis when NTD (functional currency) appreciates or depreciates 1% against respective relevant foreign currency exchange rates. 1% is the sensitivity percentage utilized by group internal units to report exchange rate risks to major managements. It also represents management's estimate over the scope of possible changes for foreign currency exchange rates. Sensitivity analysis only includes outstanding foreign currency items and forward exchange contracts designated for cash flow hedge. Adjustments over year-end exchange will be made accordingly based on changes in exchange rates. Positive numbers in the table below refer to increases of pre-tax net profit amounts when NTD appreciates 1% against respective relevant currencies. When NTD depreciates 1% against respective relevant foreign currencies, influences over pre-tax net profit are shown as negative numbers of the same amounts.

	USD Influence		EUR Influence	
	2018	2017	2018	2017
Profit or Loss	$ 23,795	($ 23,528)	($ 19,878)	($ 13,200)

Aforementioned foreign currency's influence over profit or loss mainly comes from fair value changes, on the balance sheet day, of consolidated company's outstanding USD and EUR denominated account receivables/payables without cash flow hedge as well as total amount investment hedge derivatives. Management doesn't think sensitivity analysis will be able to represent exchange rate inherent risks because foreign currency exposure on balance sheet day cannot reflect exposure during mid-year.

(2) Interest Rate Risk

Interest rate exposure results from an entity's, which is within consolidated company, borrowing of funds in fixed and floating interest rates at the same time.

Book values for consolidated company's financial assets and financial liabilities affected by interest rate exposure on balance sheet day are as follows:

	Dec. 31, 2018	Dec. 31, 2017
Fair Value Interest Rate Risks		
-Financial Assets	$ 1,700,596	$ 1,093,102
-Financial Liabilities	94,000	2,872,100
Cash Flow Interest Rate Risks		
-Financial Assets	2,073,464	2,584,478
-Financial Liabilities	4,584,106	242,425

Sensitivity Analysis

Sensitivity analysis below is determined based on derivatives and non-derivatives' interest rate exposures on balance sheet day. As for liabilities with floating interest rates, analysis assumes that outstanding liability amounts on balance sheet day all remain outstanding during report period. Variable rates utilized by Group internal units when reporting interest rates to management will be plus or minus 100 basis points over interest rates. This also represents management's assessment of reasonable and possible range for interest rate changes.

In the event of plus/minus 100 basis points over interest rate while other variables remain unchanged, consolidated company's pre-tax net profit for 2018 and 2017 will decrease/increase (NTD25,106,000) and

NTD23,421,000 respectively. This mainly comes from consolidated company's variable interest rate loans.

2. Credit Risk

Credit risk means the risk of group's financial loss from transaction counterparty's default of contract obligation. As of balance sheet day, consolidated company's biggest credit risk exposure from transaction counterparty's possible failure of obligation performance which leads to financial loss mainly comes from financial asset book values recognized on consolidated financial statement.

To mitigate credit risk, management of consolidated company assigns a specific team responsible for credit extension amount determination, credit extension approval as well as other monitoring processes to ensure that appropriate actions have been taken to recover overdue account receivables. Additionally, consolidated company will, on balance sheet day, re-verify each account receivable recoverable amount to ensure unrecoverable account receivables have already been recognized as appropriate impairment losses. With this, the Company's management considers that consolidated company's credit risks have been reduced dramatically.

Account receivable entity encompasses numerous clients scattered in different industries and geographical areas. Consolidated company continues to conduct assessment over account receivable client's financial status.

Current capital transaction counterparties are financial institutions and company organizations with good credit ratings, and therefore their credit risks are limited.

Consolidated company has a big clientele without inter-relations to one another. Therefore, degree of credit risk aggregation is not high.

3. Liquidity Risk

Through management and maintenance of sufficient positions of cash and cash equivalents, consolidated company is able to pay for the Group's operations and mitigate impact from cash flow fluctuation. Management of consolidated company monitors utilization of bank financial facility and ensures compliance with loan agreement terms.

For consolidated company, bank loan is an important source of liquidity. As of Dec. 31, 2018 and 2017 respectively, consolidated company's short term bank financing amounts are listed bellow, please see (3) Credit Line.

(I) Liquidity and Interest Rate Risk Table for Non-Derivative Financial Liability

Non-derivative financial liability residual contract maturity analysis is prepared based on the earliest possible repayment date the consolidated company will be requested as well as financial liability's undiscounted cash flow (including principal and estimated interest). Therefore, bank loans which consolidated company may be requested to repay immediately are listed in the earliest periods of the following table, with the possibility of bank's immediate execution of such rights not considered. Maturity analysis for other non-derivative financial liabilities is prepared in accordance with agreed repayment dates.

For interest cash flow paid in floating interest rates, its undiscounted interest amounts are derived from yield rate curve on the balance sheet day.

Dec. 31, 2018

	Immediate payment or payment in less than 1 month	Payment in 1 to 3 months	Payment in 3 months to 1 year	Payment in 1 to 5 years	Payment in more than 5 years
Non-derivative financial liability					
Interest-free liability	$ 595,790	$ 550,228	$ 171,332	$ -	$ -
Floating interest rate instrument	1,053,400	373,741	494,020	2,662,945	-
Fixed interest rate instrument	-	-	94,000	-	-
	$1,649,190	$ 923,969	$ 759,352	$2,662,945	$ -

Dec. 31, 2017

	Immediate payment or payment in less than 1 month	Payment in 1 to 3 months	Payment in 3 months to 1 year	Payment in 1 to 5 years	Payment in more than 5 years
Non-derivative financial liability					
Interest-free liability	$ 624,891	$ 510,456	$ 221,826	$ 244	$ -
Floating interest rate instrument	59,580	7,000	86,475	89,370	-
Fixed interest rate instrument	370,000	-	-	2,502,100	-
	$ 1,054,471	$ 517,456	$ 308,301	$ 2,591,714	$ -

Differences between floating interest rate and interest rate estimated on balance sheet day will lead to changes in floating interest rate instrument amounts for aforementioned non-derivative financial liability.

(2) Liquidity and Interest Rate Risk Table for Derivative Financial Liability

Liquidity analysis on derivative financial instrument is, as far as derivative instrument adopting net amount settlement is concerned, prepared based on undiscounted contract net cash inflow and outflow. As for derivative instrument adopting gross amount settlement, it is prepared based on undiscounted total cash inflow and outflow. When payable or receivable amounts are not fixed, amounts disclosed are determined based on estimated interest rate derived from balance sheet day yield rate curve.

Dec. 31, 2018

	Immediate payment or payment in less than 1 month	Payment in 1 to 3 months	Payment in 3 months to 1 year
Gross Amount Settlement			
Forward Exchange Contract			
- Inflow	$ 148,579	$ 307,471	$ 41,972
- Outflow	146,803	303,985	41,286
	$ 1,776	$ 3,486	$ 686

Dec. 31, 2017

	Immediate payment or payment in less than 1 month	Payment in 1 to 3 months	Payment in 3 months to 1 year
Gross Amount Settlement			
Forward Exchange Contract			
- Inflow	$ 236,188	$ 290,977	$ 161,914
- Outflow	226,275	285,963	159,720
	$ 9,913	$ 5,014	$ 2,194

(3) Credit Line

	Dec. 31, 2018	Dec. 31, 2017
Secured Bank Credit Line		
(Extendable If Agreed by the Parties)		
－Amount Drawn	$ 4,584,106	$ 612,425
－Amount Not Drawn	4,431,155	4,720,966
	$ 9,015,261	$ 5,333,391

31. Related Party Transaction

Transaction, account balance, profit and expense impairment between the Company and its subsidiaries (the Company's related party) have all been cancelled during consolidation. That is why they are not disclosed in this note. Transactions between consolidated company and other related parties are as follows:

(1) Name of Related Party and Relationship

Name of Related Party	Relationship between Consolidated Company and Related Party
Dongguan Yeong Guan Mould Factory Co., Ltd.	Substantial related-party
San Ho Electric Machinery Industry Co., Ltd.	Substantial related-party
Xin Chun Technology Co., Ltd.	Substantial related-party
Chang, Wen-Long	Substantial related-party
Chang, Hsien-Ming	Substantial related-party

(2) Operating Income

Item Recognized	Type of Related Party	2018	2017
Sales Revenue	Substantial related-party	$ 404	$ 1,946

Sales prices for transactions between consolidated company and related party are not obviously different from the ones for transactions between consolidated company and non-related party.

(3) Purchase

Type of Related Party	2018	2017
Substantial related-party	$ 998	$ 2,166

Purchase prices for transactions between consolidated company and related party are not obviously different from the ones for transactions between consolidated company and non-related party.

(4) Account Receivable – Related Party (excluding loans extended to related party)

Item Recognized	Type of Related Party	Dec. 31, 2018	Dec. 31, 2017
Notes Receivable	Substantial	$ 29	$ -

Account Receivable	related-party Substantial related-party	55	156
Other Account Payable (included in other current assets)	Substantial related-party	-	11
		$ 84	$ 167

Payment collection terms between consolidated company and related party are not obviously different from the ones between consolidated company and non-related party. No guarantees have been obtained on outstanding account receivable – related party. Bad debt expenses have not been appropriated for account receivable-related party for periods from January 1 to December 31 of 2018 and 2017.

(5) Account Payable – Related Party (excluding loans extended to related party)

Item Recognized	Type of Related Party	Dec. 31, 2018	Dec. 31, 2017
Notes Payable	Substantial related-party	$ 556	$ 949
Other Account Payable	Substantial related-party	139	119
		$ 695	$ 1,068

Payment delivery terms between consolidated company and related party are not obviously different from the ones between consolidated company and non-related party. No guarantees have been obtained on balances of outstanding account payable – related party.

(6) Purchasing of Real Property, Factory and Equipment

	Purchasing Price	
Type of Related Party	2018	2017
Substantial related-party	$ -	$ 842

(7) Others

Item Recognized	Type of Related Party	2018	2017
Manufacturing Expense	Substantial related-party	$ 623	$ 1,260
	Xin Chun Technology Co., Ltd.	535	535
	Other Substantial related-party	$ 60	$ 60

Rent Income	Substantial related-party	$ 595	$ 568

For lease contract with related party, rent is determined under reference of market prices and payment is processed in line with average terms.

Item Recognized	Type of Related Party	Dec. 31, 2018	Dec. 31, 2017
Refundable Deposits (included in other non-current assets)	Major Management Levels	$ 20	$ 20

(8) Major Management Remuneration

	2018	2017
Short-term Employee Benefit	$ 40,809	$ 45,298
Post-Employment Benefit	427	458
	$ 41,236	$ 45,756

Remuneration for director and other major management levels is determined by Remuneration Committee based on individual performance as well as market trend.

32. Assets Pledged

Consolidated company's following assets have been pledged as collaterals for bank loans:

	Dec. 31, 2018	Dec. 31, 2017
Property, Factory and Equipment Net Amount	$ 666,845	$ 709,885
Prepaid Lease Payment	73,822	107,749
Investment Property Net Amount	749	20,799
Other Financial Assets – Current (included in other current assets)	141,313	185,287
	$ 882,729	$ 1,023,720

33. Information of Foreign Currency Financial Assets and Liabilities with Significant Influences

The following information is presented under foreign currency summary other than the consolidated company respective entities' functional currencies. Exchange rates disclosed shall mean exchange rates to exchange such foreign currencies into functional currencies. Information of foreign currency asset and liability with significant influences is as follows:

Dec. 31, 2018

	Foreign Currency	Exchange Rate	Book Value
Financial Assets			
Currency Item			
USD	$ 62,901	6.8632 (USD: RMB)	$ 1,931,690
USD	12,444	30.71 (USD: NTD)	382,155
EUR	61,923	7.8473 (EUR: RMB)	2,178,451
EUR	2,436	1.146 (EUR: USD)	85,698
EUR	8,281	35.18 (EUR: NTD)	291,326
Derivatives			
USD	79	6.8632 (USD: RMB)	2,427
EUR	100	7.8473 (EUR: RMB)	3,521
Financial Liability			
Currency Item			
USD	44,813	6.8632 (USD: RMB)	1,376,207
USD	108,095	30.71 (USD: NTD)	3,319,597
EUR	4,387	7.8473 (EUR: RMB)	154,335
EUR	2,094	1.146 (EUR: USD)	73,667
EUR	9,756	35.18 (EUR: NTD)	343,216

Dec. 31, 2017

	Foreign Currency	Exchange Rate	Book Value
Financial Assets			
Currency Item			
USD	$ 117,399	6.534 (USD: RMB)	$ 3,497,316
USD	24,445	29.79 (USD: NTD)	728,217
EUR	27,043	7.8023 (EUR: RMB)	962,731
EUR	2,232	1.195 (EUR: USD)	79,459
EUR	16,437	35.60 (EUR: NTD)	585,157
Derivatives			
USD	116	6.534 (USD: RMB)	3,470
EUR	370	7.8023 (EUR: RMB)	13,170
EUR	13	1.195 (EUR: USD)	481
Financial Liability			
Currency Item			
USD	37,817	6.534 (USD: RMB)	1,126,568
USD	25,165	29.79 (USD: NTD)	749,665
EUR	164	7.8023 (EUR: RMB)	5,838
EUR	1,877	1.195 (EUR: USD)	66,821
EUR	6,975	35.60 (EUR: NTD)	248,310

The consolidated company's realized and un-realized foreign currency exchange net profits (losses) for 2018 and 2017 are NTD13,018,000 and (NTD54,013,000) respectively. Given the fact that there are numerous kinds of foreign currency transactions and Group individual entities' functional currencies, it is therefore impossible to disclose exchange profit/loss based on respective foreign currencies of material impact.

34. Notes Disclosures

(I) Major transactions and (II) reinvestment business related information is as follows:

1. Capital lending to others: Appendix 1.
2. Endorsement/Guarantee for Others: Appendix 2.
3. Securities on Hand (excluding investments in subsidiary, affiliate enterprise and controlling portion in a joint venture), Ending: None.
4. Purchase or selling of the same securities with accumulated amount exceeding NTD300 million or 20% of paid-in capital: None.
5. Property acquisition amount exceeding NTD300 million or 20% of paid-in capital: None
6. Property disposal amount exceeding NTD300 million or 20% of paid-in capital: None.
7. Purchase/sales amount with related party exceeding NTD100 million or 20% of paid-in capital: Appendix 3.
8. Account receivable – related party exceeding NTD100 million or 20% of paid-in capital: Appendix 4.
9. Derivatives Transaction: Note 7 "Financial Instruments at Fair Value through Profit and Loss."
10. Others: Business relationship and critical transaction/amount between parent company and subsidiaries and among subsidiaries: Appendix 7.
11. Information of invested company: Appendix 5.

(III) Information of investment in China:

1. Name, major business item, paid-in capital, investment method, capital remittance, ownership percentage, investment profit/loss, investment book value-ending and investment profit/loss already remitted for invested companies in China as well as investment limits for investing in China: Appendix 6.

2. Major transactions, prices, payment terms and unrealized profit/loss from direct or indirect transactions with invested companies in China, or transaction through third region: Appendix 1 through 7.

(1) Purchase amount and percentage, and related account payable ending balance and percentage;

(2) Sales amount and percentage, and related account receivable ending balance and percentage;

(3) Property transaction amount and profit/loss amount incurred accordingly;

(4) Ending balance and purpose for notes endorsement/guarantee or provision of collateral;

(5) Maximum balance, ending balance, interest rate range and current interest total amount for capital financing;

(6) Other transactions with major impact on current profit/loss or financial status, such as provision or accepting labor.

35. SEGMENT INFORMATION

Consolidated company provides information to major operating decision makers for them to distribute resources and assess department performance. Such information is focused on product and service types provided. Departments shall be reported by consolidated company are casting processing and other.

(1) Department Income and Operating Result

Income and operating results for consolidated company's continuous operating units are analyzed based on departments to be reported as follows:

	Department Income		Department Profit	
	2018	2017	2018	2017
Casting Processing Dept.	$ 6,084,547	$ 6,145,854	$ 331,929	$ 868,782
Other	111,308	258,488	(15,735)	(6,180)
Continuous Operating Unit Net Amount	$ 6,195,855	$ 6,404,342	316,194	862,602
Interest Income			89,257	64,938
Rent Income			607	656
Other Profit and Loss			18,158	77,749
Financial Product Net Profit at Fair Value through Profit and Loss			25,677	25,461
Foreign Currency Exchange Net Profit (Loss)			13,018	(54,013)
Interest Expense			(133,606)	(68,473)
Management and Administration Expense			(561,206)	(567,153)
Pre-tax Net Profit			($ 231,901)	$ 341,767

Income for aforementioned departments reported are all generated from transactions with exterior clients. There were no inter-department sales for 2018 and 2017.

Department profit means profits made by respective departments, excluding amortized management and administration expense, interest income, financial product net profit (loss) at fair value through profit and loss, rent income, other profits or loss, interest expense, foreign currency exchange net loss as well as income tax expense. This measurement amount is mainly provided to operating decision makers for the purpose of distributing resources to departments as well as assessing department performance.

(2) Department Asset

Measurement of consolidated company's assets is not provided to operating decision makers, and therefore measurement amount for assets is zero.

(3) Other Department Information

	Depreciation and Amortization	
	2018	2017
Casting Processing Dept.	$ 516,471	$ 484,220
Other	19,002	15,132
	$ 535,473	$ 499,352

(4) Major Product Income

Major products for consolidated company's continuous operating units are analyzed as follows:

	2018	2017
Energy Castings	$ 1,700,958	$ 2,241,585
Injection Molding Machine Castings	2,221,765	2,173,747
Industry Machine Castings	2,273,132	1,989,010
	$ 6,195,855	$ 6,404,342

(5) Information of Regions

Two major business regions for consolidated company – China and Taiwan

Information of consolidated company's operating unit income from exterior clients is classified as follows based on operating regions as well as asset locations for non-current assets:

	Income from Exterior Clients		Non-Current Assets	
	2018	2017	Dec. 31, 2018	Dec. 31, 2017
China	$ 3,204,909	$ 2,300,344	$ 5,465,214	$ 5,709,330
Taiwan	2,510,400	3,675,908	340,247	599,872
Other	480,546	428,090	778,243	760,361
	$ 6,195,855	$ 6,404,342	$ 6,583,704	$ 7,069,563

Non-current assets do not include assets classified as financial instrument or deferred income tax asset.

(6) Information of Major Clients

Information of income from a single client exceeding 10% of consolidated company's total income is as follows:

	2018	2017
Client A	Note	$ 977,790

Note: Income is less than 10% of total income

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries

Capital Lending to Others

Year 2018

Appendix 1

Unit: in thousands of NTD

Serial No	Financing Company	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Year	Ending Balance	Balance Used	Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Bad Debt Allowance	Collateral		Financing limit for each borrowing company	Financing Amount Limits	Note
													Item	Value			
1	Yeong Guan Holding Company	Yeong Guan International Company	Other Account Receivable－Related Party	Yes	$ 737,040 (USD 24,000 thousands)	$ 623,156 (USD 20,292 thousands)	$ 623,156 (USD 20,292 thousands)	0	Short Term Financing Capital	$ -	Business Turnover	$ -	—	—	$ 10,947,830	$ 10,947,830	
		Yeong Guan International Company	Other Account Receivable－Related Party	Yes	153,550 (USD 5,000 thousands)	153,550 (USD 5,000 thousands)	153,550 (USD 5,000 thousands)	1	Short Term Financing Capital	-	Business Turnover	-	—	—	10,947,830	10,947,830	
		Yeong Guan International Company	Other Account Receivable－Related Party	Yes	156,611 (RMB 35,000 thousands)	156,611 (RMB 35,000 thousands)	156,611 (RMB 35,000 thousands)	1	Short Term Financing Capital	-	Business Turnover	-	—	—	10,947,830	10,947,830	
		Yeong Guan International Company	Other Account Receivable－Related Party	Yes	134,238 (RMB 30,000 thousands)	134,238 (RMB 30,000 thousands)	134,238 (RMB 30,000 thousands)	1	Short Term Financing Capital	-	Business Turnover	-	—	—	10,947,830	10,947,830	
		Yeong Guan International Company	Other Account Receivable－Related Party	Yes	111,865 (RMB 25,000 thousands)	111,865 (RMB 25,000 thousands)	111,865 (RMB 25,000 thousands)	1	Short Term Financing Capital	-	Business Turnover	-	—	—	10,947,830	10,947,830	
		Yeong Guan Energy Technology Group Co., Ltd	Other Account Receivable－Related Party	Yes	353,165 (USD 11,500 thousands)	-	-	1	Short Term Financing Capital	-	Business Turnover	-	—	—	10,947,830	10,947,830	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	111,865 (RMB 25,000 thousands)	-	-	1	Short Term Financing Capital	-	Business Turnover	-	—	—	3,284,349	10,947,830	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	22,373 (RMB 5,000 thousands)	-	-	1	Short Term Financing Capital	-	Business Turnover	-	—	—	3,284,349	10,947,830	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	165,560 (RMB 37,000 thousands)	-	-	1	Short Term Financing Capital	-	Business Turnover	-	—	—	3,284,349	10,947,830	
2	Dongguan Yeong Guan Mould Factory Company	Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	-	-	4	Short Term Financing Capital	-	Business Turnover	-	—	—	168,587	1,123,914	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	170,034 (RMB 38,000 thousands)	170,034 (RMB 38,000 thousands)	-	4.698	Short Term Financing Capital	-	Business Turnover	-	—	—	168,587	1,123,914	
3	Yeong Shang Casting Iron Company	Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	-	-	4	Short Term Financing Capital	-	Business Turnover	-	—	—	929,087	6,193,912	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	-	-	4-4.611	Short Term Financing Capital	-	Business Turnover	-	—	—	929,087	6,193,912	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	178,984 (RMB 40,000 thousands)	178,984 (RMB 40,000 thousands)	4.611	Short Term Financing Capital	-	Business Turnover	-	—	—	929,087	6,193,912	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	178,984 (RMB 40,000 thousands)	89,492 (RMB 20,000 thousands)	4	Short Term Financing Capital	-	Business Turnover	-	—	—	929,087	6,193,912	
4	Lu Lin Machine Tool Foundry Company	Yeong Shang Casting Iron Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	-	-	4	Short Term Financing Capital	-	Business Turnover	-	—	—	3,966,268	3,966,268	
		Bright Steel Fine Machinery Company	Other Account Receivable－Related Party	Yes	170,034 (RMB 38,000 thousands)	170,034 (RMB 38,000 thousands)	170,034 (RMB 38,000 thousands)	4.698	Short Term Financing Capital	-	Business Turnover	-	—	—	3,966,268	3,966,268	
		Bright Steel Fine Machinery Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	-	-	4.611	Short Term Financing Capital	-	Business Turnover	-	—	—	3,966,268	3,966,268	
		Bright Steel Fine Machinery Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	-	-	4.611	Short Term Financing Capital	-	Business Turnover	-	—	—	3,966,268	3,966,268	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	-	-	4	Short Term Financing Capital	-	Business Turnover	-	—	—	594,940	3,966,268	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	-	-	4	Short Term Financing Capital	-	Business Turnover	-	—	—	594,940	3,966,268	

		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	-	-	4	Short Term Financing Capital	-	Business Turnover	-	—	—	594,940	3,966,268	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	$ 178,984 (RMB 40,000 thousands)	$ 178,984 (RMB 40,000 thousands)	$ 178,984 (RMB 40,000 thousands)	4	Short Term Financing Capital	$ -	Business Turnover	$ -	—	—	$ 594,940	$ 3,966,268	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	178,984 (RMB 40,000 thousands)	178,984 (RMB 40,000 thousands)	4	Short Term Financing Capital	-	Business Turnover	-	—	—	594,940	3,966,268	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	170,034 (RMB 38,000 thousands)	170,034 (RMB 38,000 thousands)	170,034 (RMB 38,000 thousands)	4.698	Short Term Financing Capital	-	Business Turnover	-	—	—	594,940	3,966,268	
5	Bright Steel Fine Machinery Company	Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	-	-	4.611	Short Term Financing Capital	-	Business Turnover	-	—	—	1,427,987	9,519,916	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	178,984 (RMB 40,000 thousands)	-	-	4.611	Short Term Financing Capital	-	Business Turnover	-	—	—	1,427,987	9,519,916	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	170,034 (RMB 38,000 thousands)	170,034 (RMB 38,000 thousands)	170,034 (RMB 38,000 thousands)	4.698	Short Term Financing Capital	-	Business Turnover	-	—	—	1,427,987	9,519,916	
6	Yeong Chen Asia Pacific Company	Yeong Guan Energy Technology Group Co., Ltd	Other Account Receivable－Related Party	Yes	153,550 (USD 5,000 thousands)	-	-	1	Short Term Financing Capital	-	Business Turnover	-	—	—	1,108,096	1,108,096	
		Yeong Guan Energy Technology Group Co., Ltd	Other Account Receivable－Related Party	Yes	307,100 (USD 10,000 thousands)	307,100 (USD 10,000 thousands)	199,615 (USD 65,000 thousands)	1	Short Term Financing Capital	-	Business Turnover	-	—	—	1,108,096	1,108,096	

Note 1: Maximum balance and ending balance for this year are calculated based on exchange rate on Dec. 31, 2018.

Note 2: Aforementioned transactions have all been cancelled during preparation of consolidated financial statement.

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries

Endorsement/Guarantee for Others

Year 2018

Appendix 2

Unit: in thousands of NTD

Serial No.	Endorsement / Guarantee Provider	Guaranteed Party		Endorsement /guarantee amount limit to each company	Maximum endorsement /guarantee balance for this year	Ending Endorsement /guarantee balance	Balance Used	Endorsement /guarantee amount collateralized by property	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Endorsement /guarantee amount limit	Parent company's endorsement /guarantee for subsidiary	Subsidiary's endorsement /guarantee for Parent company	endorsement /guarantee for China region	Note
		Name	Relationship											
0	Yeong Guan Energy Technology Group Co., Ltd	Yeong Guan Holding Company	Subsidiary	$ 4,065,817	$ 845,000	$ 845,000	$ -	$ -	10.39%	$ 6,505,307	Yes	No	No	
		Yeong Guan Holding Company	Subsidiary	4,065,817	135,000	-	-	-	-	6,505,307	Yes	No	No	
		Yeong Guan Holding Company	Subsidiary	4,065,817	2,700,000	2,700,000	-	-	33.20%	6,505,307	Yes	No	No	
		Shin Shang Trade Company	Sub-subsidiary	4,065,817	82,917 (USD 2,700 thousands)	61,420 (USD 2,000 thousands)	-	-	0.76%	6,505,307	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,065,817	460,650 (USD 15,000 thousands)	-	-	-	-	6,505,307	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,065,817	200,000	-	-	-	-	6,505,307	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,065,817	153,550 (USD 5,000 thousands)	-	-	-	-	6,505,307	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,065,817	153,550 (USD 5,000 thousands)	-	-	-	-	6,505,307	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,065,817	245,680 (USD 8,000 thousands)	-	-	-	-	6,505,307	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,065,817	1,500,000	1,500,000	140,000	-	18.45%	6,505,307	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,065,817	150,000	150,000	-	-	1.84%	6,505,307	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,065,817	76,775 (USD 2,500 thousands)	76,775 (USD 2,500 thousands)	-	-	0.94%	6,505,307	Yes	No	No	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,065,817	122,840 (USD 4,000 thousands)	-	-	-	-	6,505,307	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,065,817	153,550 (USD 5,000 thousands)	-	-	-	-	6,505,307	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,065,817	61,420 (USD 2,000 thousands)	-	-	-	-	6,505,307	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,065,817	92,130 (USD 3,000 thousands)	-	-	-	-	6,505,307	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,065,817	153,550 (USD 5,000 thousands)	153,550 (USD 5,000 thousands)	153,550 (USD 5,000 thousands)	-	1.89%	6,505,307	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,065,817	122,840 (USD 4,000 thousands)	122,840 (USD 4,000 thousands)	-	-	1.51%	6,505,307	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,065,817	153,550 (USD 5,000 thousands)	153,550 (USD 5,000 thousands)	153,550 (USD 5,000 thousands)	-	1.89%	6,505,307	Yes	No	Yes	
		Yeong Shang Casting Iron Company	Subsidiary of Sub-subsidiary	4,065,817	92,130 (USD 3,000 thousands)	92,130 (USD 3,000 thousands)	92,130 (USD 3,000 thousands)	-	1.13%	6,505,307	Yes	No	Yes	
		Yeong Shang Casting Iron Company	Subsidiary of Sub-subsidiary	$ 4,065,817	$ 92,130	$ -	$ -	$ -	-	$ 6,505,307	Yes	No	Yes	

					(USD 3,000 thousands)									
		Shanghai No. 1 Machine Tool Foundry Company	Subsidiary of Sub-subsidiary	813,163	116,339 (RMB 26,000 thousands)	-	-	-	-	6,505,307	Yes	No	Yes	
		Shanghai No. 1 Machine Tool Foundry Company	Subsidiary of Sub-subsidiary	813,163	153,550 (USD 5,000 thousands)	153,550 (USD 5,000 thousands)	153,550 (USD 5,000 thousands)	-	1.89%	6,505,307	Yes	No	Yes	
		Shanghai No. 1 Machine Tool Foundry Company	Subsidiary of Sub-subsidiary	813,163	89,492 (RMB 20,000 thousands)	89,492 (RMB 20,000 thousands)	89,492 (RMB 20,000 thousands)	-	1.10%	6,505,307	Yes	No	Yes	
		Shanghai No. 1 Machine Tool Foundry Company	Subsidiary of Sub-subsidiary	813,163	89,492 (RMB 20,000 thousands)	89,492 (RMB 20,000 thousands)	44,746 (RMB 10,000 thousands)	-	1.10%	6,505,307	Yes	No	Yes	
		Shanghai No. 1 Machine Tool Foundry Company	Subsidiary of Sub-subsidiary	813,163	153,550 (USD 5,000 thousands)	153,550 (USD 5,000 thousands)	-	-	1.89%	6,505,307	Yes	No	Yes	
1	Yeong Shang Casting Iron Company	Yeong Chia Mei Trade Company	Same parent company	30,969,560	217,420 (RMB 48,590 thousands)	-	-	-	-	30,969,560	No	No	Yes	

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries

Purchase/Sales Amount with Related Party exceeding NTD100 Million or 20% of Paid-In Capital

From January 1 to December 31, 2018

Appendix 3 Unit: in thousands of NTD

Purchase (Sales) Company	Transaction Counterpart	Relationship	Transaction Details				Cases and Reasons for Transaction Terms Different Those of Average Transactions		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sales)	Amounts	Percentage of Total Purchase (Sales)	Credit Extension Period	Unit Price	Credit Extension Period	Balance	Percentage of Total Notes/Accounts Receivables (Payables)	
Yeong Shang Casting Iron Company	Lu Lin Machine Tool Foundry Company	Same parent company	Purchase	$ 373,585	19%	(Note 1)	$ -	-	($ 174,369)	35%	
Bright Steel Fine Machinery Company	Shanghai No. 1 Machine Tool Foundry Company	Same parent company	Purchase	391,525	16%	(Note 1)	-	-	(124,273)	21%	
Bright Steel Fine Machinery Company	Yeong Shang Casting Iron Company	Same parent company	Purchase	215,724	9%	(Note 1)	-	-	(164,856)	27%	
Shin Shang Trade Company	Dongguan Yeong Guan Mould Factory Company	Same parent company	Purchase	271,286	61%	(Note 1)	-	-	(107,793)	74%	
Shin Shang Trade Company	Yeong Shang Casting Iron Company	Same parent company	Purchase	101,345	23%	(Note 1)	-	-	(25,907)	18%	
Yeong Chen Asia Pacific Company	Dongguan Yeong Guan Mould Factory Company	Same parent company	Purchase	111,801	5%	(Note 1)	-	-	(17,913)	3%	
Yeong Chen Asia Pacific Company	Shanghai No. 1 Machine Tool Foundry Company	Same parent company	Purchase	154,089	7%	(Note 1)	-	-	(56,972)	10%	
Yeong Chen Asia Pacific Company	Yeong Shang Casting Iron Company	Same parent company	Purchase	644,016	28%	(Note 1)	-	-	(119,326)	20%	
Yeong Chen Asia Pacific Company	Bright Steel Fine Machinery Company	Same parent company	Purchase	693,107	31%	(Note 1)	-	-	(278,062)	47%	
Yeong Chen Asia Pacific Company	Lu Lin Machine Tool Foundry Company	Same parent company	Purchase	303,764	13%	(Note 1)	-	-	(65,210)	11%	
Yeong Shang Casting Iron Company	Bright Steel Fine Machinery Company	Same parent company	(Sales)	(215,724)	10%	(Note 1)	-	-	164,856	21%	
Yeong Shang Casting Iron Company	Yeong Chen Asia Pacific Company	Same parent company	(Sales)	(644,016)	29%	(Note 1)	-	-	119,326	15%	
Yeong Shang Casting Iron Company	Shin Shang Trade Company	Same parent company	(Sales)	(101,345)	5%	(Note 1)	-	-	25,907	3%	
Lu Lin Machine Tool Foundry Company	Yeong Shang Casting Iron Company	Same parent company	(Sales)	(373,585)	38%	(Note 1)	-	-	174,369	53%	
Lu Lin Machine Tool Foundry Company	Yeong Chen Asia Pacific Company	Same parent company	(Sales)	(303,764)	31%	(Note 1)	-	-	65,210	20%	
Bright Steel Fine Machinery Company	Yeong Chen Asia Pacific Company	Same parent company	(Sales)	(693,107)	28%	(Note 1)	-	-	278,062	28%	
Dongguan Yeong Guan Mould Factory Company	Yeong Chen Asia Pacific Company	Same parent company	(Sales)	(111,801)	21%	(Note 1)	-	-	17,913	10%	
Dongguan Yeong Guan Mould Factory Company	Shin Shang Trade Company	Same parent company	(Sales)	(271,286)	51%	(Note 1)	-	-	107,793	61%	
Shanghai No. 1 Machine Tool Foundry Company	Bright Steel Fine Machinery Company	Same parent company	(Sales)	(391,525)	54%	(Note 1)	-	-	124,273	49%	
Shanghai No. 1 Machine Tool Foundry Company	Yeong Chen Asia Pacific Company	Same parent company	(Sales)	(154,089)	21%	(Note 1)	-	-	56,972	23%	

Note 1: Price and payment terms for transactions with related party are determined in accordance with the parties' agreement.

Note 2: Aforementioned transactions have all been cancelled during preparation of consolidated financial statement.

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries

Account receivable – Related Party Exceeding NTD100 Million or 20% of Paid-In Capital

December 31, 2018

Appendix 4

Unit: in thousands of NTD

Account Receivable Recognizing Company	Transaction Counterparty	Relationship	Account Receivable – Related Party Balance		Turnover Rate	Overdue Account Receivable – Related Party		Account Receivable – Related Party Subsequent Recovered Amount	Bad Debt Allowance
						Amount	Processing Method		
Yeong Shang Casting Iron Company	Bright Steel Fine Machinery Company	Same ultimate parent company	$ 164,856		-	$ -	-	$ -	$ -
Yeong Shang Casting Iron Company	Yeong Chen Asia Pacific Company	Same ultimate parent company	119,326		-	-	-	-	-
Yeong Shang Casting Iron Company	Shanghai No. 1 Machine Tool Foundry Company	Same ultimate parent company	279,617	Note 1	-	-	-	-	-
Lu Lin Machine Tool Foundry Company	Yeong Shang Casting Iron Company	Same ultimate parent company	174,369		-	-	-	-	-
Lu Lin Machine Tool Foundry Company	Bright Steel Fine Machinery Company	Same ultimate parent company	173,895	Note 2	-	-	-	-	-
Lu Lin Machine Tool Foundry Company	Shanghai No. 1 Machine Tool Foundry Company	Same ultimate parent company	543,807	Note 3	-	-	-	-	-
Bright Steel Fine Machinery Company	Yeong Chen Asia Pacific Company	Same ultimate parent company	278,062		-	-	-	-	-
Bright Steel Fine Machinery Company	Shanghai No. 1 Machine Tool Foundry Company	Same ultimate parent company	173,895	Note 4					
Dongguan Yeong Guan Mould Factory Company	Shin Shang Trade Company	Same ultimate parent company	107,793		-	-	-	-	-
Yeong Chen Asia Pacific Company	Yeong Guan Energy Technology Group Co., Ltd	Subsidiary	201,024	Note 5					
Yeong Guan Holding Company	Yeong Guan International Company	Subsidiary	1,186,203	Note 6	-	-	-	-	-
Shanghai No. 1 Machine Tool Foundry Company	Bright Steel Fine Machinery Company	Same ultimate parent company	124,273		-	-	-	-	-

Note 1: This includes financing amount NTD 268,476,000 and interest receivable of NTD 11,141,000.
Note 2: This includes financing amount NTD 170,034,000 and interest receivable of NTD 3,861,000.
Note 3: This includes financing amount NTD 528,002,000 and interest receivable of NTD 15,805,000.
Note 4: This includes financing amount NTD 170,034,000 and interest receivable of NTD 3,861,000.
Note 5: This includes financing amount NTD 199,615,000, interest receivable of NTD 1,023,000, collections and payment transfer NTD 386,000.
Note 6: This includes financing amount NTD 1,179,420,000 and interest receivable of NTD 6,783,000.
Note 7: Aforementioned transactions have all been cancelled during preparation of consolidated financial statement.

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries

Related Information of Invested Company Information and Location

Year 2018

Appendix 5

Unit: in thousands of NTD

Name of Investing Company	Name of Invested Company	Location	Major Business Items	Original Investment Amount		Year End Ownership			Current (Loss) Profit for Invested Company	Recognized Current Investment (Loss) Profit	Note
				Dec. 31, 2018	Dec. 31, 2017	Number of Shares	Percentage (%)	Book Value			
Yeong Guan Energy Technology Group Co., Ltd	Yeong Guan Holding Company	British Virgin Islands	Investment Holding Business	$ 4,525,878	$ 4,525,878	146,000,000	100.00	$ 10,947,041	($ 114,041)	($ 114,041)	Note 1
	Yeong Guan Heavy Industry (Thailand) Company	Thailand	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	348,375	348,375	37,500,000	75.00	337,627	(12,835)	(9,626)	Note 1
Yeong Guan Holding Company	Yeong Guan International Co. , Ltd.	Hong Kong	Investment Holding Business	4,137,489	4,137,489	506,000,000	100.00	8,341,114	(175,929)	(176,051)	Note 1
	Shin Shang Trade Company	British Virgin Islands	Transaction of various steel castings and casting molds as well as related import/export businesses	226,069	226,069	50,000	100.00	127,418	4,783	6,787	Note 1
	Yeong Chen Asia Pacific Company	Taiwan	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	95,000	95,000	-	100.00	554,336	62,103	63,547	Note 1
	New Power Company	Taiwan	Processing, manufacturing and selling of various of machinery and hardware	-	221,000	-	-	-	-	16,164	Note 1 Note 3
New Power Company	Lizhan Company	Samoa	Investment Holding Business	-	32,237	-	-		-	417	Note 1 Note 4

Note 1: Calculation is based on invested company's CPA certified financial statement in the same period and the Company's ownership percentage.

Note 2: Investment profit/loss among invested companies, investment company's long term equity investment and equity net value among invested companies have all been cancelled during preparation of consolidated financial statement.

Note 3: Yeong Guan Holding Company disposed all of its equity holdings of subsidiary New Power Team Technology Co., Ltd. on December 28 2018.

Note 4: New Power Team Technology Co., Ltd. disposed 100% share equities of subsidiary Lizhan Company on May 7, 2018.

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries

China Investment Information

Year 2018

Appendix 6

Unit: in thousands of NTD

Names of Invested Companies in China	Main Business Items	Paid-In Capital	Investment Methods (Note 1)	Accumulated Investment Amounts Remitted from Taiwan, Beginning of This Year	Current Year Investment Amounts Remitted Out or Retrieved Back		Current Year End Accumulated Investment Amount Remitted from Taiwan	Invested Company's Profit/Loss for Current Year	The Company's Direct or Indirect Ownership Percentage	Current Investment Profit (Loss) Recognized (note 2)	Year End Investment Book Value	Investment Yield Remitted Back as of Year End	Note
					Remitted Out	Retrieved Back							
Ningbo Yeong Shang Casting Iron Company	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	$ 1,323,601	(3)	$ -	$ -	$ -	$ -	$ 84,453	100%	$ 83,790	$ 3,126,792	$ -	
Dongguan Yeong Guan Casting Iron Factory Company	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	121,540	(3)	-	-	-	-	(1,282)	100%	(1,023)	555,712	-	
Ningbo Lu Lin Machine Tool Foundry Company	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	420,881	(3)	-	-	-	-	68,397	100%	69,477	1,978,294	-	
Jiangsu Bright Steel Fine Machinery Company	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	3,527,084	(3)	-	-	-	-	(289,753)	100%	(289,346)	4,737,241	-	
Ningbo Yeong Chia Mei Trade Company	Transaction of various steel castings and casting molds as well as related import/export businesses	30,710	(3)	-	-	-	-	929	100%	894	35,214	-	
Shanghai No. 1 Machine Tool (Suzhou) Company	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	891,959	(3)	-	-	-	-	(119,230)	94.33%	(100,976)	32,716	-	Note 4
Qing Dao Rui Yao Building Material Co., Ltd.		73,383	(3)	-	-	-	-	881	50%	489	37,125	-	
Ningbo New Power Company	Manufacturing and selling of medial equipment, wind turbine hub and semiconductor equipment products	-	(2)	29,110	-	29,110	-	(14)	-	(14)	-	-	Note 5

Year End Accumulated Investment Amount Remitted from Taiwan to China	Investment Amount Approved by Investment Commission of the Ministry of Economic Affairs	Limits for Investment in China Stipulated by Investment Commission of the Ministry of Economic Affairs

Note 1: Methods of investments are classified into the following 5 types. A simple mark on type will do:

(1) Direct investment in mainland China;

(2) Investment in mainland China through companies in the third region;

(3) Others

Note 2: Calculation is based on Taiwan parent company CPA certified financial statement and the Company's ownership percentage.

Note 3: Investment profit/loss among invested companies, investment company's long term equity investment and equity net value among invested companies have all been cancelled during preparation of consolidated financial statement.

Note 4: Dongguan Yeong Guan Mould Factory Company acquired Shanghai No. 1 Machine Tool Foundry Company's shares on November 8, 2018.

Note 5: Lizhan Company disposed 100% share equities of subsidiary Ningbo New Power Team Technology Co., Ltd. on April 11, 2018.

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries

Business Relationship and Critical Transaction/Amount between Parent Company and Subsidiaries and Among Subsidiaries

Year 2018

Appendix 7

Unit: in thousands of NTD

Serial No. (Note 1)	Name of Transaction Entity	Transaction Counterparty	Relationship with Transaction Counterparty (Note 2)	Details of Transactions			
				Items	Amounts	Transaction Terms	Percentage of Consolidated Total Revenue or Total Assets (Note 3)
1	Yeong Shang Casting Iron Company	Bright Steel Fine Machinery Company	3	Account Receivable — Related Party	$ 164,856	Based on the parties' agreement	1%
1	Yeong Shang Casting Iron Company	Yeong Chen Asia Pacific Company	3	Account Receivable — Related Party	119,326	Based on the parties' agreement	1%
1	Yeong Shang Casting Iron Company	Shin Shang Trade Company	3	Account Receivable — Related Party	25,907	Based on the parties' agreement	-
1	Yeong Shang Casting Iron Company	Shanghai No. 1 Machine Tool Foundry Company	3	Other Account Receivable— Related Party	279,617	Based on the parties' agreement	2%
1	Yeong Shang Casting Iron Company	Bright Steel Fine Machinery Company	3	Operating Revenue	215,724	Based on the parties' agreement	3%
1	Yeong Shang Casting Iron Company	Lu Lin Machine Tool Foundry Company	3	Operating Revenue	18,276	Based on the parties' agreement	-
1	Yeong Shang Casting Iron Company	Yeong Chen Asia Pacific Company	3	Operating Revenue	644,016	Based on the parties' agreement	10%
1	Yeong Shang Casting Iron Company	Shin Shang Trade Company	3	Operating Revenue	101,345	Based on the parties' agreement	2%
2	Lu Lin Machine Tool Foundry Company	Yeong Shang Casting Iron Company	3	Account Receivable — Related Party	174,369	Based on the parties' agreement	1%
2	Lu Lin Machine Tool Foundry Company	Yeong Chen Asia Pacific Company	3	Account Receivable — Related Party	65,210	Based on the parties' agreement	-
2	Lu Lin Machine Tool Foundry Company	Bright Steel Fine Machinery Company	3	Other Account Receivable— Related Party	173,895	Based on the parties' agreement	1%
2	Lu Lin Machine Tool Foundry Company	Shanghai No. 1 Machine Tool Foundry Company	3	Other Account Receivable— Related Party	543,807	Based on the parties' agreement	4%
2	Lu Lin Machine Tool Foundry Company	Yeong Shang Casting Iron Company	3	Operating Revenue	373,585	Based on the parties' agreement	6%
2	Lu Lin Machine Tool Foundry Company	Bright Steel Fine Machinery Company	3	Operating Revenue	32,401	Based on the parties' agreement	1%
2	Lu Lin Machine Tool Foundry Company	Yeong Chen Asia Pacific Company	3	Operating Revenue	303,764	Based on the parties' agreement	5%
2	Lu Lin Machine Tool Foundry Company	Shin Shang Trade Company	3	Operating Revenue	29,570	Based on the parties' agreement	-
3	Bright Steel Fine Machinery Company	Yeong Shang Casting Iron Company	3	Account Receivable — Related Party	14,178	Based on the parties' agreement	-
3	Bright Steel Fine Machinery Company	Yeong Chen Asia Pacific Company	3	Account Receivable — Related Party	278,062	Based on the parties' agreement	2%
3	Bright Steel Fine Machinery Company	Shanghai No. 1 Machine Tool Foundry Company	3	Other Account Receivable— Related Party	173,895	Based on the parties' agreement	1%
3	Bright Steel Fine Machinery Company	Shanghai No. 1 Machine Tool Foundry Company	3	Operating Revenue	47,558	Based on the parties' agreement	1%
3	Bright Steel Fine Machinery Company	Yeong Shang Casting Iron Company	3	Operating Revenue	38,254	Based on the parties' agreement	1%
3	Bright Steel Fine Machinery Company	Yeong Chen Asia Pacific Company	3	Operating Revenue	693,107	Based on the parties' agreement	11%
3	Bright Steel Fine Machinery Company	Shin Shang Trade Company	3	Operating Revenue	38,792	Based on the parties' agreement	1%

Serial No. (Note 1)	Name of Transaction Entity	Transaction Counterparty	Relationship with Transaction Counterparty (Note 2)	Details of Transactions			
				Items	Amounts	Transaction Terms	Percentage of Consolidated Total Revenue or Total Assets (Note 3)
4	Dongguan Yeong Guan Mould Factory Company	Yeong Shang Casting Iron Company	3	Account Receivable — Related Party	10,454	Based on the parties' agreement	-
4	Dongguan Yeong Guan Mould Factory Company	Yeong Chen Asia Pacific Company	3	Account Receivable — Related Party	17,913	Based on the parties' agreement	-
4	Dongguan Yeong Guan Mould Factory Company	Shin Shang Trade Company	3	Account Receivable — Related Party	107,793	Based on the parties' agreement	1%
4	Dongguan Yeong Guan Mould Factory Company	Yeong Shang Casting Iron Company	3	Operating Revenue	21,635	Based on the parties' agreement	-
4	Dongguan Yeong Guan Mould Factory Company	Yeong Chen Asia Pacific Company	3	Operating Revenue	$ 111,801	Based on the parties' agreement	2%
4	Dongguan Yeong Guan Mould Factory Company	Shin Shang Trade Company	3	Operating Revenue	271,286	Based on the parties' agreement	4%
5	Yeong Chen Asia Pacific Company	Yeong Guan Energy Technology Group Co., Ltd	2	Other Account Receivable— Related Party	201,024	Based on the parties' agreement	1%
5	Yeong Chen Asia Pacific Company	Yeong Shang Casting Iron Company	3	Operating Revenue	27,102	Based on the parties' agreement	-
6	Yeong Guan Holding Company	Yeong Guan International Company	1	Other Account Receivable— Related Party	1,186,203	Based on the parties' agreement	8%
8	Shanghai No. 1 Machine Tool Foundry Company	Bright Steel Fine Machinery Company	3	Account Receivable — Related Party	124,273	Based on the parties' agreement	1%
8	Shanghai No. 1 Machine Tool Foundry Company	Yeong Chen Asia Pacific Company	3	Account Receivable — Related Party	56,972	Based on the parties' agreement	-
8	Shanghai No. 1 Machine Tool Foundry Company	Yeong Shang Casting Iron Company	3	Operating Revenue	34,314	Based on the parties' agreement	1%
8	Shanghai No. 1 Machine Tool Foundry Company	Bright Steel Fine Machinery Company	3	Operating Revenue	391,525	Based on the parties' agreement	6%
8	Shanghai No. 1 Machine Tool Foundry Company	Lu Lin Machine Tool Foundry Company	3	Operating Revenue	15,879	Based on the parties' agreement	-
8	Shanghai No. 1 Machine Tool Foundry Company	Yeong Chen Asia Pacific Company	3	Operating Revenue	154,089	Based on the parties' agreement	2%

Note 1: 0 represents parent company, while serial numbers for subsidiaries start from 1 based on respective company categories.

Note 2: 1 represents transaction entered by parent company with subsidiary; 2 represents transaction entered by subsidiary with parent company; 3 represents transactions between subsidiaries.

Note 3: With respect to calculation for transaction amount's percentage of consolidated total revenue or total assets, asset/liability items are based on ending balance's percentage of consolidated total assets and liabilities, while income items are based on ending accumulated amount's percentage over consolidated total revenue.

Note 4: All transactions on aforementioned appendix have already been written-off when consolidated financial statements are prepared.