

Stock Code: 2239



Cayman Engley Industrial Co., Ltd.

2019 Annual Report

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Company Websites: <http://www.engley.com>

1. Spokesperson and acting spokesperson (names, titles and contact information):**Spokesperson**

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Title: Executive Assistant to Chairman and CFO

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Acting Spokesperson

Name: Pai, Ping-Yen

Title: Deputy Manager

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2. Responsible person for litigation and non-litigation (name, title and contact information):

Name: Tsai, Chi-Chung

Title: Director

Tel: (04)7515511

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3. Contact information of the head office, branch offices and factories**3.1 Head office**

Name: Cayman Engley Industrial Co., Ltd.

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Tel: (886)-04-7284956

3.2. Subsidiaries and branch offices

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Subsidiary: Changchun Engley Automobile Industry Co., Ltd.	
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Subsidiary: Changchun Engley Auto Parts Co., Ltd.	
Address: No.567, Yumin Road, Economic Development Area, Changchun, Jilin	
Website: http://www.engley.com	Tel: (86)-431-85022771
Subsidiary: Chengdu Engley Auto Parts Co., Ltd.	
Address: No.268, South 4 th Road, Economic and Technological Development Zone, Chengdu, Sichuan	
Website: http://www.engley.com	Tel: (86)-28-65080999
Branch office: Chengdu Engley Auto Parts Co., Ltd. Baoji Branch	
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Website: http://www.engley.com	Tel: (86)-28-65080999
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Subsidiary: Liaoning Engley Auto Part Co., Ltd.	
Address: Yilu Industrial Park, Xintaizi Town, Tieling County, Tieling, Liaoning	
Website: http://www.engley.com	Tel: (86)-24-78756475
Subsidiary: Foshan Engley Auto Part Co., Ltd.	
Address: No.15-1, Dongyang 3 rd Road, Huanan Hardware Industry Base, Danzao Town, Nanhai Area, Foshan, Guangdong	
Website: http://www.engley.com	Tel: (86)-757-81092779
Subsidiary: Tianjin Engley Manufacturing Co., Ltd.	

Address: No.21 Baokang Rd, Baodi Economic Development Zone, Tianjin	
Website: http://www.engley.com	Tel: (86)-22-59281019
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Website: http://www.engley.com	Tel: (86)-431-81055836
Subsidiary: Changsha Engley Auto Part Co., Ltd.	
Address: No 9, Qingyuan Road, Langli Industrial Park, Changsha County, Changsha, Hunan	
Website: http://www.engley.com	Tel: (86)-731-86809663
Subsidiary: Suzhou Engley Auto Part Co., Ltd.	
Address: No.32, Taizhong Road, Yuewang yuezhen Village, Shaxi Town, Taicang City, Suzhou, Jiangsu	
Website: http://www.engley.com	Tel: (86)-512-53307777
Branch office: Suzhou Engley Auto Part Co., Ltd. Kunshan Branch	
Address: No.9, Jichang Road, Dianshanhu Town, Kunshan, Jiangsu	
Website: http://www.engley.com	Tel: (86)-512-57051876
Branch office: Suzhou Engley Auto Part Co., Ltd. Ningbo Branch	
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Branch office: Suzhou Engley Auto Part Co., Ltd. Zhengzhou Branch	
Address: Beijingyi Road West, Wanhong Road, Automobile Industrial Park, Zhongmu County, Zhengzhou, Henan	
Website: http://www.engley.com	Tel: (86)-512-53307777
Subsidiary: Suzhou Engley Auto Part Co., Ltd. Shaxi Branch	
Address: No.60, Taizhong Road, Yuewang yuezhen Village, Shaxi Town, Taicang City, Suzhou, Jiangsu	
Website: http://www.engley.com	Tel: (86)-512-53307777
Subsidiary: Tsingtao Engley Auto Part Co., Ltd.	
Address: North of Dazhong 1 st Road and West of Yingliu Road, New Automobile Industrial City, Qingdao, Shandong	
Website: http://www.engley.com	Tel: (86)-532-85052015
Subsidiary: Linde+Engley (Changchun) Auto Parts Co., Ltd.	
Address: No.888, Jinghe Street, Economic Development Area, Gongzhuling, Jilin	
Website: http://www.engley.com	Tel: (86)-434-8890900
Subsidiary: Linde+Engley (Tianjin) Auto Parts Co., Ltd.	
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Website: http://www.engley.com	Tel: (86)-22-59952511
Branch office: Linde+Engley (Tianjin) Auto Parts Co., Ltd. Chongqing Branch	
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Subsidiary: Ningbo Maoxiang Material Co., Ltd. (China)	
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Website: http://www.engley.com	Tel: (86)-576-80270890
Branch office: Ningbo Maoxiang Material Co., Ltd. Xiaoshan Branch	
Address: A4 East-No.3, 1 st and 2 nd Nong Factories, Hi-Tech Industrial Park, Linjiang, Xiaoshan, Zhejiang	
Website: http://www.engley.com	Tel: (86)-576-80270890

Subsidiary: Taizhou Maoqi Metal Co., Ltd. (China)	
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Website: http://www.engley.com	Tel: (86)-576-80270899
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Website: http://www.engley.com	Tel: (886)-04-7284956
Subsidiary: Engley Precision Industry B.V.	
Address: Herikerbergweg 238, 1101CM Amsterdam, the Netherlands.	
Website: http://www.engley.com	Tel: (886)-04-7284956
Subsidiary: Kranendonk Beheersmaatschappij B.V.	
Address: Biezenwei 14 P.O. Box 6147, NL-4000 HC Tiel, the Netherlands.	
Website: http://www.kranendonk.com	Tel: (31)-344-623944
Subsidiary: Ningbo Engley Automobile Industry Co.,Ltd	
Address: No.209, Xingci 1 st Road, New Area, Hangzhou Wan, Ningbo, Zhejiang	
Website: http://www.engley.com	Tel: (86)-0574-82355500
Subsidiary: Wiser Decision Holding Company Limited	
Address: 8F., No. 349, Sec. 2, Zhongshan Rd., Changhua City, Changhua County	
Website: http://www.engley.com	Tel: (886)-04-7284956

4. Stock Transfer Agency (Name, Address, Website and Telephone number):

Name: Departmet of Transfer Agency Service, Website: www.sinotrade.com.tw
SinoPac Securities Corporation
Address: 3F, No.17, Bo'ai Road, Taipei City Tel: (02)2381-6288

5. Contact Information of the certified public accountant (CPA) for the latest financial report

Name : YANG, MING-CHIN Website: www.pwc.com.tw
LIU, MEI-LAN
Firm: PricewaterhouseCoopers Taiwan Tel: (04)2704-9168
Address: 12F, No.402, Shizheng Road, Xitun District, Taichung City

6. Name of the stock exchange where company's listed overseas securities are traded and the access to information on such listed overseas securities: N/A.

7. Board members

Title	Name	Nationality/Place of Registration	Experience and Education
Chairman	Honghan Industrial Co., Ltd.	Samoa	Chairman, Changchun Engley Automobile Industry Co., Ltd.
	Representative: Lin, Chi-Pin	R.O.C	Ta Hwa University of Science and Technology
Director	BroadLight Consultants Ltd.	Samoa	Deputy General Manager, Changchun Engley Automobile Industry Co., Ltd.
	Representative: Lin, Chun-Pang	R.O.C	Food Engineering, Da Yeh University
Director	Top-Gain Enterprises Ltd.	Samoa	Ta Hwa University of Science and Technology
	Representative: Chen, Jung-Juan	R.O.C	Director, Suzhou Engley Auto Part Co., Ltd.
Director	Tsai, Meng-Han	R.O.C	Master of Laws, Soochow University

			SKB Law Firm Supervisor of Zhan Yuan Investment Co., Ltd.
Independent Director	Yeh, Chih-Ming	R.O.C	PHD, University of Chinese Academy of Sciences Director, CVC Technologies, Inc.
Independent Director	Liou, Cheng-Hwai	R.O.C	Doctor of Business Administration, National Taipei University Professor (part time), Department of Information Management, National Chang Hua University
Independent Director	Hsu, Ching-Tao	R.O.C	Bachelor of Accounting, Feng Chia University Independent Director, EXCEL CELL ELECTRONIC CO., LTD.

8. Company Website: <http://www.engley.com>

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I. Letter to Shareholders

Dear Shareholders,

Thank you for taking your time to participate in the 2020 annual shareholders meeting of the Cayman Engley Industrial Co., Ltd.. I am pleased to report the operating performance and future development plan in 2019.

A. 2019 Business Results

Due to the outbreak of novel coronavirus epidemic, the sales volume of automobiles fell sharply in China's market in February, 2020. With epidemic coming under control, the production lines of enterprises have been almost recovered, the logistics are in normal operations, and the demands of end consumers have been released. Plus the strong support of national policies in China, the automotive market is expected to be fully recovered in the second half of this year. The sales volume of passenger cars in China in 2019 was 21,444,000 units, which was decreased by 9.6% if compared with that of 2018. The Company has successfully undertaken the new energy vehicle projects of Volvo and FAW Volkswagen in recent years. In the future, it will continue to actively expand cooperation with other joint venture brands such as Geely Automobile, Great Wall Motors, etc., and the China's self-owned brands. The following presents financial revenue and expenditure and profitability in 2019, and the Company's strategies for future development.

1. Analysis of financial revenue and expenditure and profitability

Unit: NT\$ 1,000; %

Item \ Year		2018	2019	Increase (decrease) of %	
Financial Analysis	Operating Revenue	21,855,386	22,239,873	1.76	
	Operating Margin	4,242,876	3,744,203	(11.75)	
	Net Profit After Tax	1,123,400	644,193	(42.66)	
Profitability	Return on assets (%)		5.84	3.96	(32.19)
	Return on equity (%)		11.68	7.31	(37.41)
	Of paid-in capital ratio (%)	Operating profit	164.07	121.48	(25.96)
		Pre-tax net profit	146.29	96.01	(34.37)
	Net profit rate (%)		6.64	4.35	(34.49)
	Earnings per share (NT\$)		9.89	5.46	(44.79)
	Diluted EPS (after tax) (NT\$)		9.41	5.32	(43.46)

Note: The consolidated financial statement signed and audited by CPAs, is prepared in accordance with the International Financial Reporting Standards.

2. Corporate budget

The Company did not make 2019 financial forecast available so it is necessary to disclose its budget.

3. Research and development

Along with lightweight trends in the automotive industry, the Company continues to improve the manufacturing processes of high-strength steel by use of rolling technology and heat treatment, and aluminum alloy products. The Company also engages itself in development of auto parts made out of new composite materials.

The Company keeps increasing the level of automation, improving back-end automated detection technology, ensuring metalwork accuracy and a higher product yield. In response to customers' requests, the Company endeavors to develop modular products to produce better quality products and provide better services.

B. Overview of the 2020 Business Plan

1. Operating Principle

The Group launched a tactical plan to arrange production bases few years ago. Up to now, the Company has set up production bases in Changchun, Chengdu, Tianjin, Foshan, Suzhou, Changsha, Yizheng, Qingdao, and Ningbo, and established production network in South China, Central China, North China, East China and North East China to reduce delivery distance from suppliers to automakers, and speed up response time requested by automakers. Through modernized management, the Group has brought together upstream and downstream resources, and introduced advanced automated equipment to build strong capabilities for production of quality car parts and pursue the goal of environment protection. With top quality detection devices, the Company commits itself to ensure consistent quality and meet the objectives of standardized, modularized and eco-friendly and lightweight products. Following the development path of automakers, the Company aims to satisfy diverse needs of all customers. The Group will explore new areas of research and development and make the best efforts to develop electric appliances and electric cars in order to further diversify our products.

2. Sales projection with its calculation basis and important production and marketing policies

The Company sets annual sales targets based on the overall industry environment, customers' needs of products and capacity, supply and demand in the market and competitive conditions. In addition to identifying potential customers, the Company actively prepares itself to enter into the electric-vehicle market in alignment with its business plans and offer products with high added value for the upcoming new era of green vehicle.

C. Strategies for Future Development

1. Plans for capacity expansion

The plants in Changchun, Tianjin and Suzhou have undergone a series of renovations with more assembly lines to fulfill anticipated demand of new energy vehicles in the future.

2. Overview of research and development

Along with lightweight trends in the automotive industry, the Company continues to improve the manufacturing processes of high-strength steel by use of rolling technology and heat treatment, and aluminum alloy products. The Company also engages itself in development of auto parts made out of new composite materials. The Company keeps increasing the level of

automation, improving back-end automated detection technology, ensuring metalwork accuracy and a higher product yield. In response to customers' requests, the Company endeavors to develop modular products to produce better quality products and provide better services.

3. Development of business

The Company will continue to follow automakers' steps. In addition to maintaining current customer relationships, the Company will comply with car purchase restrictions in main cities and relevant government policies of subsidizing electric vehicles. Furthermore, the Company actively prepares itself to enter into the electric-vehicle market and expand new product categories to get an early win in the electric-vehicle market. Up to now, the contracts with Volvo and FAW-Volkswagen for new energy vehicles projects have injected new momentum into the Company's business operation. In the future, the Company will continue to seek opportunities to cooperate with other automakers, such as the BAIC Group and supply aluminum parts and plastic products for new energy cars.

D. Impact of external competitive environment, regulatory environment and overall business environment

As a result of emission reduction policies, the compound annual growth rate in the global electric-vehicle market may remain 32% or even higher. The 19th National Congress also considered new energy vehicles as a strategic industry. Due to restrictions on battery weight and operating range of new energy vehicles, they are more sensitive to the weight of car body. Thus automakers have even stronger demand for lightweight auto parts. Nowadays development of new energy vehicles has been the highlight in the automotive industry and a strategic direction supported by Chinese government. On the basis of good relationships with current customers, the Company will continue to attract new customers, develop application of new products and serve customers in a professional and timely way. By doing so, the Company can guarantee its profit and create shareholder value.

Chairman: Lin, Chi-Pin

General Manager: Lin, Chi-Pin

Accounting Supervisor: Yang, Cheng-Feng

II. Company Profile

A. Date of incorporation and an introduction to the company and business group

CAYMAN ENGLELY INDUSTRIAL CO., LTD. (hereinafter referred to as the “Company”) was established in the Cayman Islands on 16 January 2015 with its shares issued at par value of NTD\$ 10 per stock. In the same year CEIC acquired 100% of the shares of Changchun Engley Automobile Industry Co., Ltd. through a stock swap. In December 2015, CEIC was approved to be listed by the Taiwan Stock Exchange Corporation, and its shares were officially listed on January 27 2016. Until the date of printing the annual report, CEIC had more than a decade’s experience in manufacturing auto parts, with business areas operating in eight provinces and cities, including Jilin, Liaoning, Tianjin, Jiangsu, Zhejiang, Sichuan, Hunan, Shandong, Guangxi, Shaanxi, Henan and Guangdong.

The Company and its subsidiaries are hereinafter collectively referred to as the “Group”. These subsidiaries include Cayman Engley Industrial Co., Ltd. (Taiwan Engley), Changchun Engley Automobile Industry Co., Ltd. (Engley Industry), Changchun Engley Auto Parts Co., Ltd. (Engley Parts), Suzhou Engley Auto Part Co., Ltd. (Suzhou Engley), Chengdu Engley Auto part Co., Ltd. (Chengdu Engley), Yizheng Engley Auto Part Co., Ltd. (Yizheng Engley), Liaoning Engley Auto Part Co., Ltd. (Liaoning Engley), Foshan Engley Auto Part Co., Ltd. (Foshan Engley), Tianjin Engley Manufacturing Co., Ltd. (Tianjin Engley), Changchun Lightweight Technology Co., Ltd. (Lightweight), Changsha Engley Auto Part Co., Ltd. (Changsha Engley), Tsingtao Engley Auto Part Co., Ltd. (Tsingtao Engley), Linde+Engley (Changchun) Auto Parts Co., Ltd. (Linde Changchun), Linde+Engley (Tianjin) Auto Parts Co., Ltd. (Linde Tianjin), Ningbo Maoxiang Material Co., Ltd. (Ningbo Maoxiang), Taizhou Maoqi Metal Co., Ltd. (Taizhou Maoqi), Ningbo Engley Automobile Industry Co., Ltd. (Ningbo Engley), Engley Holding (Samoa) Limited (Samoa Engley), Engley Precision Industry B.V. (the Netherlands Engley), Kranendonk Beheersmaatschappij B.V. (Company K) and Wiser Decision Holding Company Limited (Company W).

The primary product line of the Group involves metal auto parts, non-metal auto parts, modules and others. With sophisticated manufacturing skills and outstanding capabilities of product development, the Group has been supplying exceptional quality products for OEM plants in China, including Benz, Audi, VW, GM Auto, Jaguar, Land Rover, BMW and Volvo.

B. A brief history of the Company and the Group

Year	Milestone
1991	Founded as a seatbelt manufacturer in Harbin
2001	Founded Engley Parts. The Harbin factory moved to Changchun and its primary products were automotive parts
2003	Expanded the product range into components made by long fiberglass hot-pressing
2004	Successfully launched the first GMT under body shield in China
2005	Successfully launched the first LFT-D under body shield, LFT-G front end and GMT front end in China.
2006	1. Founded Changchun Chengtai Auto Parts Co., Ltd. in December (currently renamed to Engley Industry). 2. Successfully launched the first metal cockpit carrier
2008	1.As the first firm, who localized rolling door sills and metal in-mould front end, it also designed and launched an AI module of front end jointly with Shenyang Jinbei 2.Founded Suzhou Engley in February
2009	1. Engagement in the process of localizing OEM plants in China or

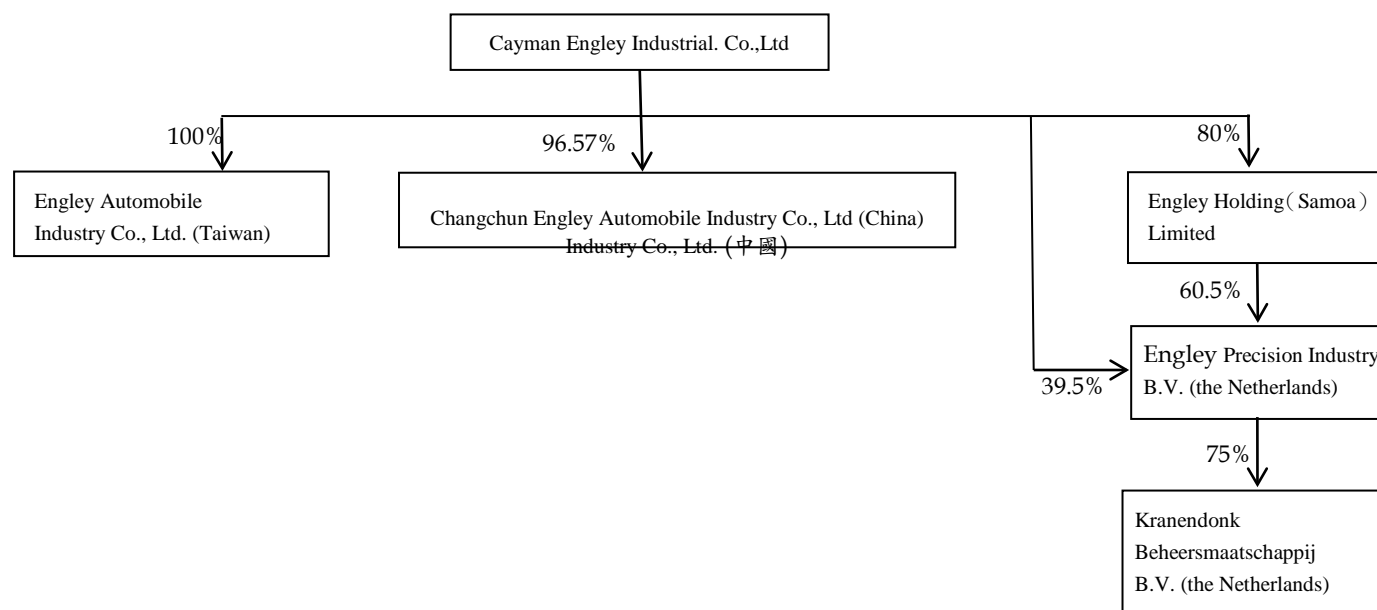
Year	Milestone
	<p>independent R&D activities in relation to hot-pressing products, for example non-metal front end, under body shield, battery tray, spare wheel pan, door module and so on</p> <p>2. In September an joint venture agreement was made with ALCAN (a member of Fortune Global 500) to establish Jialu Engley Automotive Structure Co., Ltd. (the predecessor of Constellium Engley Automotive Structures Co., Ltd.)</p> <p>3. Founded Chengdu Engley in November</p>
2010	The first firm SYMALITE localized lightweight material under body shield and aluminum alloy metal cockpit carrier
2011	<p>1. Founded Yizheng Engley in May</p> <p>2. Founded Liaoning Engley in August</p> <p>3. An joint venture agreement was made with world-famous German supplier of rolling parts Linde+Wiemann GmbH KG (Linde Wiemann)</p> <p>4. Built a new product design team</p>
2012	<p>1. Founded Foshan Engley in April</p> <p>2. Founded Tianjin Engley in September</p> <p>3. With German Linde+Wiemann GmbH KG (Linde Wiemann) jointly established Linde+Engley (Changchun) Auto Parts Co. Ltd. in September, of which Changsha Engley held 51% of shares in order to expand high-strength steel plate rolling and laser welding business</p>
2013	<p>1. Established Linde+Engley (Tianjin) Auto Parts Co. Ltd., jointly with German Linde+Wiemann GmbH KG (Linde Wiemann) in February</p> <p>2. Founded Lightweight in September</p> <p>3. Gained strategic investment from German Linde+Wiemann GmbH KG (Linde Wiemann) and Far East Horizon Ltd. (ticker number:3360.HK, currently investing in the Group through Hong Ying Investment Development Ltd.)</p> <p>4. The Board of Directors approved a joint venture with China Steel Corporation, Changyee Steel Co. Ltd., KS TERMINALS Co., Ltd., to establish Honley Auto. Parts Co.,Ltd., of which the Group held 40% of shares.</p>
2014	<p>1. Founded Changsha Engley in May</p> <p>2. Jointly established Honley Auto. Parts Co.,Ltd. in October.</p>
2015	<p>1. Founded Changchun Engley (its full name: Cayman Engley Industrial Co., Ltd.) in the Cayman Islands in January, which was intended to be listed in Taiwan.</p> <p>2. An new supply agreement for new items was made with Volvo in April</p> <p>3. Approved to be publicly traded on the TPEX^[1] in August, and completed public listing on the TPEX on September 15</p> <p>4. Approved to be listed on the Taiwan Stock Exchange by the Board of Directors of TWSE in December</p>
2016	<p>1. Completed public listing on the TWSE on January 27</p> <p>2. Founded Tsingtao Engley in April</p> <p>3. Founded Engley Automobile Industry Co., Ltd (Taiwan) in September</p> <p>4. Founded Samoa Engley in October</p> <p>5. Acquired Ningbo Maoxiang and Taizhou Maoqi in December</p>
2017	<p>1. Founded the Netherlands Engley in January</p> <p>2. Jointly acquired Kranendonk Beheersmaatschappij B.V. in February</p>

Year	Milestone
	3. Invested in Zhejiang Sanse in March
2019	1. Founded the Ningbo Engley Automobile Industry Co.,Ltd in January 2. Founded the Wiser Decision Holding Company Limited in May

In the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, any events affecting significantly shareholders' equity should be disclosed, including but not limited to merger and acquisition activities; strategic investments in affiliated enterprises; corporate reorganization; transfer or exchange of a majority stake by directors, supervisors, or shareholders with more than 10% of shares; any change of ownership, and any material changes of operational methods and business types: None

C. Structure of the Group

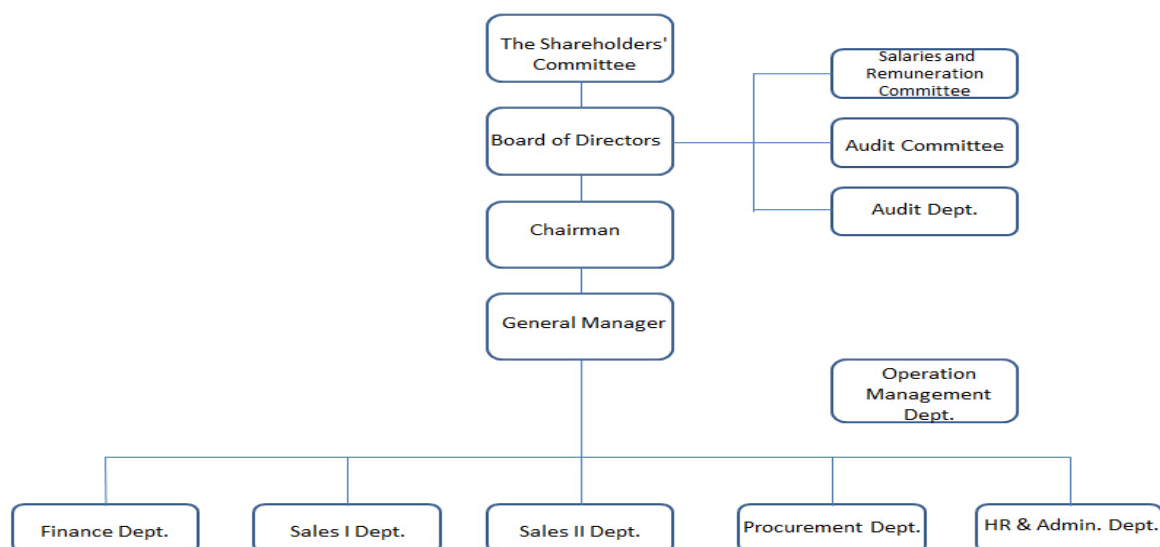
The Group's structure (as of March 31 2020)



II. Corporate Governance Report

A. Organizational System

1. Organizational chart



2. Department functions

Department	Functions
The Board of Directors	Determining operational plans and strategic orientation for the Company's business operation and organizational management.
Audit Committee	Reviewing the Group's business statuses and financial conditions, fair presentation of financial statements and effective implementation of internal control systems.
Remuneration Committee	Setting and periodically reviewing policies, systems, criteria and programs on evaluation of its directors' and managers' performances, as well as regularly evaluating and determining their compensation.
Audit Department	Establishing every auditing function for the Group; evaluation and execution of internal control regimes within the Group as well as supervising its execution, and submission of recommendations for improvements as well as follow-up on progress.
General Manager	Executing Directors' resolutions and manage business related matters.
Operation Management Department	Analysis of all companies' business activities within the Group with recommendations, handling matters assigned by the General Manager, and organizing board meetings and shareholders' meetings as well as facilitate such meetings.
Finance Department	Responsible for relevant accounting matters, developing and executing accounting policies and supervising financial conditions of all subsidiaries.
Sales Department I	Planning business strategies and future orientation on customer service and market development
Sales Department II	Other than customers of the Sales I Department, assisting development of other customers' OEM business and customer service.
Procurement Department	Procuring materials and equipment required for manufacturing and production and coordinate procurement strategies with market prices
HR&Administraion Department	Responsible for administrative matters in relation to human resource management.

B. Information on the company's directors, supervisors, general manager, deputy general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units

1. Directors

(1) Name, education (experience), current shareholding and positions of each board director

As of 26 April 2019 Unit: 1,000 shares

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse&Minor Shareholding		Shareholding in the name of others		Experience (Education)	Current Positions at the Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Samoa	Honghan Industrial Co., Ltd.	—	2018.05.29	3	2015.06.15	26,100	23.72%	26,100	22.12%	—	—	—	—	Ta Hwa University of Science and Technology	1.Chairman, Changchun Engley Automobile Industry Co., Ltd. 2.Chairman, Changchun Engley Auto Parts Co., Ltd. 3.Executive Director, Foshan Engley Auto Part Co., Ltd. 4.Executive Director, Tianjin Engley Manufacturing Co., Ltd. 5.Vice Chairman, Constellium Engley (Changchun) Automotive Structures Co., Ltd. 6.Chairman, Constellium Engley (Changchun) Automotive Structures Co., Ltd. 7.Executive Director&General Manager, Changchun Hongyun Cloud Computing Technology 8. Director, Honghan Industrial Co., Ltd. 、Bright Success Inc. 、BroadLight Consultants Ltd. 、Top-Gain Enterprises Ltd. 、Able Well International Limited 、Able Gain Investment Limited 、Double Luck Investment Limited 、Superb Goal Ventures Limited 、Jade Profit Company Limited 、Wise Faith Holding Limited 、Ever Honest Consultant Ltd. 、Hong Han Auto parts Co., Limited	Director Representative	Chen, Jung-Juan	Spouse
	R.O.C	Representative: Lin, Chi-Pin	Male				1,000	1%	1,000	0.85%	—	—	53,675	45.48%					
Director	Samoa	BroadLight Consultants Ltd.	—	2018.05.29	3	2015.06.15	10,000	10%	10,000	8.47%	—	—	—	—	Food Engineering, Da Yeh University	Deputy General Manager, Changchun Engley Automobile Industry Co., Ltd.	—	—	—
	R.O.C	Representative: Lin, Chun-Pang	Male				—	—	10,000	0.01%	—	—	—	—					
Director	Samoa	Top-Gain Enterprises Ltd.	—	2018.05.29	3	2018.05.29	10,000	10%	10,000	8.47%	—	—	—	—	Ta Hwa University of Science and Technology	1.Director, Suzhou Engley Auto Part Co., Ltd. 2.Changchun Hongyun Cloud Computing Technology	Director Representative	Lin, Chi-Pin	Spouse
	R.O.C	Representative: Chen, Jung-Juan	Female				—	—	—	—	—	—	—	—					
Director	R.O.C	Tsai, Meng-Han		2018.05.29	3	2018.05.29	—	—	—	—	—	—	—	—	Master of Laws, Soochow University	SKB Law Firm Supervisor of Zhan Yuan Investment Co., Ltd.	—	—	—

Independent Director	R.O.C	Liou, Cheng-Hwai	Male	2018.05.29	3	2015.06.15	—	—	—	—	—	—	—	—	<ul style="list-style-type: none"> 1. Doctor of Business Administration, National Taipei University 2.Master of Industrial Development (major in Finance), National Cheng Kung University 3.National Taichung University of Science and Technology (Institute of Technology, Business College):Director of General Affairs; Chair of the Department of International Trade; Chair of the Department of Accounting; Convener of Business Management Development Committee; Professor, Department of Accounting and Information Systems 4.Mediator, the Arbitration Association 5.Director of the Taiwan Accounting Association (9th and 10th) 6.Commissioner, Cable TV Advisory Committee 8. Associate Professor (part time), Department of Industrial Engineering, National Tsing Hua University 9.Drafter&Grader, Ministry of Examination 10.Professor (part time), Department of Accounting, National Chung Hsing University 11.Professor (part time), Department of Information Management, National Chang Hua University 12.Supervisor, Academy of Taiwan Information Systems Research (ATISR) 	—	—	—	—
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Inde pend ent Direct or	ROC	Yeh, Chih-Ming	Male	2018. 05.29	3	2015. 06.15	—	—	—	—	—	—	—	—	1. PHD, University of Chinese Academy of Sciences 2.Master of Business Management, Da Yeh University 3.Lecturer, the Industrial Technology Research Institute 4.General Manager, HongYi Industrial Co., Ltd. 5.Deputy General Manager, PRET Industrial Co.,Ltd. 6.General Manager, Jinbi Technology Co.,Ltd. 7.Associate Professor (part time), Minnan Normal University 8. Associate Professor (part time), Yang-En University 9. Lecturer (part time) Feng Chia University 10. Lecturer (part time), Ling Tung University	1.General Manager, CVC Technologies, Inc. 2. Director, CVC Technologies, Inc.	—	—	—
Indepe ndent Direct or	ROC	Hsu, Ching-Tao	Male	2018. 05.29	3	2015. 06.15	—	—	—	—	—	—	—	—	1. Bachelor of Accounting, Feng Chia University 2.Manager, Capital Market Division President Securities Corp.	1.Independent Director, EXCEL CELL ELECTRONIC CO., LTD. 2. Independent Director, MAX ECHO TECHNOLOGY CORP.	—	—	—

Note: If the general manager or the equivalent (top management) and the chairman are the same person or spouses or the relative within the first degree of kinship, it shall disclosure the related information such as the cause, rationality, necessity and measures taken (such as adding seats of independent directors, or requiring more than half of the directors not working as the employee or managers concurrently).

The general manager are the chairman of the company are the same person, which mainly aims to meet the business expansion needs. However, the company sets up the key positions and the plans for development and succession. We firstly conducts position evaluation to determine the key positions, based on which the bank of talents for the key positions are established, and the candidates for directors and key positions are selected. The company sets up three independent directors, and more than half of directors are not employees or managers.

(2) Supervisor

N/A. The Company has established the Audit Committee.

(3) Major shareholders of institutional shareholders

Major shareholders of institutional shareholders

As of March 31 2020

Name of Institutional Shareholders	Major Shareholders	%
Honghan Industrial Co., Ltd.	Lin, Chi-Pin	95.93%
BroadLight Consultants Ltd.	Wise Faith Holding Limited	100%
Top-Gain Enterprises Ltd.	Wise Faith Holding Limited	100%

Major shareholders of the Company's major institutional shareholders

As of March 31 2020

Name of Institutional Shareholders	Major Shareholders	% 例
Wise Faith Holding Limited	Lin, Chi-Pin	100%

(4) Professional qualifications and independence analysis of directors and supervisors

Name (Note 1)	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Attribute (Note 2)										Number of Other Public Companies 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 Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Lin, Chi-Pin (Representative, Honghan Industrial Co., Ltd.)		—	—	✓	—	—	—	—	—	—	✓	—	✓	—	—
Lin, Chun-Pang (Representative, BroadLight Consultants Ltd.)		—	—	✓	—	—	—	—	—	—	✓	—	✓	—	—
Chen, Jung-Juan (Representative, Top-Gain Enterprises Ltd.)		—	—	✓	—	—	—	—	—	—	✓	—	✓	—	—
Tsai, Meng-Han		—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Liou, Cheng-Hwai		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—

Name (Note 1)	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	Independence Attribute (Note 2)										Number of Other Public Companies 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 Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		9	10
Hsu, Ching-Tao	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yeh, Chih-Ming	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—

Note 1: The Directors and Supervisors comply with the following conditions from two years before being elected and appointed, and during the term of office, please tick the appropriate corresponding boxes.

Note 2: On 15 June 2015, the Shareholders' Meeting of the Company resolved to establish the Audit Committee. Therefore, the supervisory system is not applicable.

- (1) Not an employees of this Company or its affiliates;
- (2) Not a Director or Supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiary are set up according to this Act or local country ordinances);
- (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 one percent or more of the total number of outstanding shares of the Company or ranking in the top ten 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 above persons in the preceding three subparagraphs;^[1]_{SEP}
- (5) Not a director, supervisor, or employees of a corporate shareholder that directly holds five percent or more of the total ^[1]_{SEP} number of outstanding shares of the Company or that holds shares ranking in the top five in holdings;
- (6) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company;
- (7) Not a professional individual nor an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution, or a spouse thereof, who, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, 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 having a marital relationship, or a relative within the second degree of kinship to any other director of the Company;
- (9) Not been a person of any conditions defined in Article 30 of the Company Law, and
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2. Information of general manager, deputy general manager, associate manager, managers of departments and branches

As of 21 April 2020 Unit: 1,000 shares

Title	Nationality	Name	Gender	Inauguration date	Shareholding		Spouse&Minor Shareholding		Shareholding in the name of others		Experience (Education)	Current Positions at Other Companies	Managers who are spouses or within two degrees of kinship			Employee Stock Options Granted to Managers
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C	Lin, Chi-Pin	Male	2015.06.01	1,000	0.85%	—	—	53,675	45.48%	Ta Hwa University of Science and Technology	1.Chairman, Changchun Engley Automobile Industry Co., Ltd. 2.Chairman, Changchun Engley Auto Parts Co., Ltd. 3.Exective Director, Foshan Engley Auto Part Co., Ltd. 4.Executive Director, Tianjin Engley Manufacturing Co., Ltd. 5.Vice Chairman, Constellium Engley (Changchun) Automotive Structures Co., Ltd. 6.Chairman, Constellium Engley (Changchun) Automotive Structures Co., Ltd. 7.Executive Director&General Manager, Changchun Hongyun Cloud Computing Technology 8. Director, Honghan Industrial Co., Ltd. ∙ Bright Success Inc. ∙ BroadLight Consultants Ltd. ∙ Top-Gain Enterprises Ltd. ∙ Able Well International Limited ∙ Able Gain Investment Limited ∙ Double Luck Investment Limited ∙ Superb Goal Ventures Limited ∙ Jade Profit Company Limited ∙ Wise Faith Holding Limited ∙ Ever Honest Consultant Ltd. ∙ Hong Han Auto parts Co., Limited	Director Representative	Chen, Jung-Juan	Spouse	Director Representative
Chief Financial Officer	R.O.C	Yang, Cheng-Feng	Male	2015.06.01	—	—	—	—	—	—	1.Master of Accounting, Soochow University 2.Manager, Deloitte Taiwan 3.CFO, Boshuo Precision Hardware Manufacturing Co., Ltd. 4.General Manager/Consultant, Nan Tsan Co., Ltd. 5. Executive Assistant to Chairman/CFO, Belta Garment Trading Co.,Ltd.	1.Executive Assistant to Chairman/CFO, Changchun Engley Automobile Industry Co., Ltd. 2.Supervisor, Ningbo Maoxiang Material Co., Ltd. 3. Supervisor, Taizhou Maoqi Metal Co., Ltd. 4. Supervisor, Yizheng Engley Auto Part Co., Ltd. 5. Supervisor, Liaoning Engley Auto Part Co., Ltd.	—	—	—	—

Note: If the general manager or the equivalent (top management) and the chairman are the same person or spouses or the relative within the first degree of kinship, it shall disclosure the related information such as the cause, rationality, necessity and measures taken (such as adding seats of independent directors, or requiring more than half of the directors not working as the employee or managers concurrently).

The general manager are the chairman of the company are the same person, which mainly aims to meet the business expansion needs. However, the company sets up the key positions and the plans for development and succession. We firstly conducts position evaluation to determine the key positions, based on which the bank of talents for the key positions are established, and the candidates for directors and key positions are selected. The company sets up three independent directors, and more than half of directors are not employees or managers.

C. Remuneration paid during the most recent fiscal year to directors, supervisors, general manager and deputy general manager

1. Remuneration paid to Directors (including Independent Directors)

Unit: NT\$ 1,000/1,000 shares

Title	Name	Remuneration paid to Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration paid to Directors who are also employees												Ratio of Total Remuneration (A+B+C+D+E+F) to Net Income (%)		Compensation paid to directors from an invested company other than the company's subsidiary
		Base Compensation (A)		Severance Pay and Pensions (B)		Directors Compensation (C)		Allowance (D)				Salary, Bonuses and Allowances (E)		Severance Pay and Pensions (F)		Employees' Profit Sharing Bonus (G)										
		The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report	The Company						All companies in the consolidated financial report		Employee Stock Options granted to employees		Employee Restricted Stock Granted		The Company	All companies in the consolidated financial report			
Chairman	Lin, Chi-Pin (Representative, Honghan Industrial Co., Ltd.)	1,260	1,260	—	—	8,000	8,000	69	69	1.45%	1.45%	—	4,514	—	—	—	—	305	—	—	—	—	0.75%	2.20%	None	
Director	Lin, Chun-Pang (Representative, BroadLight Consultants Ltd.)																									
Director	Chen, Jung-Juan (Representative, Top-Gain Enterprises Ltd.)																									
Director	Tsai, Meng-Han																									
Independent Director	Liou, Cheng-Hwa																									
Independent Director	Hsu, Ching-Tao																									
Independent Director	Yeh, Chih-Ming																									

Range of Remunerations

Range of remunerations paid to Directors	Name of Directors			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report
Under NT\$ 1,000,000	Liou, Cheng-Hwai, Hsu, Ching-Tao, Yeh, Chih-Ming, Tsai, Meng-Han, Lin, Chun-Pang	Liou, Cheng-Hwai, Hsu, Ching-Tao, Yeh, Chih-Ming, Tsai, Meng-Han, Lin, Chun-Pang	Liou, Cheng-Hwai, Hsu, Ching-Tao, Yeh, Chih-Ming, Tsai, Meng-Han, Lin, Chun-Pang	Liou, Cheng-Hwai, Hsu, Ching-Tao, Yeh, Chih-Ming, Tsai, Meng-Han
NT\$1,000,000 (included)~ NT\$ 2,000,000 (excluded)	—	—	—	—
NT\$2,000,000 (included)~ NT\$ 3,500,000 (excluded)	Lin, Chi-Pin	Lin, Chi-Pin	Lin, Chi-Pin	Lin, Chun-Pang
NT\$3,500,000 (included)~ NT\$ 5,000,000 (excluded)	Chen, Jung-Juan	Chen, Jung-Juan	Chen, Jung-Juan	Chen, Jung-Juan
NT\$5,000,000 (included)~ NT\$10,000,000 (excluded)	—	—	—	Lin, Chi-Pin,
NT\$10,000,000 (included)~ NT\$15,000,000 (excluded)	—	—	—	—
NT\$15,000,000 (included)~ NT\$30,000,000 (excluded)	—	—	—	—
NT\$30,000,000 (included)~ NT\$50,000,000 (excluded)	—	—	—	—
NT\$50,000,000 (included)~ NT\$100,000,000 (excluded)	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	Seven persons	Seven persons	Seven persons	Seven persons

2. Remunerations paid to Supervisors: N/A. The Company has established the Audit Committee.

3. Remuneration paid during the most recent fiscal year general manager and deputy general manager

Unit: NT\$ 1,000/1,000 shares

Title	Name	Salary(A)		Severance Pay and Pensions (B)		Bonus and Allowances (C)		Employees' Profit Sharing Bonus (D)				Ratio of total compensation (A+B+C+D) to net income(%)		Employee Stock Options granted to employees		Employee Restricted Stock Granted		Compensation paid to directors from an invested company other than the company's subsidiary
		The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report	The Company		All companies in the consolidated financial report		The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report			
								Cash	Stock	Cash	Stock							
General Manager	Lin, Chi-Pin	1,650	4,429	—	—	—	—	104	—	298	—	0.27%	0.73%	—	—	—	—	
CFO	Yang, Cheng-Feng																	

Range of Remunerations

Range of remunerations paid to general manager and deputy general manager	Name of general manager and deputy general manager	
	The Company	All companies in the consolidated financial report
Under NT\$ 1,000,000	—	—
NT\$1,000,000 (included)~NT\$ 2,000,000 (excluded)	Yang, Cheng-Feng	Yang, Cheng-Feng
NT\$2,000,000 (included)~NT\$ 3,500,000 (excluded)	—	Lin, Chi-Pin
NT\$3,500,000 (included)~NT\$ 5,000,000 (excluded)	—	—
NT\$5,000,000 (included)~NT\$10,000,000 (excluded)	—	—
NT\$10,000,000 (included)~NT\$15,000,000 (excluded)	—	—
NT\$15,000,000 (included)~NT\$30,000,000 (excluded)	—	—
NT\$30,000,000 (included)NT\$50,000,000 (excluded)	—	—
NT\$50,000,000 (included)~NT\$100,000,000 (excluded)	—	—
Over NT\$100,000,000	—	—
Total	Two person	Two person

Note: Wu, Zheng-Nan was removed as a manager on January 5, 2018 due to work adjustment. Cao, Du was removed as a manager on May 28, 2018 due to his resignation. Lin, Chun-Pang, Lin, Shang-Chi, Lin, Shang-Wei and Lin, Chen-Yin were removed as manager on July 27, 2018 due to work adjustment.

4. Employees' Profit Sharing Bonus Paid to Management Team

Unit: NT\$ 1,000

Title	Name	Stock	Cash	Total	Employees' Profit Sharing Bonus Paid to Management Team as % of 2019 Net Income
General Manager	Lin, Chi-Pin	—	298	298	0.05%
CFO	Yang, Cheng-Feng				

Note : Prior to the date of printing the annual report, employees' profit sharing bonus has been decided by the board meeting to pay in cash, but it will not be paid until the Shareholders' Meeting approves.

5. Comparison of the ratio of total remuneration paid to directors, supervisors, general managers and deputy general managers by the Company and all companies in the consolidated financial statement to net income in individual financial statements in 2017 and 2018. Explanation of remuneration policies, standards and packages, the procedure to determine remuneration, and the linkage to operating performance and future risk exposure.

- (1) Comparison between the ratio of the total remuneration paid to directors, supervisors, general managers and deputy general managers by the Company and all companies in the consolidated financial statement to net income in individual financial statements in 2017 and 2018

Unit: NT\$ 1,000

Title	Ration of the total remuneration paid to directors, supervisors, general managers and deputy general managers by the Company and all companies in the consolidated financial statement to net income in individual financial statements			
	2018		2019	
	The Company	All companies in the consolidated financial report	The Company	All companies in the consolidated financial report
Directors	1.68%	2.40%	0.75%	2.20%
General Manager and Deputy General Manager	0.21%	2.29%	0.27%	0.73%

- (2) Remuneration policies, standards and packages, the procedure to determine remuneration, and the linkage to operating performance and future risk exposure.

The Company's Articles of Incorporation provides that the base compensation for Directors, the general manager and deputy general manager may be determined by reference to industry levels. A determination of remuneration also needs to comply with the procedure set out in the Articles of Incorporation stating – the Board of Directors should propose and submit a draft distribution plan to the Shareholders' Meeting for its approval. The Company has established a Remuneration Committee, which consists of all Independent Directors. The remuneration policy includes policies, systems, standards and structures in relation to the amount of remuneration paid to Directors and managers. Remuneration, which is determined by the Remuneration Committee, based on roles, contribution to the Company through engagement in operations and industry levels. The merit-based remuneration policy and the amount of remuneration paid to Directors and managers both will be reviewed regularly.

D. Corporate Governance Implementation

1. Board of Directors Meeting Status

Eight meetings were held in fiscal years 2019. The Directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Note
Chairman	Lin, Chi-Pin (Representative, Honghan Industrial Co., Ltd.)	6	2	75%	
Director	Lin, Chun-Pang (Representative, BroadLight Consultants Ltd.)	5	3	63%	
Director	Chen, Jung-Juan (Representative, Top-Gain Enterprises Ltd.)	6	2	75%	
Director	Tsai, Meng-Han	7	1	86%	
Independent Director	Liou, Cheng-Hwai	8	0	100%	
Independent Director	Hsu, Ching-Tao	8	0	100%	
Independent Director	Yeh, Chih-Ming	6	2	75%	

Note: The 2018 Annual Shareholders' Meeting was convened on May 29 2018, at which shareholders held an election for seven-member Board of Directors.

Other matters required to be recorded:

- a. Under the following circumstances, the dates of the Board of Directors' meetings, terms, proposals and the Independent Directors' opinions and the Company's responses to these opinions need to be recorded:

i. Matters in relation to Securities and Exchange Act §14-3:

Meeting Date	Session	Proposal	Independent Directors' opinions	Responses to Independent Directors' opinions	At least one Independent Director Attend in person
February 20 2019	The 8 th Meeting during the 4 th Board	The IPO of A shares issued by the Company's subsidiary Changchun Engley Automobile Industry Co., Ltd.(hereinafter referred to as "Engley Automobile") and application for trading at Shanghai Stock Exchange	None	N/A	YES
		Partial revision of "Corporate Governance Best Practice Principles"			
		Enactment of "Regulations on Evaluation of Board of Directors"			
		Particle revision of "Regulations on Supervision and Management of Subsidiaries"			
		Establishment of Procedure for Buyback of Treasury Stock			
		Retirement for the first buyback of the Company's shares (treasury stock) in 2018			
		The Company provided a guarantee to Kranendonk Production Systems B.V (hereinafter referred to as K Company)			
		The Company provided a guarantee to Linde+Engley (Tianjin) Auto Parts Co., Ltd., (hereinafter referred to as "Linde Tianjin")			
		The Company provided a guarantee to Ningbo Maoxiang Material Co., Ltd. (hereinafter referred to as "Ningbo Maoxiang")			
March 25 2019	The 9 th Meeting during the 4 th Board	Proposal of 2018 remuneration paid to employees and Directors	None	N/A	YES
		Reviewing policies, systems, criteria and programs on evaluation of the			

Meeting Date	Session	Proposal	Independent Directors' opinions	Responses to Independent Directors' opinions	At least one Independent Director Attend in person
		Directors', Independent Directors' and managers' performances, as well as regularly evaluating and determining their compensation.			
		The table of remuneration paid to managers in 2018			
		The 2018 Business Report and Financial Statements			
		The Proposed Profit Distribution for 2018			
		Statement of Internal Control System from January 1 2018 to December 31 2018			
		Partial revision of "Operational Procedures for Lending Capital to Others"			
		The Company provided a guarantee to Foshan Engley Auto Part Co., Ltd. (hereinafter referred to as "Foshan Engley")			
		The Company provided a guarantee to Taizhou Maoqi Metal Co., Ltd. (hereinafter referred to as Taizhou Maoqi)			
		Ratification of the guarantee provided by the Company to Suzhou Engley Auto Part Co., Ltd. (hereinafter referred to as "Suzhou Engley")			
May 10 2019	The 10 th Meeting during the 4 th Board	Proposal of amendments to "SOP for Handling of Director's Requirements"	None	N/A	YES
		Ratification of the guarantee provided by the Company for Taizhou Maoqi Metal Co., Ltd. (China) (hereinafter referred to as Maoqi)			
		Ratification of the guarantee provided by the Company for Ningbo Maoxiang Material Co., Ltd. (China) (hereinafter referred to as Ningbo Maoxiang)			
		Ratification of the guarantee provided by the Company for Ningbo Maoxiang Material Co., Ltd. (China) (hereinafter referred to as Ningbo Maoxiang)			
		Ratification of the guarantee provided by the Company for Taizhou Maoqi Metal Co., Ltd. (China) (hereinafter referred to as Maoqi)			
		Ratification of the guarantee provided by the Company for Taizhou Maoqi Metal Co., Ltd. (China) (hereinafter referred to as Maoqi)			
		Ratification of the guarantee provided by the Company for Tianjin Engley Manufacturing Co., Ltd.(hereinafter referred to as Tianjin Engley)			
		Ratification of the guarantee provided by the Company for Tsingtao Engley Auto Part Co., Ltd.(hereinafter referred to as Tsingtao Engley)			
		Ratification of the guarantee provided by the Company for Tianjin Engley Manufacturing Co., Ltd.(hereinafter referred to as Tianjin Engley)			
		Ratification of the guarantee provided by the Company for Suzhou Engley Auto Part Co., Ltd. (hereinafter referred to as Suzhou Engley)			
June 24 2019	The 11 th Meeting	The Company provided a guarantee to Linde+Engley (Tianjin) Auto Parts Co.,	None	N/A	YES

Meeting Date	Session	Proposal	Independent Directors' opinions	Responses to Independent Directors' opinions	At least one Independent Director Attend in person
	during the 4 th Board	Ltd.(hereinafter referred to as Linde(Tianjin)) Cancellation of the guarantee provided the Company for Tianjin Engley Manufacturing Co., Ltd.(hereinafter referred to as Tianjin Engley) Cancellation of the guarantee provided the Company for Suzhou Engley Auto Part Co., Ltd. (hereinafter referred to as Suzhou Engley) Cancellation of the guarantee provided the Company for Foshan Engley Auto Part Co., Ltd. (hereinafter referred to as Foshan Engley)			
August 13 2019	The 12 th Meeting during the 4 th Board	Proposal of amendments to “Ethical Best Practice Principles”	None	N/A	YES
September 24 2019	The 13 th Meeting during the 4 th Board	Settled the related matter such as the ex-dividend date for the cash dividend distributed to shareholders for 2018 The company submitted the application of syndicated loan amounted up to USD60 million to the financial institutions such as Taishin Bank	None	N/A	YES
November 14 2019	The 14 th Meeting during the 4 th Board	Proposal of adding equity for overseas subsidiaries Approval of the proposal that the subsidiary Changchun Engley Automobile Industry Co., Ltd. (herinafter referred to as “Engley Automobile”) prenseted a Letter of Commitment	None	N/A	YES
December 27 2019	The 15 th Meeting during the 4 th Board	Proposal of 2020 Annual Budget and Operation Plan Proposal of 2020 Annual Internal Audit Plan The Company provided a guarantee to Linde+Engley (Tianjin) Auto Parts Co., Ltd. (herinafter referred to as Linde Tianjin) Proposal of lending capitals to the subsidiary - Kranendonk Beheersmaatschappij B.V.	None	N/A	YES
February 25 2020	The 16 th Meeting during the 4 th Board	Cayman Engley Industrial Co., Ltd. (hereinafter referred to as the Compjany) provided a guarantee to K company, Netherlands (Kranendonk Beheersmaatschappij B.V) Proposal of amendments to “Rule of Procedure of Shareholder’s Meeting”	None	N/A	YES
March 27 2020	The 17 th Meeting during the 4 th Board	Proposal of 2019 remuneration distribution for employees, directors, and supervisors Reviewed the proposal of the performance evaluation, remuneration policies, systems, criteria and structure for directors, independent directors and managers 2019 manager remuneration checklist Report on the performance evaluation of the directors and the Board reviewed by the Remuneration Committee 2019 Operation Report and Final Accounts 2019 Profit Distribution Plan	None	N/A	YES

Meeting Date	Session	Proposal	Independent Directors' opinions	Responses to Independent Directors' opinions	At least one Independent Director Attend in person
		<p>The proposal of Statement of Internal Control System during January 1~December 31, 2019</p> <p>Amendments to the "Rules of Procedures for the Board of Directors Meetings", "Rules of Procedures for the Remuneration Committee Meetings", "Regulations Governing Procedure for Board of Directors Meetings" and "Audit Committee Charters"</p> <p>Amendments to the "Procedures for Ethical Management and Guidelines for Conduct", "Corporate Governance Best Practice Principles", and "Corporate Social Responsibility Best Practice Principles".</p> <p>Amendments to the "Management of Financial Statement Preparation Procedures"</p> <p>Amendments to the "Articles of Association"</p> <p>Approval for the Letter of Commitment issued by the subsidiary Changchun Engley Automobile Industry Co., Ltd. (hereinafter referred to as "Engley Automobile")</p> <p>Approval for the Letter of Commitment issued by the subsidiary Changchun Engley Automobile Industry Co., Ltd. (hereinafter referred to as "Engley Automobile")</p>			

ii. Except for the matters stated above, there were no other written or otherwise recorded resolutions on which an independent director had any dissenting opinion or qualified opinion in 2018.

- b. In any circumstance where an Director recuses himself/herself from any involvement with the issue in which the Directors' own interests conflict with those of the Company, names of such Directors, resolutions, reasons of recusal and relevant voting situations need to be recorded

The 17rd meeting during the 4rd Board on March 27 2020

(i)Proposal: Reviewing policies, systems, criteria and programs on evaluation of the Directors', Independent Directors' and managers' performances, as well as regularly evaluating and determining their compensation.

Director with conflicts of interests: Lin, Chi-Pin, Chen, Jung-Juan, Liou, Cheng-Hwai Hsu, Ching-Tao, Yeh, Chih-Ming, Lin, Chun-Pang, Tsai, Meng-Han.

Reasons of recusal and relevant voting situations:

Directors Lin Chi Pin and Chen Jung Juan (with the second degree of kinship with Lin Chi Pin) rescued themselves due to the conflict of interests. The remaining directors shall avoidance involved individually, and the withdrawing directors shall not participate in the voting, and the case shall be approved by the unanimous consent of the remaining directors present.

(ii)Proposal: The table of remuneration paid to managers in 2019

Director with conflicts of interests: Lin, Chi-Pin, Chen, Jung-Juan.

Reasons of recusal and relevant voting situations:

Directors Lin Chi Pin (also the general manager), and Chen Jung Juan (with the second degree of kinship with Lin Chi Pin) rescued themselves due to the conflict of interests. The Chairman appointed the independent director Liou Cheng Hwai as the interim chairman. After the chairman consulted all the attending directors (excluding the avoiding directors), this proposal was approved unanimously by remaining directors who were present at the meeting.

2. Implementation of board evaluation

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Annual	2019/1/1-2019/12/31	Performance evaluation of the Board, individual directors and functional committees	Internal self-evaluation of the Board and the self-evaluation of directors	Refer to Note 1

Note 1. Evaluation content

Item	Evaluation content
Performance evaluation of the overall Board	Participation in the operation of the Company, improving the quality of decisions made by the Board, composition and structure of the Board, continuing education of directors and internal control
Performance evaluation of the individual directors	Corporate goals and missions learned, responsibilities of directors learned, participation in the operation of the Company, internal relationship management and communication, expertise and continuing education of directors and internal control
Performance evaluation of the functional committees	Participation in the operation of the Company, responsibilities of the functional committees learned, improving the quality of decisions made by the functional committees, composition of the functional committees and appointment of committee members, and internal control

3. Audit Committee Status or Supervisors' attendance the state of participation at board meetings

- (1) The Audit Committee of the Company is composed of 3 independent directors, and its operation mainly aims to supervise the following items:
- (1) The adequacy of the Company's financial statements.
 - (2) The appointment (termination), independence and performance of CPA.
 - (3) Effective implementation of the Company's internal control.

- (4) Regulatory compliance of the Company.
- (5) Control of the Company's existing or potential risks.
- (2) Ten meetings held by the Company's Audit Committee. The Independent Directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Note
Independent Director	Liou, Cheng-Hwai	9	1	90%	
Independent Director	Hsu, Ching-Tao	9	1	90%	
Independent Director	Yeh, Chih-Ming	10	0	100%	

- (3) Other matters are required to be recorded:

- a. Under the following circumstances, the dates of the Board of Directors' meeting, sessions, proposals and the resolutions of the Audit Committee, the Company's responses to opinions of the Audit Committee need to be recorded:

- i. Matters in relation to Securities and Exchange Act §14-5:

Meeting Date	Session	Proposal	Independent Directors' opinions	Responses to Independent Directors' opinions	At least one Independent Director Attend in person
February 20 2019	The 7 th Meeting during the 2 th Board	The IPO of A shares issued by the Company's subsidiary Changchun Engley Automobile Industry Co., Ltd.(hereinafter referred to as "Engley Automobile") and application for trading at Shanghai Stock Exchange	None	N/A	YES
		Partial revision of "Corporate Governance Best Practice Principles"			
		Enactment of "Regulations on Evaluation of Board of Directors"			
		Particle revision of "Regulations on Supervision and Management of Subsidiaries"			
		Establishment of Procedure for Buyback of Treasury Stock			
		Retirement for the first buyback of the Company's shares (treasury stock) in 2018			
		The Company provided a guarantee to Kranendonk Production Systems B.V (hereinafter referred to as K Company)			
		The Company provided a guarantee to Linde+Engley (Tianjin) Auto Parts Co., Ltd., (hereinafter referred to as "Linde Tianjin")			
		The Company provided a guarantee to Ningbo Maoxiang Material Co., Ltd. (hereinafter referred to as "Ningbo Maoxiang")			
March 25 2019	The 8 th Meeting during the 2 th Board	The 2018 Business Report and Financial Statements	None	N/A	YES
		The Proposed Profit Distribution for 2018			
		Statement of Internal Control System from January 1 2018 to December 31 2018			
		Partial revision of "Operational Procedures for Lending Capital to Others"			
		The Company provided a guarantee to Foshan Engley Auto Part Co., Ltd.			

Meeting Date	Session	Proposal	Independent Directors' opinions	Responses to Independent Directors' opinions	At least one Independent Director Attend in person
		(hereinafter referred to as “Foshan Engley”)			
		The Company provided a guarantee to Taizhou Maoqi Metal Co., Ltd. (hereinafter referred to as Taizhou Maoqi)			
		Ratification of the guarantee provided by the Company to Suzhou Engley Auto Part Co., Ltd. (hereinafter referred to as “Suzhou Engley”)			
May 10 2019	The 9 th Meeting during the 2 th Board	Proposal of amendments to “SOP for Handling of Director's Requirements”	None	N/A	YES
		Ratification of the guarantee provided by the Company for Taizhou Maoqi Metal Co., Ltd. (China) (hereinafter referred to as Maoqi)			
		Ratification of the guarantee provided by the Company for Ningbo Maoxiang Material Co., Ltd. (China) (hereinafter referred to as Ningbo Maoxiang)			
		Ratification of the guarantee provided by the Company for Ningbo Maoxiang Material Co., Ltd. (China) (hereinafter referred to as Ningbo Maoxiang)			
		Ratification of the guarantee provided by the Company for Taizhou Maoqi Metal Co., Ltd. (China) (hereinafter referred to as Maoqi)			
		Ratification of the guarantee provided by the Company for Taizhou Maoqi Metal Co., Ltd. (China) (hereinafter referred to as Maoqi)			
		Ratification of the guarantee provided by the Company for Tianjin Engley Manufacturing Co., Ltd.(hereinafter referred to as Tianjin Engley)			
		Ratification of the guarantee provided by the Company for Tsingtao Engley Auto Part Co., Ltd.(hereinafter referred to as Tsingtao Engley)			
		Ratification of the guarantee provided by the Company for Tianjin Engley Manufacturing Co., Ltd.(hereinafter referred to as Tianjin Engley)			
		Ratification of the guarantee provided by the Company for Suzhou Engley Auto Part Co., Ltd. (hereinafter referred to as Suzhou Engley)			
June 24 2019	The 10 th Meeting during the 2 th Board	The Company provided a guarantee to Linde+Engley (Tianjin) Auto Parts Co., Ltd.(hereinafter referred to as Linde(Tianjin))	None	N/A	YES
		Cancellation of the guarantee provided the Company for Tianjin Engley Manufacturing Co., Ltd.(hereinafter referred to as Tianjin Engley)			
		Cancellation of the guarantee provided the Company for Suzhou Engley Auto Part Co., Ltd.			

Meeting Date	Session	Proposal	Independent Directors' opinions	Responses to Independent Directors' opinions	At least one Independent Director Attend in person
		(hereinafter referred to as Suzhou Engley)			
		Cancellation of the guarantee provided the Company for Foshan Engley Auto Part Co., Ltd. (hereinafter referred to as Foshan Engley)			
August 13 2019	The 11 th Meeting during the 2 th Board	Proposal of amendments to "Ethical Best Practice Principles"	None	N/A	YES
September 13 2019	The 12 th Meeting during the 2 th Board	Settled the related matter such as the ex-dividend date for the cash dividend distributed to shareholders for 2018	None	N/A	YES
		The company submitted the application of syndicated loan amounted up to USD60 million to the financial institutions such as Taishin Bank			
November 14 2019	The 13 th Meeting during the 2 th Board	Proposal of adding equity for overseas subsidiaries	None	N/A	YES
		Approval of the proposal that the subsidiary Changchun Engley Automobile Industry Co., Ltd. (hereinafter referred to as "Engley Automobile") presented a Letter of Commitment			
December 27 2019	The 14 th Meeting during the 2 th Board	Proposal of 2020 Annual Budget and Operation Plan	None	N/A	YES
		Proposal of 2020 Annual Internal Audit Plan			
		The Company provided a guarantee to Linde+Engley (Tianjin) Auto Parts Co., Ltd. (hereinafter referred to as Linde Tianjin)			
		Proposal of lending capitals to the subsidiary - Kranendonk Beheersmaatschappij B.V.			
February 25 2020	The 15 th Meeting during the 2 th Board	Cayman Engley Industrial Co., Ltd. (hereinafter referred to as the Company) provided a guarantee to K company, Netherlands (Kranendonk Beheersmaatschappij B.V)	None	N/A	YES
		Proposal of amendments to "Rule of Procedure of Shareholder's Meeting"			
March 27 2020	The 16 th Meeting during the 2 th Board	2019 Operation Report and Final Accounts	None	N/A	YES
		2019 Profit Distribution Plan			
		The proposal of Statement of Internal Control System during January 1~December 31, 2018			
		Amendments to the "Rules of Procedures for the Board of Directors Meetings", "Rules of Procedures for the Remuneration Committee Meetings", "Regulations Governing Procedure for Board of Directors Meetings" and "Audit Committee Charters"			
		Amendments to the "Procedures for Ethical Management and Guidelines for Conduct", "Corporate Governance Best Practice Principles", and "Corporate Social Responsibility Best Practice Principles".			

Meeting Date	Session	Proposal	Independent Directors' opinions	Responses to Independent Directors' opinions	At least one Independent Director Attend in person
		Amendments to the "Management of Financial Statement Preparation Procedures"			
		Amendments to the "Articles of Association"			
		Approval for the Letter of Commitment issued by the subsidiary Changchun Engley Automobile Industry Co., Ltd. (hereinafter referred to as "Engley Automobile")			
		Approval for the Letter of Commitment issued by the subsidiary Changchun Engley Automobile Industry Co., Ltd. (hereinafter referred to as "Engley Automobile")			

ii. Except for the matters stated above, there were no other resolutions, which were not approved by the Audit Committee but were approved by two thirds or more of all directors in 2018.

- b. In any circumstance where an Independent Director recuses himself/herself from any involvement with the issue in which the Independent Directors' own interests conflict with those of the Company names of such Directors, resolutions, reasons of recusal and relevant voting situations need to be recorded: No.
- c. Communications between independent directors and head of internal audit and accountants (which include significant matters related to the Company's financial and business status, communication methods, and its results, etc.):^[11]_[SEP]

The Company's office of internal audit regularly submits an auditing report to the independent directors and was present in Board meetings to update the latest auditing results. The independent directors can inspect the Company's financial and business situation from time to time. As they have questions or advices related to the Company's operations, they can immediately contact heads of relevant offices to facilitate further communication and improvement. In addition to regular review of financial statements, the independent director can meet with accountants to have discussions where it is necessary.

4. The implementation of corporate governance, and its non-implementation of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and the reason for such non-implementation

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does the Company follow the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" to establish and disclose its corporate governance practices?	V		The Company has established the "Corporate Governance Practices".	No Significant Difference
2. Shareholding Structure & Shareholders' Rights (1) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns,	V		1. The Company has established the "Rules of Procedure for Shareholders' Meetings" and designated staff responsible to handle shareholder suggestions, concerns or disputes and facilitate coordination among relevant departments.	No Significant Difference

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
<p>disputes and litigation matters. If yes, has these procedures been implemented accordingly?</p> <p>(2) Does Company possess a list of major shareholders of controlling companies and beneficial owners of these major shareholders?</p> <p>(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?</p> <p>(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?</p>	V		<p>2. The Company owns the list of major shareholders of controlling companies and beneficial owners of these major shareholders and regularly track and monitor changes.</p> <p>3. Every affiliated corporation’s assets and financial situation has been managed independently and complied with the Company’s internal control system to ensure its implementation of risk management and firewalls.</p> <p>4. The Company has established “Procedures for Ethical Management and Guidelines for Conduct” to prohibit insiders from taking advantage of undisclosed information to trade securities for the purpose of investor protection and maintenance of business benefits.</p>	<p>No Significant Difference</p> <p>No Significant Difference</p> <p>No Significant Difference</p>
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?</p> <p>(2) Other than the Remuneration Committee and the Audit Committee, which are required by law, does the Company plan to set up other Board committees?</p> <p>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?</p> <p>(4) Does the Company regularly evaluate its external auditor’s independence?</p>	V		<p>1. The board of directors of the company passed the " Regulations on Evaluation of Board of Directors" on February 20, 108. The board of directors shall evaluate performance at least once a year. Performance evaluation in accordance with the regulations at the end of year.</p> <p>2. In addition to Remuneration Committee and Audit Committee, the Company has not set up any other functional committee. The Company may establish other functional committees depending on actual operations and legal requirements.</p> <p>3. The board of directors of the company passed the “Rules and procedures for the Board of Directors’ performance assessment”. Performance evaluation of the board of directors, members of the board of directors, remuneration committee and audit committee shall be carried out at least once a year. At the end of each year, the performance evaluation of the current year shall be conducted in accordance with these measures.</p> <p>4. The Company’s Financial Department annually evaluates the independence of external auditors and reports to the Audit Committee and Board of Directors. Evaluation Standards of External Auditor’s Independence is defined below as Note 1.</p>	<p>No Significant Difference</p> <p>No Significant Difference</p> <p>No Significant Difference</p> <p>No Significant Difference</p>

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
4. Has the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to provision of information required by directors and supervisors for business execution, by laws for matters relating to board meetings and shareholders' meetings, and information on corporate registration and amendment registration, as well as record minutes of board meetings and shareholders meetings, etc.)?	V		<p>For the purpose of developing good practices of corporate governance, the Company has established a number of regulations, for example "Corporate Governance Practices", "Corporate Ethics Principles", "Procedure of Implementing Corporate Ethics and Guidelines for Conduct", "Rules Governing the Scope of Powers of Independent Directors", "Corporate Social Responsibility Best Practice Principles" and "Code of Ethical Conduct". Corporate governance is developed and promoted by the Operation Management Department, which is led by executive assistant manager, Lin, Shang-Wei. The Department is required to report to the Board of Directors once a year. The major role of the Department are as follows:</p> <ol style="list-style-type: none"> 1. Organizing board meetings and shareholders' meetings as well as facilitating such meetings. 2. Planning and adjusting corporate system and organizational structure to promote independence of Board of Directors and internal control. 3. Seeking Directors' opinions to plan and draft meeting agendas and informing all Directors and Commissioners of meeting at least seven days before board meetings, meetings of the Audit Committee and Remuneration Committee. Prior to such meetings, relevant proposals are also circulated among Directors and Commissioners and it enables these those who are present at meetings to understand proposals in advance. If any proposal involves any Director or Commissioner's personal interest, he/she may be required to recuse himself/herself from attending the meeting. 4. Adopting "Corporate Ethics Principles" and the "Procedure of Implementing Corporate Ethics and Guidelines for Conduct" for the purpose of creating an ethical business culture and preventing Directors and managers from engaging in unethical conduct. These relevant regulations also avoid conflicts of interest and provide appropriate channels for Directors and managers to explain their personal interests, which may potentially conflict with the Company. 5. Constantly improving corporate governance system and strengthening compliance awareness and subsidiary governance. 	No Significant Difference

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		<p>(1) For employees' rights: the Company hires employees in accordance with local government requirements, emphasizes employees' rights, ensures smooth communication and provides employees with a healthy workplace environment.</p> <p>(2) For a caring workplace: the Company organizes well-designed training programs and provides employees with reasonable compensation and benefit.</p> <p>(3) For investor relations: the Company ensures smooth communication and information exchange for investors and other stakeholders. It also respects and protects investor rights.</p> <p>(4) For supplier relations: the Company maintains a good relationship with suppliers through reciprocal cooperation and win-win partnership.</p> <p>(5) For stakeholders' rights: the Company always ensures a smooth communication for stakeholders and act in good faith to publish information to public to maintain investor relations and protect stakeholders' rights.</p> <p>(6) For training records of Directors and Supervisors: The Company's Directors are equipped with appropriate expertise. The Company also arranged trainings courses for Directors. Training courses for Directors in 2019 are listed as Note 2.</p> <p>(7) For risk management policies and risk evaluation criteria: the Company has established various internal control systems and related regulations. In future, the Audit Department will submit annual audit plan to the Audit Committee and the Board of Directors based on risk assessment results. Where the its business operation doesn't fully comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", a summary of non-implementation and its reasons needs to be submitted to the Board of Directors for review. Furthermore, in future the Company will disclosed annual statements of internal control systems required by the TWSE in annual reports of the Shareholders' Meeting after its related departments completes evaluation of annual internal control.</p> <p>(8) For Customer relations policy: the Company has developed a process of handling customers' complaints, and maintained a good relationship and effective communication with customers.</p> <p>(9) For D&O liability insurance: On October 28 2019, the Company contracted with the AIG for a D&O insurance policy (The term of this contract: November 24 2019 - November 24 2020).</p>	No Significant Difference
<p>9. According to results of Corporate Governance Evaluation published by the TWSE Corporate Governance Center in the most recent year, please clarify any items, which have been improved, and identify priorities and approaches for items to be improved: Note 3 detailed the items in Corporate Governance Evaluation, which had been determined unqualified to gain points and how they had been improved.</p>				

Note 1: Evaluation Standards of External Auditor's Independence

Evaluation Item	Results	Independence
1. Does any external auditor have direct financial interests or material indirect financial interests in the Company?	No	Yes
2. Is there any financing activity or guarantee commitment between the external auditor and the Company or its Directors?	No	Yes
3. In there any close commercial or potential employment relationship between the external auditor and the Company?	No	Yes
4. Has any external auditor or any member of the external audit team currently acted as a Director, manager or any other role, which may have material impact in the auditing process or its results? Or did any of them acted as one of such roles in the most recent two years?	No	Yes
5. Has any external auditor provided non-auditing service to the Company, which may directly influence auditing process and its results?	No	Yes
6. Has any external auditor act as a stockbroker for the Company's stock or other securities?	No	Yes
7. Has any external auditor acted as a defender or negotiate to resolve disputes involving third parties on behalf of the Company?	No	Yes
8. Is any external audit a relative of the Company's Director(s), manager(s) or other person(s) who may have material impact on auditing?	No	Yes

Note 2: Training courses for Directors in 2019

Title	Name	Course	Hours
Chairman	Lin, Chi-Pin	Practice Development and Operations of Audit Committee and Remuneration Committee	3
		How to Avoid Being Engaged in Insider Transaction	3
Director	Lin, Chun Pang	Practice Development and Operations of Audit Committee and Remuneration Committee	3
		How to Avoid Being Engaged in Insider Transaction	3
Director	Chen, Jung-Juan	Practice Development and Operations of Audit Committee and Remuneration Committee	3
		How to Avoid Being Engaged in Insider Transaction	3
Director	Tsai, Meng-Han	Practice Development and Operations of Audit Committee and Remuneration Committee	3
		How to Avoid Being Engaged in Insider Transaction	3
Independent Director	Liou, Cheng-Hwai	Practice Development and Operations of Audit Committee and Remuneration Committee	3
		How to Avoid Being Engaged in Insider Transaction	3
Independent Director	Hsu, Ching-Tao	Practice Development and Operations of Audit Committee and Remuneration Committee	3
		How to Avoid Being Engaged in Insider Transaction	3
Independent Director	Yeh, Chih-Ming	Practice Development and Operations of Audit Committee and Remuneration Committee	3
		How to Avoid Being Engaged in Insider Transaction	3

Note 3 Results of Corporate Governance Evaluation

Indicator	Item not qualified to gain points	Improvement	To be improved
1. Protecting Shareholder Rights and Interests", "Treating Shareholders Equitably"	1.6 Will the Company hold the general shareholder's meeting by the end of May?	No	The Company won't hold the general shareholder's meeting by the end of May.
2. Enhancing Board Composition and Operation	2.11 Has the Company disclosed the discussion items and resolution results in the annual report in details, as well as the response to the member opinions?	No	The Company hasn't disclosed the discussion items and resolution results in the annual report in details, as well as the response to the member opinions
	2.14 Apart from the requirements of laws, has the Company set up other functional committees composed of no less than 3 members, and with more than half of the members as the independent directors, and disclosed the composition, responsibilities and operations?	No	The Company hasn't set up other functional committees except for those required by laws.
	2.21 Has the company appointed any specific person responsible for corporate governance and to provide relevant information on its implementation in annual reports and on the company's website?	No	The company hasn't appointed any specific person responsible for corporate governance.
	2.23 Have the rules adopted by the company for assessing the performance of the board of directors been passed by the board, with the express requirement that an external assessment be carried out at least once every three years, and has it furthermore carried out the assessment within the time limit under its rules, and disclosed the implementation status and assessment results on its website or in its annual report?	No	The Company did not assess the performance of the board of directors.
	2.30 Did at least one of the company's internal auditors possess a certificate of qualification as a Certified Internal Auditor, Certified Information Systems Auditor, or Certified Public Accountant?	No	None of the Company's internal auditors possessed a certificate of qualification as a Certified Internal Auditor, Certified Information Systems Auditor, or Certified Public Accountant.
3. Increasing Information Transparency	3.1 Did the Company follow the procedures for verifying and publicly handling the material information of public companies, so as to avoid the penalty for breach of contracts?	No	The Company was involved in the penalty for breach of contracts.
	3.2 Did the company disclose material information in English and Chinese at the same time?	No	Internal and external resources, which are required to prepare the material information in English, were not available.
	3.4 Did the company file its annual financial reports within 2 months from the end of the fiscal year?	No	The Company did not publish its annual financial report within two months as of the end of the fiscal year.
	3.6 Did the company website or MOPS disclose the interim financial reports	No	Internal and external resources required to prepare interim financial

Indicator	Item not qualified to gain points	Improvement	To be improved
	(including financial statements and notes thereof) in English?		reports in English were not available.
	3.8 Did the company voluntarily disclose its financial forecast quarterly, without having any corrections ordered by the competent authority or having any demerits imposed by the TWSE or TPEX?	No	The Company did not disclose financial forecast quarterly.
	3.14 Did the company disclose the connection between director performance assessment and remuneration in its annual report?	No	The Company did not disclose the connection between director performance assessment and remuneration in its annual report.
	3.15 Did the company voluntarily disclose in the annual report the amount and nature of any non-audit fees paid to the external auditor and its affiliates in addition to audit fees?	No	The Company did not voluntarily disclose in the annual report the amount (exact figures) and nature of any non-audit fees paid to the external auditor.
	3.18 Did the company establish an English website comprising information related to the company's finances, business, and corporate governance?	No	The Company's website did not fully disclose information related to the company's finances, business, and corporate governance.
	3.20 Did the company attend or voluntarily hold investor conferences at least two times in the year being evaluated, and were the first and last investor conferences in the year held at least 3 months apart?	No	In 2018, the Company held the first investor conference.
	4.4 Did the company, following internationally recognized guidelines, prepare and publish reports such as its corporate social responsibility report to disclose non-financial information of the company?	No	Internal and external resources, which are required to prepare social responsibility report, were not fully available.
	4.5 Did the company obtain a third-party verification or assurance for reports disclosing non-financial information of the company such as its corporate social responsibility report?	No	Internal and external resources, which are required to prepare social responsibility report, were not fully available.
	4.11 Did the company disclose the annual emissions of CO2 or other greenhouse gases (GHG) for the past 2 years?	No	Internal and external resources, which are required to disclose the annual emissions of CO2 or other greenhouse gases, were not fully available.
	4.12 Did the company set management policies for energy conservation, reduction of carbon/greenhouse gas emissions, or other waste/pollutants?	No	The Company did not set management policies for energy conservation, reduction of carbon/greenhouse gas emissions, or other waste/pollutants.
	4.17 Did the company disclose on its website or in its corporate social responsibility report the supplier management policies it adopted, and require suppliers to comply with the relevant provisions regarding issues such as environmental protection, public safety, and health, and specify the status of implementation?	No	The Company did not disclose its supplier management policies.

5. If the company has a Remuneration Committee in place, members, duties, and operation of the Remuneration Committee shall be disclosed.

(1) Information on members of the Remuneration Committee

Identity (Note 1)	Criteria Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Evaluation Standards Independence (Note 2)								Number of other Taiwanese public companies in which any of such members concurrently serve as a Remuneration Committee Member	Remarks (Note 3)
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting,	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting,	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting,	1	2	3	4	5	6	7	8		
Independent Director	Liou, Cheng-Hwai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	
Independent Director	Hsu, Ching-Tao	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Yeh, Chih-Ming	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	

Note 1: For the item of Identity, fill in the blank with Director, Independent Directors or others.

Note 2: Any member, during the two years before being elected or during the term of office, falls within any of the following circumstances, please tick the appropriate corresponding boxes.

- (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, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders;
- (6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof;
- (8) Not been a person of any conditions defined in Article 30 of the Company Law.

Note 3: If any member is the Company's Director, please explain whether he/she meets the requirements under the Paragraph 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

(2) Remuneration Committee Meeting Status

- a. There are three members in total in the Company's Remuneration Committee.
- b. The term of the Remuneration Committee members: May 29 2018 to May 29 2021.
The Remuneration Committee held two meetings in the most recent year.

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Note
Convener	Liou, Cheng-Hwai	3	0	100%	
Commissioner	Hsu, Ching-Tao	3	0	100%	
Commissioner	Yeh, Chih-Ming	3	0	100%	

- c. Other matters are required to be recorded:

- i. If the Board of Directors declines to adopt or modifies a recommendation of the remuneration committee, it is necessary to specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.

Meeting Date	Session	Proposal	Independent Directors' opinions	Company's response to the remuneration committee's opinion
March 25 2019	The 2 th Meeting during the 2 th Board	The proposal of remuneration distributed to the employees and directors in 2018	None	N/A
		Review on the performance evaluation of directors, independent directors and managers; and the proposal of the remuneration policies, systems, standards and structures		
		Check form of remuneration for managers in 2018		
December 27 2019	The 3 th Meeting during the 2 th Board	The proposal of 2019 year-end bonus distribution	None	N/A
		The proposal of the adjusted remuneration paid to managers based on a monthly basis in 2020		
March 27 2020	The 4 th Meeting during the 2 th Board	The proposal of remuneration distributed to the employees and directors in 2019	None	N/A
		Review on the performance evaluation of directors, independent directors and managers; and the proposal of the remuneration policies, systems, standards and structures		
		Check form of remuneration for managers in 2019		
		Report on the performance evaluation of the directors and the Board reviewed by the Remuneration Committee		

- ii. If a member of the Remuneration Committee had a recorded or otherwise written dissenting opinion or qualified opinion on resolutions made by the Remuneration Committee, it is necessary to specify the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinions: None.

iii. Scope of authorization

(1) The Company passed the "Remuneration Committee Charters" in the board meeting held on June 8, 2015. Its responsibilities include fulfilling the responsibilities and powers stipulated in the "Remuneration Committee Charters" by exercising the due care of a good administrator, and submitting the proposals to the Board for discussion.

(2) Stipulate and regularly conduct performance evaluation, remuneration policies, systems, criteria and structure for directors, audit committee members and managers

(3) According to the Company's "Remuneration Committee Charters", the convening of the committee meeting shall specify the reason for convening, notify the committee members seven days in advance, which could be done in an electronic way.

6. The state of the company's performance of corporate social responsibilities: systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, and other corporate social responsibilities and activities, and the state of implementation

Assessment Item	Implementation Status			Non-implementation of the” Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and its reasons
	Yes	No	Summary	
1. Has the Company conducted risk evaluation for the environmental, social and corporate governance issues related to the operations of the Company based on the materiality principle, and formulated related risk management policies or strategies?	V		The Company has established the “Corporate Social Responsibility Code of Conduct”, to promote the balance of economic, social and environmental ecology, as well as the sustainable development.	No Significant Difference
2. Does the Company have a special (concurrent) unit to promote CSR initiatives, supervised by a Board-appointed member of the management team, who reports to the Board?	V		The Company’s Operation Management Department led by the convener, Lin, Shang-Wei (General Manager of Changchun Engley Automobile Industry Co., Ltd.) is responsible for improving corporate governance. It aims to develop and review policies, systems or relevant management orientations on Corporate Social Responsibility and report regularly to the board of directors.	No Significant Difference
3. Developing Sustainable Environment				
(1) Does the Company establish proper environmental management systems based on the characteristics of its businesses?			(1) The Company has received a number of certifications, including ISO and OHSAS. For quality management, occupational health and safety and environment protection.	No Significant Difference
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?			(2) The Company continues improving resource efficiency and the reuse of renewable materials.	No Significant Difference
(3) Does the Company evaluate the current and future potential risks and opportunities brought by the climate change, and take measure to respond to the climate related issues?			(3) The Company has already monitored the impacts of climate, and summed up the waste discharge of each subsidiary. Moreover, it keeps inspection on oil consumption of the equipment.	No Significant Difference
(4) Does the company calculate the greenhouse gases (GHG) emission, water consumption and total weight of wastes for the past two years, and formulated the strategies for energy conservation, carbon reduction, GHG emission reduction, water saving and management of other wastes?			(4) The Company has formulated relevant management regulations such as air pollutants control procedures, water resource control procedures, wastewater management & control procedures and solid waste control procedures. Moreover, it has passed ISO14001 environmental system certification, calculated and monitored the energy conservation and carbon reduction benefits of each	No Significant Difference

Assessment Item	Implementation Status			Non-implementation of the” Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and its reasons
	Yes	No	Summary	
			subsidiary .	
4. Social issues	V		(1) Given that labor rights are recognized internationally as human rights, subject to relevant labor laws and regulations the Company has established management regulations and systems to protect employees’ vested rights and prevent any misconduct, which may impair labor rights. The Company also makes the effort to ensure availability of these applicable laws and regulations to its employees through public communication channels. Furthermore, for the purpose of giving back to society, the Company regularly makes financial contributions to social welfare organizations, the “Love Surrounding the First Skin Graft Foundation” and the “Taiwan Found for Children and Families” for example.	No Significant Difference
(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V			
(2) Does the Company formulate and implement reasonable policies of staff welfare (including compensation, vacation and other welfares), and reflect the operating performance or achievement in the compensation of the employees properly?	V		(2) The Company establishes the related management regulations such as the Payroll & Welfare Management Regulations, Performance Management Regulations, Staff Development and Promotion Management Regulations.	No Significant Difference
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		(3) The Company from time to time organizes various activities from benefiting employees’ physical health and mental wellbeing, including sport day events and hiking activities. The Company also offers subsidies for marriage, childbirth and funerals.	No Significant Difference
(4) Has the Company established effective career development training plans?	V		(4) The Company provides competency-based trainings for employees and organizes external training courses from time to time to develop employees’ skills required by their roles.	No Significant Difference
(5) Does the Company follow regulations and international standards in the customer health, safety, customer privacy, marketing and labeling of its products and services, and set polices and appeal procedures for protection of consumer’s rights and interests?	V		(5) The Company provides consumers with effective communication channels, for example a hotline and website, to enable consumers to make inquiries through a transparent and effect procedure of handling consumer complaints.	No Significant Difference
(6) Does the Company formulate the supplier management			(6) The Company formulates the supplier management policies and conduct overall evaluation and appraisal for the suppliers.	No Significant Difference

Assessment Item	Implementation Status			Non-implementation of the” Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and its reasons
	Yes	No	Summary	
policies and require suppliers to follow relevant norms on environmental protection, occupational safety and health, or labor’s human rights, and disclose the implementation?				
5. Enhanced Information Disclosure Does the Company disclose relevant and reliable CSR information on its website and the Taiwan Stock Exchange website?	V		The Company has set up its website. In the future, the Company will improve its website depending on its needs and disclose CRS related information on the website.	The Company currently committee itself to CSR in accordance with applicable law and regulations. The Company may draft relevant principles depending on circumstances in the future.
6. If the company has established its CSR best practice principles according to the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe the operational status and differences: The Company has established the Corporate Social Responsibility Best Practice Principles” according to the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”. There is no significant difference between the Principles and the implementation of the Principles.				
7. Other important information to facilitate better understanding of the company’s implementation of CSR: The Company has applicable management regulations on employee benefits and suppliers’ relationship in place. In terms of employee benefits, the Company set up an Employee Benefits Committee. The Company also has effective communication channels with banks, creditors, clients and suppliers.				
8. Other information regarding “Corporate Responsibility Report ” which is verified by certifying bodies: None				

7. The state of the company's performance in the area of good faith

Assessment Item	Implementation Status			Non-implementation of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX listed Companies"
	Yes	No	Summary	
1. Establishment of Corporate Ethics Principles and Implementation Programs (1) Does the Company have its regulations and publicly available documents addressing its corporate ethics principles and programs, and the commitment regarding implementation of such programs from the Board of Directors and the management team?	V		(1) The Company has established the "Corporate Ethics Principles" and the "Procedure of Implementing Corporate Ethics and Guidelines for Conduct" (hereinafter collectively referred to as "Code of Ethics"). The Company's staff and members of Board of Directors shall believe in the Code of Ethics and put it into practice, and then ensure strict compliance in respect of internal management and external commercial activities.	No Significant Difference
(2) Does the company establish relevant programs, which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such programs?	V		(2) The Company's staff and members of Board of Directors fully comply with the Code of Ethics. In doing so, it is not necessary to establish relevant programs, which aim to prevent unethical conduct.	No Significant Difference
(3) Does the company establish appropriate preventive measures for the business activities prescribed in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" or any other such activities associated with high risk of unethical conduct?	V		(3) The Company's staff and members of Board of Directors fully comply with the Code of Ethics. In doing so, it is not necessary to establish relevant programs, which aim to prevent unethical conduct. The Code of Ethics sets forth anti-bribery, corruption and illegal political contributions.	No Significant Difference
2. Ethic Management Practice (1) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(1) Adopting "Corporate Ethics Principles" and the "Procedure of Implementing Corporate Ethics and Guidelines for Conduct" for the purpose of creating an ethical business culture and preventing Directors and managers from engaging in unethical conduct. These relevant regulations also avoid conflicts of interest and provide appropriate channels for Directors and managers to explain their personal interests, which may potentially conflict with the Company. Furthermore, the Company's relevant staff is prohibited from entering into contract with any unethical supplier, client or entities having business relationship with the Company. Once any unethical conduct is found by the Company, the business relation with such a business partner or counterpart involving in the unethical conduct should be terminated. To follow the Code of	No Significant Difference

Assessment Item	Implementation Status			Non-implementation of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX listed Companies”
	Yes	No	Summary	
(2) Does the company set up a unit which is dedicated to or tasked with promoting the company’s ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters?	V		Ethics, the business partner or counterpart will be placed on a blacklist.	No Significant Difference
(3) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(2)The Company appointed the Audit Department as the responsible unit, which is in charge of revising, enforcing, interpreting the Procedure and Guidelines for Conduct, and registry of consultation and reporting. The Audit Department shall regularly report its work on monitoring of corporate ethics management to the Board of Directors.	
(4) To implement relevant policies on ethical conducts, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	V		(3)The Company has built an effective accounting system, internal control system and auditing system. These systems are required to be reviewed and revised to meet updated legal requirements and practical needs. The Company also conducts regular internal audit to ensure effectiveness of such systems and their implementation and then achieve the goal of corporate governance, risk management and ethics in operations.	
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		(4) For activities with high risk of unethical conduct, the Company has built an effective accounting system, internal control system and auditing system. These systems are required to be reviewed and revised from time to time to ensure effectiveness of such systems and their implementation. In addition, internal auditors conduct regular auditing activities to assess compliance performance and submit auditing reports to the Board of Directors.	No Significant Difference
3. Implementation of Complaint Procedures				
(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(5) The Company organized meetings in relation to ethical corporate where it is appropriate.	No Significant Difference
(2) Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	V		(1) The Company provides an effective channel to receive and respond to employees’ complaints by the specified department and staff. Complainants’ identity information and substance of complaints are required to be kept confidential.	No Significant Difference
	V		(2) The Company’s responsible person will look into complaints and then report the assessment to his/her direct supervisor. The confidentiality will be maintained thoroughly in the process.	No Significant Difference
	V		(3)To protect complaints, the confidentiality will be maintained thoroughly in the process.	No Significant Difference

Assessment Item	Implementation Status			Non-implementation of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX listed Companies”
	Yes	No	Summary	
(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?				
4. Information Disclosure Does the company disclose its corporate ethics principles as well as information on implementation of such principles on its website and Market Observation Post System (“MOPS”)?	V		The Company has set up its website. In the future, the Company will improve its website depending on its needs and disclose ethics-related information on the website.	No Significant Difference
5. If the company has established its “Corporate Ethics Principles” according to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX listed Companies”, please describe the operational status and differences: The Board meeting on June 8 2015 approved the “Procedure of Implementing Corporate Ethics and Guidelines for Conduct” and submitted to the Shareholders’ meeting on June 15 2015 for further implementation and compliance of the Principles.				
6. Other important information to facilitate better understanding of business ethics (e.g., review and revise the “Corporate Ethics Principles”): During the course of trade and business with other firms, on the basis Company’s core value - “compliance of corporate ethics principles”, it will promote the Company’s principles to the relevant firms and enhance employees’ awareness.				

8. If the company has adopted corporate governance best practice principles or related bylaws, the access of relevant information should be disclosed to the public:

The Company has established a number of regulations, for example “Corporate Governance Practices”, “Corporate Social Responsibility Best Practice Principles”, “Rules Governing the Scope of Powers of Independent Directors”, “Corporate Ethics Principles”, “Procedure of Implementing Corporate Ethics and Guidelines for Conduct”, “Rules of Procedure for Shareholders Meetings”, “Rules of Procedure for Meetings of the Board of Directors”, “Organization Regulations of the Audit Committee” and “Election Regulations of Directors”. The Company has carried out these regulations relating to corporate governance based on spirit of corporate governance. When the Company goes public, its information on corporate governance status is available on its official website. The Company’s website: www.engley.com.

9. Other important information to facilitate better understanding of the company’s implementation of corporate governance can be disclosed: None

開曼英利工業股份有限公司

內部控制制度聲明書

日期：109年03月27日

本公司民國 108 年度之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1. 控制環境，2. 風險評估，3. 控制作業，4. 資訊與溝通，及5. 監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、本公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項評估結果，認為本公司於民國108年12月31日的內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 七、本聲明書業經本公司民國109年03月27日董事會通過，出席董事7人中，有0人持反對意見，餘均同意本聲明書之內容，併此聲明。

For and on behalf of
Cayman Engley Industrial Co., Ltd.
開曼英利工業股份有限公司

開曼英利工業股份有限公司

董事長：



簽章

林啟村

總經理：



簽章

林啟村

11. For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, any sanctions imposed in accordance with applicable laws upon the Company or its internal staff, any sanctions imposed by the Company upon its internal staff for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements need to be disclosed: None
12. For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, major resolutions of shareholders' meetings and board meetings are as follows:

(1) Shareholders' Meeting

The Date of the Shareholders' Meeting	Major Resolutions
Annual Shareholders' Meeting on June 24 2019	1. The 2018 Business Report and Financial Statements.
	2. The Proposed Profit Distribution for 2018.
	3. The Amendments to the Articles of Incorporation.
	4. The Amendments to the Operation Procedures for the Acquisition or Disposal of Assets
	5. The Amendments to the Operation Procedures for Lending Capital to Others
	6. The Amendments to the Operation Procedures for Endorsements and Guarantees

2019 Annual Shareholders' Meeting approved the following resolutions:

- a. The 2018 Business Report and Financial Statements:
Resolution: Approved.
- b. The Proposed Profit Distribution for 2018:
Resolution: Approved.
- c. The Amendments to the Articles of Incorporation:
Resolution: The Articles of Incorporation was approved by General Registry of the Cayman Islands Government on June 24, 2019. The revised version is available on the Company's website and applied to business operations.
- d. The Amendments to the Operation Procedures for the Acquisition or Disposal of Assets
Resolution: Approved.
- e. The Amendments to the Operation Procedures for Lending Capital to Others
Resolution: Approved.
- f. The Amendments to the Operation Procedures for Endorsements and Guarantees
Resolution: Approved.

(1) Board Meetings

Meeting Date	Session	Proposal
February 20 2019	The 8 th Meeting during the 4 th Board	The IPO of A shares issued by the Company's subsidiary Changchun Engley Automobile Industry Co., Ltd.(hereinafter referred to as "Engley Automobile") and application for trading at Shanghai Stock Exchange
		Partial revision of "Corporate Governance Best Practice Principles"
		Enactment of "Regulations on Evaluation of Board of Directors"
		Particle revision of "Regulations on Supervision and Management of Subsidiaries"
		Establishment of Procedure for Buyback of Treasury Stock
		Retirement for the first buyback of the Company's shares (treasury stock) in 2018
		The Company provided a guarantee to Kranendonk Production Systems B.V (hereinafter referred to as K Company)
		The Company provided a guarantee to Linde+Engley (Tianjin) Auto Parts Co., Ltd., (hereinafter referred to as "Linde Tianjin")
		The Company provided a guarantee to Ningbo Maoxiang Material Co., Ltd. (hereinafter referred to as "Ningbo Maoxiang")
March 25 2019	The 9 th Meeting during the 4 th Board	Proposal of 2018 remuneration paid to employees and Directors
		Reviewing policies, systems, criteria and programs on evaluation of the Directors', Independent Directors' and managers' performances, as well as regularly evaluating and determining their compensation.
		The table of remuneration paid to managers in 2018
		The 2018 Business Report and Financial Statements
		The Proposed Profit Distribution for 2018
		Statement of Internal Control System from January 1 2018 to December 31 2018
		Partial revision of "Operational Procedures for Lending Capital to Others"
		The Company provided a guarantee to Foshan Engley Auto Part Co., Ltd. (hereinafter referred to as "Foshan Engley")
		The Company provided a guarantee to Taizhou Maoqi Metal Co., Ltd. (hereinafter referred to as Taizhou Maoqi)
May 10 2019	The 10 th Meeting during the 4 th Board	Ratification of the guarantee provided by the Company to Suzhou Engley Auto Part Co., Ltd. (hereinafter referred to as "Suzhou Engley")
		Proposal of amendments to "SOP for Handling of Director's Requirements"
		Ratification of the guarantee provided by the Company for Taizhou Maoqi Metal Co., Ltd. (China) (hereinafter referred to as Maoqi)
		Ratification of the guarantee provided by the Company for Ningbo Maoxiang Material Co., Ltd. (China) (hereinafter referred to as Ningbo Maoxiang)
		Ratification of the guarantee provided by the Company for Ningbo Maoxiang Material Co., Ltd. (China) (hereinafter referred to as Ningbo Maoxiang)
		Ratification of the guarantee provided by the Company for Taizhou Maoqi Metal Co., Ltd. (China) (hereinafter referred to as Maoqi)
		Ratification of the guarantee provided by the Company for Taizhou Maoqi Metal Co., Ltd. (China) (hereinafter referred to as Maoqi)
		Ratification of the guarantee provided by the Company for Tianjin Engley Manufacturing Co., Ltd.(hereinafter referred to as Tianjin Engley)
		Ratification of the guarantee provided by the Company for Tsingtao Engley Auto Part Co., Ltd.(hereinafter referred to as Tsingtao Engley)
June 24 2019	The 11 th Meeting during the 4 th Board	Ratification of the guarantee provided by the Company for Tianjin Engley Manufacturing Co., Ltd.(hereinafter referred to as Tianjin Engley)
		Ratification of the guarantee provided by the Company for Suzhou Engley Auto Part Co., Ltd. (hereinafter referred to as Suzhou Engley)
		Cancellation of the guarantee provided the Company for Foshan Engley Auto Part Co., Ltd. (hereinafter referred to as Foshan Engley)
		Cancellation of the guarantee provided the Company for Suzhou Engley Auto Part Co., Ltd. (hereinafter referred to as Suzhou Engley)
Aguest 13 2019	The 12 th Meeting during the 4 th Board	Proposal of amendments to "Ethical Best Practice Principles"
September 13 2019	The 13 th Meeting during the 4 th Board	Settled the related matter such as the ex-dividend date for the cash dividend distributed to shareholders for 2018
		The company submitted the application of syndicated loan amounted up to USD60 million to the financial institutions such as Taishin Bank
Nomber 14 2019	The 14 th Meeting during the 4 th Board	Proposal of adding equity for overseas subsidiaries
		Approval of the proposal that the subsidiary Changchun Engley Automobile Industry Co., Ltd. (herinafter referred to as "Engley Automobile") prenseted a Letter of Commitment
December 27 2019	The 15 th Meeting	Proposal of 2020 Annual Budget and Operation Plan
		Proposal of 2020 Annual Internal Audit Plan

Meeting Date	Session	Proposal
	during the 4 th Board	The Company provided a guarantee to Linde+Engley (Tianjin) Auto Parts Co., Ltd. (hereinafter referred to as Linde Tianjin)
		Proposal of lending capitals to the subsidiary - Kranendonk Beheersmaatschappij B.V.
February 25 2020	The 15 th Meeting during the 4 th Board	Cayman Engley Industrial Co., Ltd. (hereinafter referred to as the Company) provided a guarantee to K company, Netherlands (Kranendonk Beheersmaatschappij B.V.)
		Proposal of amendments to "Rule of Procedure of Shareholder's Meeting"
March 27 2020	The 17 th Meeting during the 4 th Board	Proposal of 2019 remuneration distribution for employees, directors, and supervisors
		Reviewed the proposal of the performance evaluation, remuneration policies, systems, criteria and structure for directors, independent directors and managers
		2019 manager remuneration checklist
		Report on the performance evaluation of the directors and the Board reviewed by the Remuneration Committee
		2019 Operation Report and Final Accounts
		2019 Profit Distribution Plan
		The proposal of Statement of Internal Control System during January 1~December 31, 2019
		Amendments to the "Rules of Procedures for the Board of Directors Meetings", "Rules of Procedures for the Remuneration Committee Meetings", "Regulations Governing Procedure for Board of Directors Meetings" and "Audit Committee Charters"
		Amendments to the "Procedures for Ethical Management and Guidelines for Conduct", "Corporate Governance Best Practice Principles", and "Corporate Social Responsibility Best Practice Principles".
		Amendments to the "Management of Financial Statement Preparation Procedures"
		Amendments to the "Articles of Association"
		Approval for the Letter of Commitment issued by the subsidiary Changchun Engley Automobile Industry Co., Ltd. (hereinafter referred to as "Engley Automobile")
		Approval for the Letter of Commitment issued by the subsidiary Changchun Engley Automobile Industry Co., Ltd. (hereinafter referred to as "Engley Automobile")

13. Any Director or Supervisor had a Recorded or Otherwise Written Dissenting Opinion on Major Resolutions made by the Board of Directors in the Most Recent Year and as of the Date of Publication of the Annual Report

None

14. Resignation or Dismissal of Chairman, General Manager, and heads of Accounting, Finance, Internal Audit and R&D in the Most Recent Year and as of the Date of Publication of the Annual Report

None

E. Accountant Fees

Accounting Firm	Name of CPA		CPA's Audit Period	Remark
PricewaterhouseCoopers Taiwan	YANG, MING-CHIN	LIU, MEI-LAN	2019.01.01-2019.12.31	

Unit: NTD1,000

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					CPA's Audit Period	Remark
			System Design	Business Registration	Human Resource	Others	Subtotal		
PricewaterhouseCoopers Taiwan	YANG, MING-CHIN LIU, MEI-LAN	14,715	-	1,073	-	-	1,073	2019.01.01~2019.12.31	

F. Information on Replacement of CPAs

None

G. The **Company's** Chairman, General Manager, Managers in Charge of its Finance and Accounting Operations did not hold any positions within the Company's Independent Audit Firm or Its Affiliates in the Past Year

None

H. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10

percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report. Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the company as well as the company's directors, supervisors, and ten-percent shareholders, and the number of shares transferred or pledged

Title	Name	2019		Current year to April 30 2020	
		Net Change in Shareholding	Net Change in Equity Pledge	Net Change in Shareholding	Net Change in Equity Pledge
Chairman& Majority Shareholder	Honghan Industrial Co., Ltd. Representative: Lin, Chi-Pin	—	—	—	—
Director	Top-Gain Enterprises Ltd. Representative: Chen, Jung-Juan	—	—	—	—
Director	Broad Light Consultants Ltd. Representative: Lin, Chun-Pang	—	—	—	—
Director	Tsai, Meng-Han	(2,000)	—	—	—
Independent Director	Liou, Cheng-Hwai	—	—	—	—
Independent Director	Yeh, Chih-Ming	—	—	—	—
Independent Director	Hsu, Ching-Tao	—	—	—	—
General Manager	Lin, Chi-Pin	—	—	—	—
Executive Assistant to Chairman and CFO	Yang, Cheng-Feng	—	—	—	—

I. Information about any one of the top 10 shareholders who is the interested party to, or has marriage relationship with and is a relative within the second degree of kinship of another

April 21, 2020; Unit: 1, 000 shares; %

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Any one of the top 10 shareholders who is the interested party to, or has marriage relationship with and is a relative within the second degree of kinship of another	Remark
	Shares	%	Shares	%	Shares	%		
Honghan Industrial Co., Ltd. Representative: Lin, Chi-Pin	26,100	22.12	—	—	—	—	BroadLight Consultants Ltd. Top-Gain Enterprises Ltd. Bright Success Inc. Able Well International Limited Able Gain Investment Limited Double Luck Investment Limited Superb Goal Ventures Limited Jade Profit Company Limited	Same representative Same representative Same representative Same representative Same representative Same representative Same representative Same representative
BroadLight Consultants Ltd. Representative: Lin, Chi-Pin	10,000	8.47	—	—	—	—	Honghan Industrial Co., Ltd. Top-Gain Enterprises Ltd. Bright Success Inc. Able Well International Limited Able Gain Investment Limited	Same representative Same representative Same representative Same representative Same representative

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Any one of the top 10 shareholders who is the interested party to, or has marriage relationship with and is a relative within the second degree of kinship of another		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
							Double Luck Investment Limited Superb Goal Ventures Limited Jade Profit Company Limited	Same representative Same representative Same representative	
Top-Gain Enterprises Ltd. Representative: Lin, Chi-Pin	10,000	8.47	—	—	—	—	Honghan Industrial Co., Ltd. BroadLight Consultants Ltd. Bright Success Inc. Able Well International Limited Able Gain Investment Limited. Double Luck Investment Limited Superb Goal Ventures Limited Jade Profit Company Limited	Same representative Same representative Same representative Same representative Same representative Same representative Same representative Same representative	—
Bright Success Inc. Representative: Lin, Chi-Pin	9,000	7.63	—	—	—	—	BroadLight Consultants Ltd. Top-Gain Enterprises Ltd. Honghan Industrial Co., Ltd. Able Well International Limited. Able Gain Investment Limited Double Luck Investment Limited. Superb Goal Ventures Limited Jade Profit Company Limited	Same representative Same representative Same representative Same representative Same representative Same representative Same representative Same representative	—
Able Well International Limited Representative: Lin, Chi-Pin	9,000	7.63	—	—	—	—	BroadLight Consultants Ltd. Top-Gain Enterprises Ltd. Honghan Industrial Co., Ltd. Bright Success Inc. Able Gain Investment Limited Double Luck Investment Limited Superb Goal Ventures Limited Jade Profit Company Limited	Same representative Same representative Same representative Same representative Same representative Same representative Same representative Same representative	—
Able Gain Investment Limited Representative: Lin, Chi-Pin	7,995	6.78	—	—	—	—	BroadLight Consultants Ltd. Top-Gain Enterprises Ltd. Honghan Industrial Co., Ltd. Bright Success Inc. Able Well International Limited Double Luck Investment Limited. Superb Goal Ventures Limited Jade Profit Company Limited	Same representative Same representative Same representative Same representative Same representative Same representative Same representative Same representative	—
Double Luck Investment Limited Representative: Lin, Chi-Pin	5,120	4.34	—	—	—	—	BroadLight Consultants Ltd. Top-Gain Enterprises Ltd. Honghan Industrial Co., Ltd. Bright Success Inc. Able Well International Limited Able Gain Investment Limited Superb Goal Ventures Limited Jade Profit Company Limited	Same representative Same representative Same representative Same representative Same representative Same representative Same representative Same representative	—
Superb Goal Ventures Limited	5,120	4.34	—	—	—	—	BroadLight Consultants Ltd. Top-Gain Enterprises Ltd. Honghan Industrial Co., Ltd.	Same representative Same representative Same representative	—

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Any one of the top 10 shareholders who is the interested party to, or has marriage relationship with and is a relative within the second degree of kinship of another		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Representative: Lin, Chi-Pin							Bright Success Inc. Able Well International Limited Able Gain Investment Limited Double Luck Investment Limited Jade Profit Company Limited	Same representative Same representative Same representative Same representative Same representative	
Jade Profit Company Limited Representative: Lin, Chi-Pin	5,120	4.34	—	—	—	—	BroadLight Consultants Ltd. Top-Gain Enterprises Ltd. Honghan Industrial Co., Ltd. Bright Success Inc. Able Well International Limited Able Gain Investment Limited Double Luck Investment Limited Superb Goal Ventures Limited	Same representative Same representative Same representative Same representative Same representative Same representative Same representative Same representative	—
Fubon Life Insurance Co., Ltd Representative: Tsai Ming Xing	2,881	2.44	—	—	—	—	—	—	—

J. The shares of the same re-invested enterprise held respectively by the Company, its Directors and Supervisors, managers, and any companies controlled directly or indirectly by the Company, and the combined percentage of shares held by such entities and persons

Unit: 1,000 shares /%; December 31 2019

Re-invested Enterprise (Note 1)	Ownership by TSMC		Ownership by Directors, Managers and Directly/Indirectly Owned Companies		Total Ownership	
	Shares	%	Shares	%	Shares	%
Changchun Engley Automobile Industry Co., Ltd.	1,298,704	96.57%	—	—	—	96.57%
Engley Automobile Industry Co., Ltd	Note 2	100%	—	—	—	100%
Engley Holding (Samoa) Limited	16,000	80%	4,000	20%	20,000	100%
Changchun Engley Auto Parts Co., Ltd.	Note 2	100%	—	—	—	96.57%
Chengdu Engley Auto part Co.,	Note 2	100%	—	—	—	96.57%
Suzhou Engley Auto Part Co., Ltd.	Note 2	100%	—	—	—	96.57%
Liaoning Engley Auto Part Co., Ltd.	Note 2	100%	—	—	—	96.57%
Changchun Lightweight Technology Co., Ltd.	Note 2	100%	—	—	—	96.57%
Changsha Engley Auto Part Co., Ltd.	Note 2	100%	—	—	—	96.57%
Yizheng Engley Auto Part Co., Ltd.	Note 3	100%	—	—	—	96.57%
Foshan Engley Auto Part Co., Ltd.	Note 4	100%	—	—	—	96.57%
Tsingtao Engley Auto Part Co., Ltd.	Note 2	100%	—	—	—	96.57%

Re-invested Enterprise (Note 1)	Ownership by TSMC		Ownership by Directors, Managers and Directly/Indirectly Owned Companies		Total Ownership	
	Shares	%	Shares	%	Shares	%
Linde+Engley (Tianjin) Auto Parts Co., Ltd.	Note 2	54%	—	—	—	52.15%
Linde+Engley (Changchun) Auto Parts Co.,	Note 2	54%	—	—	—	52.15%
Tianjin Engley Manufacturing Co., Ltd.	Note 5	100%	—	—	—	96.57%
Ningbo Maoxiang Material Co., Ltd.	Note 2	51%	—	—	—	49.25%
Taizhou Maoqi Metal Co., Ltd.	Note 1	51%	—	—	—	49.25%
Jilin Jinli Auto part Co., Ltd.	Note 2	23%	—	—	—	22.21%
Chengdu Youli Auto part Co., Ltd.	Note 2	20%	—	—	—	19.31%
Honley Auto. Parts Co.,Ltd	86,000	36.64%	—	—	86,000	38.63%
Constellium Engley (Changchun) Automotive Structures Co., Ltd.	Note 2	46%	—	—	—	44.42%
CECK Holdings Co., Limited(Note 6)	11,500 (Note 1)	81%	—	—	11,500 (Note 1)	38.63%
Changchun CECK Auto. Parts Co.,Ltd. (Note 6)	Noe 2	46.82%	—	—	—	45.21%
Chongqing HC&C Auto Parts Co., Ltd (Note 6)	Note 1	22%	—	—	—	21.25%
Engley Precision Industry B.V.	0.484	87.90%	0.121	12.1%	0.605	100.00%
Kranendonk Beheersmaatschappij B.V.	Note 1	90.925%	Note 2	9.075%	—	100.00%
Zhejiang Sanse Mold Technology Co., Ltd	Note 2	20%	—	—	—	19.31%
Ningbo Engley Automobile Industry Co.,Ltd	Note 2	100%	—	—	—	96.57%
Wiser Decision Holding Company Limited	3,500 (Note 1)	100%	—	—	—	96.57%
Chi Rui (Cayman) Holding Limited	44,200	12.17%	—	—	—	11.75%

Note 1 : The Company uses equity method to make investment: Please see “the Investment Structure” on page 7.

Note 2 : Limited Liability Company cannot issue stock.

Note 3 : Changchun Engley Automobile Industry Co., Ltd. and Suzhou Engley Auto Part Co., Ltd. jointly own 100% of shares of Yizheng Engley Auto Part Co., Ltd.

Note 4 : Changchun Engley Automobile Industry Co., Ltd. and Suzhou Engley Auto Part Co., Ltd. jointly own 100% of shares of Foshan Engley Auto Part Co., Ltd.

Note 5 : Changchun Engley Automobile Industry Co., Ltd. and Suzhou Engley Auto Part Co., Ltd. jointly own 100% of shares of Tianjin Engley Manufacturing Co., Ltd.

Note 6 : Honley Auto. Parts Co.,Ltd reinvests in Changchun CECK Auto. Parts Co.,Ltd. and Chongqing HC&C Auto Parts Co., Ltd through CECK Holdings Co., Limited.

IV Capital Raising

A. Capital and Shares

1. Source of Capital

(1) Capitalization

Month/Year	Issue Price	Approved Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2015/01/16	NTD\$10	1	10	—	—	Capital stock for establishment of the Company	—	None
2015/05/05	NTD\$10	300,000,000	3,000,000,000	100,000,000	1,000,000,000	Stock Swap	—	
2016/01/25	NTD\$147	300,000,000	3,000,000,000	110,000,000	1,100,000,000	Note	—	
2018/08/10	NTD\$147	300,000,000	3,000,000,000	119,000,000	1,190,000,000	Capital increase for cash by issuing new shares	—	
2019/03/04	-	300,000,000	3,000,000,000	118,007,000	1,180,070,000	Retirement of treasury stock	—	

Note: The first capital increase for cash by issuing 10,000,000 new shares was approved by Tai-zheng-shang (2) tzu No. 1041706472 on December 30, 2015.

(2) Type of Stock

Unit: Share

Type of Stock	Approved Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common Stock	118,007,000	181,993,000	300,000,000	

2. Composition of Shareholders

April 21, 2020

Quantity \ Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Foreigners	Total
Number of Shareholders	-	6	29	2,765	61	2,861
Shareholding	-	6,979,943	4,072,899	17,076,563	89,877,595	118,007,000
Holding Percentage (%)	-	5.91%	3.45%	14.47%	76.17%	100%

Note: Mainland investors holds 0.72% of shares.

3. Distribution Profile of Share Ownership

Face value per share is NT\$10 ; April 21, 2020

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership Percentage
1 - 999	278	35,994	0.03
1,000 - 5,000	2,005	3,669,523	3.11
5,001 - 10,000	256	1,984,106	1.68
10,001 - 15,000	109	1,370,536	1.16
15,001 - 20,000	41	741,288	0.63
20,001 - 30,000	46	1,157,327	0.98
30,001 - 50,000	42	1,611,806	1.37
50,001 - 100,000	34	2,226,675	1.89
100,001 - 200,000	19	2,386,876	2.02
200,001 - 400,000	13	3,232,597	2.74
400,001 - 600,000	0	0	0.00
600,001 - 800,000	0	0	0.00
800,001 - 1,000,000	4	3,535,780	3.00
1,000,001 - 5,000,000	0	0	0.00
5,000,001 - 10,000,000	0	0	0.00
Over 10,000,001	14	96,054,492	81.39
Total	2,861	118,007,000	100.00

4. Major Shareholders

Name, number of shares and ownership percentage of shareholders with more than 5% of shares, or the top ten shareholders

April 26, 2019; Unit: Share

Name of Major Shareholders	Shares	Registered country	Number of Shares	Ownership Percentage
Honghan Industrial Co., Ltd.		Samoa	26,100,000	22.12%
BroadLight Consultants Ltd.		Samoa	10,000,000	8.47%
Top-Gain Enterprises Ltd.		Samoa	10,000,000	8.47%
Bright Success Inc.		Samoa	9,000,000	7.63%
Able Well International Limited		Samoa	9,000,000	7.63%
Able Gain Investment Limited		Samoa	7,995,252	6.78%
Double Luck Investment Limited		Samoa	5,120,000	4.34%
Superb Goal Ventures Limited		Samoa	5,120,000	4.34%
Jade Profit Company Limited		Samoa	5,120,000	4.34%
Fubon Life Insurance Co., Ltd		R.O.C	2,881,000	2.44%

5. Market Price, Net Worth, Earnings and Dividends Per Share and related information in the past two years

Unit: NT\$; Thousand Shares

Item \ Year		2018	2019
Market Price Per Share	Highest Market Price	183.00	133.50
	Lowest Market Price	98.10	89.10
	Average Market Price	148.88	115.45
Net Worth Per Share	Before Distribution	92.32	91.96
	After Distribution	87.82	89.46
Earnings Per Share	Weighted Average Shares	113,559	118,010
	Earnings Per Share	9.89	5.46
Dividends Per Share	Cash Dividends	4.5	2.5 (Note)
	Bonus Shares	Bonus Shares	—
		Bonus Shares out of Capital Reserve	—
	Accumulated Undistributed Dividend		—
Return on Investment	Price/Earnings Ratio	15.05	21.14
	Price/Dividend Ratio	33.09	46.18
	Cash Dividend Yield	3.02	2.17

Note: The proposal for 2019 profit distribution is subject to approval of the shareholders' meeting.

6. Company's dividend policy and its implementation

(1) Dividend Policy is set out in the Articles of Incorporation^[1]

In terms of Dividend Policy, Article 129 of the Articles of Incorporation provides that:

As the Company continues to grow, the need for capital expenditure, business expansion and a sound financial planning for sustainable development, it is the Company's dividends policy that the dividends may be allocated to the Shareholders in the form of cash dividends and/or bonus shares according to the Company's future expenditure budgets and funding needs.

Unless otherwise provided in the Applicable Listing Rules, where the Company makes profits before tax for the annual financial year, the Company shall allocate (1) a maximum of eight percent (8%) and a minimum of zero point five percent (0.5%) of such annual profits before tax for the purpose of employees' remunerations (including employees of the Company and/or any Affiliated Company) (the "Employees' Remunerations"); and (2) a maximum of three percent (3%) and a minimum of zero point five percent (0.5%) of such annual profits before tax for the purpose of Directors' remunerations (the "Directors' Remunerations"). Notwithstanding the foregoing paragraph, if the Company has accumulated losses of the previous years for the annual financial year, the Company shall set aside the amount of such accumulated losses prior to the allocation of Employees' Remunerations and Directors' Remunerations. Subject to Cayman Islands law and notwithstanding Article 139, the Employees' Remunerations and the Directors' Remunerations may be distributed in the form of cash and/or bonus shares, upon resolution by a majority votes at a meeting of the Board of Directors attended by two-thirds (2/3) or more of the Directors. The resolutions of Board of Directors regarding the distribution of the Employees' Remunerations and the Directors' Remunerations in the preceding paragraph shall be reported to the Shareholders at the general meeting after such Board resolutions are passed.

Unless otherwise provided in the Applicable Listing Rules, the net profits of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the Shareholders in the general meeting for approval:

- a. to make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;
- b. to set off accumulated losses of previous years (if any);
- c. to set aside ten percent (10%) as Legal Reserve pursuant to the Applicable Listing Rules unless the accumulated amount of such Legal Reserve equals to the total paid-up capital of the Company;
- d. to set aside an amount as Special Reserve pursuant to the Applicable Listing Rules and requirements of the Commission; and
- e. with respect to the earnings available for distribution (i.e. the net profit after the deduction of the items a. to d. above plus any previously undistributed cumulative Retained Earnings), the Board of Directors may present a proposal to distribute to the Shareholders by way of dividends at the annual general meeting for approval pursuant to the Applicable Listing Rules. Dividends may be distributed in the form of cash dividends and/or bonus shares, and, subject to Cayman Islands law, the amount of dividends shall be at least ten percent (10%) of the net profit after the deduction of the items a. to d. above. Cash dividends shall comprise a minimum of ten percent (10%) and a maximum of one hundred percent (100%) of the total dividends allocated to Shareholders.

(2) Distribution of stock dividends approved by the Shareholders' Meeting.

The Company's proposal for profit distribution with NT\$2.5 cash dividend per share, totaling NT\$ 295,018,000, was approved by the Board meeting on March 27, 2020 and will submit it to the Annual Shareholders' Meeting for recognition on June 19, 2020.

7. Impact to Business Performance and EPS Resulting from Bonus Shares Distribution resolved by the Shareholders' Meeting

N/A. There is no proposal for bonus shares distribution discussed at the Shareholders' Meeting this year.

8. Bonuses to employees, Directors, and Supervisors ^[L]_[SEP]

- (1) Ratios of bonuses to employees, Directors, and Supervisors, as set forth in the Company's Articles of Incorporation: ^[L]_[SEP]

Please see the section 1.6 "Company's dividend policy and its implementation" for more information.

- (2) The basis of current estimates for bonuses to employees, Directors, and Supervisors, the basis of calculating shares for employees stock bonus, and accounting methods of handling differences between the actual distributed amount and estimated amount

The Company's 2018 income from continuing operations before income tax is NT\$ 655,470,000 before deducting bonuses to employees, Directors, and Supervisors. Given the Company's profit performance in 2018, the bonuses to employees and Directors were distributed by cash and accounted for NT\$ 3,277,000 and NT\$ 8,000,000 respectively in accordance with the Articles of Incorporation. If there is any discrepancy between the amounts above and actual distributed amounts approved by the Shareholders' meeting, the Company will make changes in accounting estimates in the year of the Annual

Shareholders' Meeting.

(3) The amounts of bonuses approved by the Board of Directors

The Board meeting on March 27 2020 determined that the bonuses to employees and Directors were distributed by cash and respectively accounted for NT\$ 3,277,000 and NT\$ 8,000,000 .

(4) The actual distribution of bonuses to employees, Directors, and Supervisors in the previous fiscal year (including shares to be distributed, monetary amount and stock price) , and if any differences between the actual distributed amounts and the recognized amount of bonuses to employees, Directors, or Supervisors, the differences, reasons of differences and any method to address the differences should be clarified

Unit:NT\$ 1,000

Item	Distributed Amount Approved by the Board Meeting	Actual Distributed Amount	Form of Distribution
Bonus paid to Employees	15,379	15,379	Cash
Bonus paid to Directors	17,564	17,564	Cash
Total	32,943	32,943	Cash

9. Repurchase of Common Stock

During the board meeting on November 13, 2018, it passed the resolution to repurchase the shares of the Company for the purpose of maintaining the Company's credit and shareholders' equity. The chairman was authorized to repurchase 2,000,000 common shares of the company at the price of NTD98~158 during the period November 14, 2018~January 13, 2019. A total of 993,000 shares were repurchased, with the sum of NTD117,401,432 yuan, and the average repurchase price per share NTD118.23. The repurchased shares were cancelled on March 4, 2019.

B. Corporate Bonds

1. Issuance of Corporate Bonds

Corporate Bond Type	First Domestic Unsecured Convertible Corporate Bonds
Issuing Date	January 10 2017
Face Value	NT\$ 100,000
Place of issuance and trading	N/A
Offering Price	Par
Total Amount	NT\$ 1.1 billion
Interest Rate	0%
Term	Three years; Maturity: January 10 2020
Assurance agency	None
Trustee	Department of Transfer Agency Service, SinoPac Securities Corporation
Underwriter	Cathay Securities Corporation
Attorney	Baker & McKenzie Liang Justin LIANG, Nicole CHU
Accountant	PricewaterhouseCoopers Taiwan YANG, MING-CHIN, WANG, YU-CHUAN
Repayment	<p>Holders of convertible bonds could convert such bonds into the Company common shares in accordance with Article 14 of the Regulations on Issuance and Conversion, or sell them back to the Company under Article 23. In addition, the Company could redeem the bonds early in accordance with Article 22 and make one-off cash payment based on par value of a bond when convertible bonds became due, except that the Company withdrew to redeem on the Taipei Exchange.</p>
Outstanding principal amount	NT\$ 0.
Terms of Redemption or Early Repayment	Early redemption under Article 22 of the Regulations on Issuance and Conversion.
Restrictions	<p>Article 8 and 31 of the Regulations on Issuance and Conversion are as follows:</p> <p>Article 8 The convertible bonds are unsecured securities. However, the convertible bonds can be secured by claims or in-rem rights at the same level as other warrant-linked & secured bonds or secured corporate bonds, which are issued publicly or privately after the convertible bonds are issued.</p> <p>Article 31 Any relevant matter, which is not set out in the Regulations on Issuance and Conversion of Convertible Bonds, should be governed by the applicable laws and rules.</p>
Credit rating agency, date of assessment and corporate bond Name of Credit	N/A

Corporate Bond Type		First Domestic Unsecured Convertible Corporate Bonds
Rating Agencies, rating date and rating results		
Other Rights	Amount of Converted (Exchange or Subscription) Common Shares, Overseas Depositary Receipts or Other Securities as of the Date of Publication of the Annual Report	None
	Regulations on Issuance and Conversion (Exchange or Subscription)	Please see the Regulations on Issuance and Conversion of the First Domestic Unsecured Convertible Corporate Bonds
Dilution Effect and Other Adverse Effects on Existing Shareholders		Please see the Regulations on Issuance and Conversion of the First Domestic Unsecured Convertible Corporate Bonds
Custodian of the Subject After Conversion		N/A

Corporate Bond Type		Second domestic unsecured convertible corporate bond
Issuing Date		June 22 2018
Face Value		NT\$ 100,000
Place of issuance and trading		N/A
Offering Price		Par
Total Amount		NT\$ 400 million
Interest Rate		0%
Term		Three years; Maturity: June 22 2021
Assurance agency		None
Trustee		Department of Transfer Agency Service, SinoPac Securities Corporation
Underwriter		Fubon Securities Corporation
Attorney		Baker & McKenzie Liang Justin LIANG, David LIN
Accountant		PricewaterhouseCoopers Taiwan YANG, MING-CHIN, HSU CHIEN YEH
Repayment		Holders of convertible bonds could convert such bonds into the Company common shares in accordance with Article 13 of the Regulations on Issuance and Conversion, or sell them back to the Company under Article 21. The Company could make one-off cash payment based on par value of a

Corporate Bond Type		Second domestic unsecured convertible corporate bond
		bond when convertible bonds became due, except that the Company withdrew to redeem on the Taipei Exchange.
Outstanding principal amount		NT\$ 400 million
Terms of Redemption or Early Repayment		Early redemption under Article 21 of the Regulations on Issuance and Conversion.
Restrictions		Article 7 and 29 of the Regulations on Issuance and Conversion are as follows: Article 7 The convertible bonds are unsecured securities. However, the convertible bonds can be secured by claims or in-rem rights at the same level as other warrant-linked & secured bonds or secured corporate bonds, which are issued publicly or privately after the convertible bonds are issued. Article 29 Any relevant matter, which is not set out in the Regulations on Issuance and Conversion of Convertible Bonds, should be governed by the applicable laws and rules.
Credit rating agency, date of assessment and corporate bond Name of Credit Rating Agencies, rating date and rating results		N/A
Other Rights	Amount of Converted (Exchange or Subscription) Common Shares, Overseas Depositary Receipts or Other Securities as of the Date of Publication of the Annual Report	None
	Regulations on Issuance and Conversion (Exchange or Subscription)	Please see the Regulations on Issuance and Conversion of the Second Domestic Unsecured Convertible Corporate Bonds
Dilution Effect and Other Adverse Effects on Existing Shareholders		Please see the Regulations on Issuance and Conversion of the Second Domestic Unsecured Convertible Corporate Bonds
Custodian of the Subject After Conversion		N/A

2. Convertible Corporate Bond

Corporate Bond Type		First Domestic Unsecured Convertible Corporate Bonds	Second Domestic Unsecured Convertible Corporate Bonds
Year		As of 10 January 2020	As of 31 March 2020
Market Price of Corporate Convertible Bond	Highest	102.50	100.00
	Lowest	99.10	96.80
	Average	100.25	99.77
Conversion Price		NT\$162.4	NT\$163.4
Issuing (processing) date and the conversion price at the time of issuance		January 10, 2017 NT\$181	June 22, 2018 NT\$177
Conversion method		Delivered by issuing new shares	Delivered by issuing new shares

Note: The first domestic unsecured convertible corporate bond of the Company was expired and fully repaid on January 10, 2020.

C. Preferred Shares

None

D. Overseas Depositary Receipts

None

E. Employee Stock Options

None

F. Employee Restricted Stock

None

G. New Share Issuance in Connection with Mergers and Acquisitions

None

H. Implementation plan of funding

1. Convertible debentures in R.O.C for the first time

(1) Implementation plan

The Company issued convertible debentures totaling NT\$ 1,100,000,000 to raise money on January 6, 2017. The funding raised from investors was used to pay loans, maintain necessary operating funding and implement the purchase plan of equipment and machine respectively in the first, third and fourth quarters of 2017.

(2) Implementation and benefit analysis

a. Implementation Progress

According the implementation plan, in the end of the fourth quarter of 2018, equipment and machine purchased by the Company was estimated to be NT\$ 534,275,000, and its estimate degree of completion was 100.00%. Until the end of the fourth quarter of 2018, the actual amount paid was NT\$ 534,275,000 , and actual degree of completion reached 100%.

Unit: NT\$1,000

Item	Funding	Implementation Progress		The fourth quarter of 2018	Accumulated amount/degree until the fourth quarter of 2018
Loan repayments	491,700	Payment	Estimated	-	491,700
			Actual	-	491,700
		Progress	Estimated	-	100.00%
			Actual	-	100.00%
Purchase of Machine and Equipment	534,275	Payment	Estimated	-	534,275
			Actual	56,554	534,275
		Progress	Estimated	-	100.00%
			Actual	10.59%	100.00%
Maintenance of Operating Funding	300,000	Payment	Estimated	-	300,000
			Actual	-	300,000
		Progress	Estimated	-	100.00%
			Actual	-	100.00%
Total	1,325,975	Payment	Estimated	-	1,325,975
			Actual	56,554	1,325,975
		Progress	Estimated	-	100.00%
			Actual	10.59%	100.00%

Source: data was compiled by the Company.

b. Benefit analysis and improvement

After purchasing machine and equipment, the Company planned to launch batch production in the first quarter of 2018. As machine and equipment had not been accepted, a small production would be scheduled to run in the second quarter of 2018. The actual benefits would be emerged in the future. The Company paid back loans as it planned. The estimated benefit and actual implementation were not materially different. Regarding operating funding, it was used to support operating expense of Cayman Engley and Taiwan's subsidiaries from the third quarter of 2017 to the first quarter of 2018. It gradually benefited in the maintenance of operating funding. The estimated benefit and actual implementation were not materially different. Improvement measures were not applicable.

2. Convertible debentures in R.O.C for the second time

(1) Implementation plan

The Company issued convertible debentures totaling NT\$ 1,723,000,000 to raise money on August 10, 2017. The funding raised from investors was used to maintain adequate operating funding in Q4 of 2018. It was also used for purchases of equipment and machine and repayment of bank loans in Q1 of 2019.

(2) Implementation and benefit analysis

a. Implementation Progress

In the end of the fourth quarter of 2019, the estimate amount paid for machine and equipment was NT\$ 918,709,000, and the estimate degree of completion was 100%. Until the end of the fourth quarter of 2019, the actual amount paid for machine and equipment was NT\$ 918,709,000, and the actual degree of completion reached 100%, which met the goal of the implementation plan. In the end of the fourth quarter of 2019, the estimate loan repayment was NT\$ 707,520,000, and the estimate degree of completion was 100%. Until the end of the fourth quarter of 2019, the actual loan repayment was NT\$ 707,520,000, and the actual degree of completion reached 100%, which fell behind the scheduled progress of the implementation plan. The delay was

mainly because the fund transfer was required to be approved by the State Administration of Foreign Exchange. The Company was actively communicating with relevant banks.

Uni: NT\$1,000

Item	Funding	Implementation Progress		The fourth quarter of 2019	Accumulated amount/degree until the fourth quarter of 2019
Loan repayments	918,709	Payment	Estimated	-	918,709
			Actual	-	918,709
		Progress	Estimated	-	100.00%
			Actual	-	100.00%
Purchase of Machine and Equipment	707,520	Payment	Estimated	-	707,520
			Actual	-	707,520
		Progress	Estimated	-	100.00%
			Actual	-	100.00%
Maintenance of Operating Funding	395,877	Payment	Estimated	-	395,877
			Actual	-	395,877
		Progress	Estimated	-	100.00%
			Actual	-	100.00%
Total	2,022,106	Payment	Estimated	-	2,022,106
			Actual	-	2,022,106
		Progress	Estimated	-	100.00%
			Actual	-	100.00%

Source: data was compiled by the Company.

b. Benefit analysis and improvement

As mentioned above, the fund transfer was required to be approved by the State Administration of Foreign Exchange. Its implementation was slightly behind its schedule. However, the Company was actively communicating with relevant banks so that the implementation plan could be done as expected. Until the end of the first quarter of 2019, the actual amount paid for machine and equipment was NT\$ 918,709,000, and its actual degree of completion met expectations. The estimated benefit and actual implementation were not materially different. Until December 31, 2018, the accumulated funds used to maintain operating funding reached a total of NT\$ 395,877,000. By doing so, it could reduce borrowing from bank and save interest expenses for the purpose of increasing the flexibility of dispatching funds and reducing operating risks. The estimated benefit and actual implementation were not materially different. Improvement measures were not applicable.

V Overview of Business Operation

A. Business Activities

1. Scope of Business

(1) Main Business of the Company and its Subsidiaries

The main product categories of the group cover automobile parts, products in relation to stamping and hot-pressing process, design and manufacturing of mould, development of new composite material and technology consulting service. The end products include various auto parts such as vehicle body stamping parts, cockpit carriers, under body shields, front ends, vehicle body parts, moulds, spare wheel pans, wheel arch liners, battery trays and door moulds. Recently the Group has taken steps to raise its market footprint in solutions for welding, cutting and assembling through flexible-joint robots.

(2) Current Products (Services) and the ratios of the sales of main products to total operating revenue

The Group mainly manufactures, processes, and sells products made from aluminum alloys, rolling bumpers, plastic products, auto parts and accessories. The Group also has several production lines of stamping, welding and hot-pressing parts. The main products are as follows:

- a. Metal parts : vehicle body stamping parts, cockpit carriers and vehicle body parts.
- b. Non-metal parts: under body shields, front ends, wheel arch liners, spare wheel pans, battery trays and door moulds.

Unit: NT\$ 1,000 ; %

Year Service Item	2018		2019	
	Operating Revenue	% of total operating revenue	Operating Revenue	% of total operating revenue
Metal	14,392,276	65.85	13,555,918	60.95
Non-metal	5,584,981	25.55	5,432,247	24.43
Mould and others	1,878,129	8.59	3,251,708	14.62
Total	21,855,386	100.00	22,239,873	100.00

(3) Plans of New Product Development

The Group's business involves metal and non-metal auto parts. To satisfy differentiated needs of downstream OEMs, and maintain its leading role in the industry, the Company plans to develop the following new products and technology:

- a. Application of stamping parts made by aluminium alloys composites: they can be applied to cockpit carriers, front and rear bumpers and underframes.
- b. Reinforcement of self-designed structure and its capability of CAE simulated analysis: improvement for durability of products and reduction of deformation.
- c. Development of CFRP related products: it meets the trend toward lightweight vehicle parts in the future for the OEMs.

2. Industry Overview

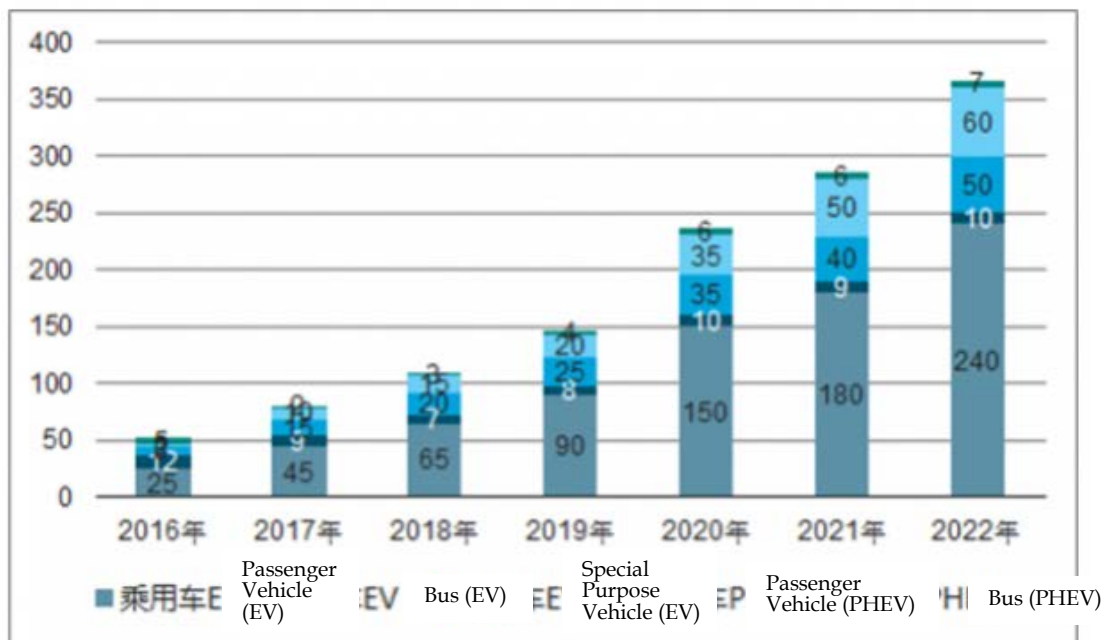
(1) Industry Status and Development

Since the earliest stage of the modern automotive industry in China started in 1953, FAW Manufacturing Plant has established a solid ground for the future car market in China. In the past few years. The overall sales of cars in China continue to grow. Up to the end of

2019, mainland China had been ranked as the largest car market in terms of sales for ten consecutive years. It has been more than thirty years after China initiated its first economic reforms. Particularly in the 21st century, the automobile industry in China has been constantly and actively progressing and achieved world-famous acknowledgement.

Projected Sales of Energy-efficient Cars in China

Unit : 10,000 units of vehicles



Source : Ministry of Industry and Information Technology

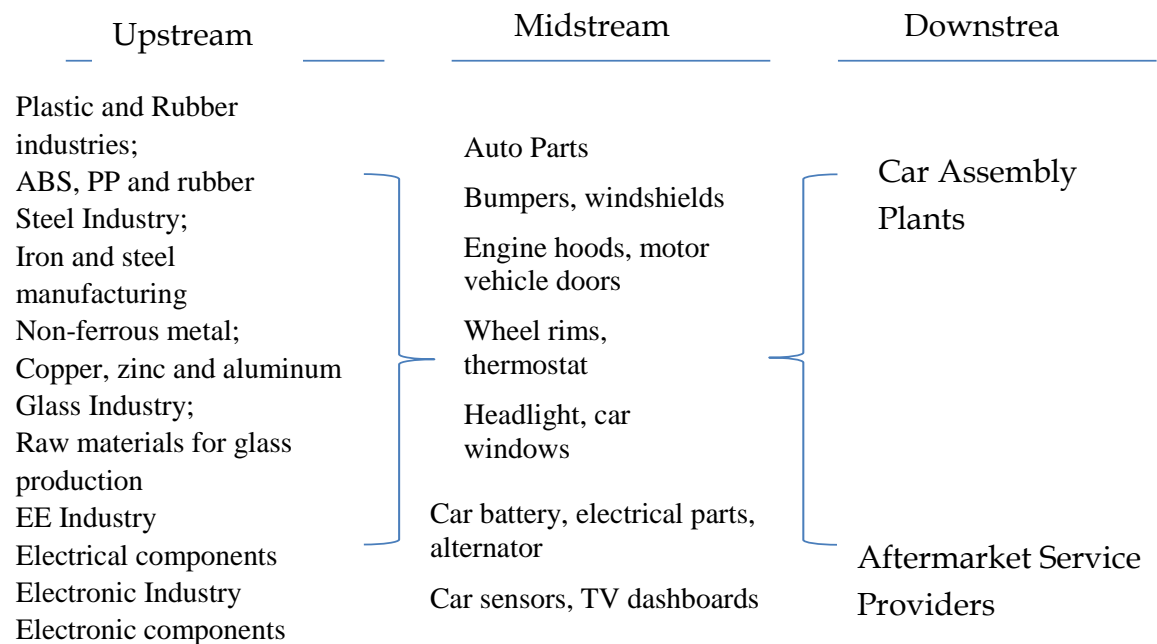
As a result of emission reduction policies, the compound annual growth rate in the global electric vehicle (including hybrid electric vehicle) market may remain above 32%. The market scale in 2020 is expected to reach 12,110,000 units, offering an opportunity for electric vehicle industry to grow rapidly. On August 16, 2017, the Ministry of Industry and Information in China issued “Measures for the Parallel Administration of the Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises”, which took effect on April 1st, 2018. These measures required auto companies producing or importing over 30,000 non-NEV passenger cars per year to earn NEV credits equal to a set percentage of their non-NEV sales in China, starting from 2019. The Chinese Industry Information study shows that the total sales of NEV will account for 11% of total car sales in 2022. The growth momentum is mainly driven by passenger vehicles. The numbers of passenger vehicles (EV) may amount to 2.4 million in 2022 respectively. The NEV credits scheme initiated in 2018 will be the main reason resulting in an increase in passenger vehicles.

As a result of recent structural changes in the global automobile industry, auto parts manufacturers’ role in the automobile industry becomes more important. Therefore, more and more R&D activities are conducted by them with the aim of creating more output value. Despite of great growth potential in the automotive industry in China, the market may face the phase of stable profits due to many exogenous future challenges, including energy, transportation and environmental protection. With these upcoming challenges, it is the key for auto parts manufacturers to pursue the goal of sustainable and balanced growth in terms of business profits and its performance.

(2) Relations of Upstream, Midstream and Downstream Companies

The automotive supply chain are among the most complex in the world – from design and

provision of raw materials in the upstream to automotive assembly plants and aftermarket services in the downstream. The automotive supply chain companies form a cross-industry network with other partners in related industries. The roles of auto parts in the automotive supply chain are illustrated in the diagram below.



Upstream	Midstream	Downstream
Plastic and Rubber industries; ABS, PP and rubber Steel Industry; Iron and steel manufacturing Non-ferrous metal; Copper, zinc and aluminum Glass Industry; Raw materials for glass production EE Industry Electrical components Electronic Industry Electronic components	Auto Parts Bumpers, windshields Engine hoods, motor vehicle doors Wheel rims, thermostat Headlight, car windows Car battery, electrical parts, alternator Car sensors, TV dashboards	Car Assembly Plants Aftermarket Service Providers

Source: Taiwan Industry Economics Services

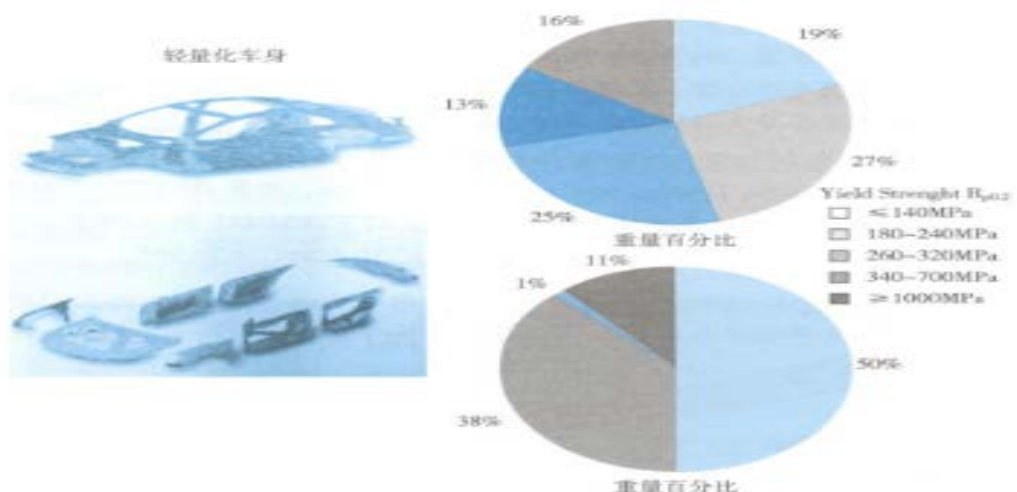
The diagram shows that production of auto parts involve technologies of casting, stamping, welding, machining and hot pressing, and final products include headlight, wheels, sheet metal parts, alloy wheels, engine hoods, bumpers and others auto parts. In the automotive industry, the supply chain firms have a very close relationship with each other and the interrelationship between them may affect the whole industry. As a result of the complex process of auto making and assembling, auto parts manufacturers and auto makers forms a synergy network with long term cooperation, and to some extent auto makers may engage into vertical integration with the upstream or downstream firms to some extent.

(3) Development of Auto Parts

The traits of the auto parts industry include high industry dependence, long supply chain and the ability of promoting economic growth. In terms of production methods, auto parts

can be divided into four types: car engine, car chassis, car body and accessories as well as electronic products. The Group mainly produces the following car body and accessories: 1) metal auto parts, including metal cockpit carrier, front and rear bumpers, car doors and under frames; 2) non-metal auto parts, including front ends, under body shields and wheel arch liners. Car weight has increased by 20% to 30% with more than ten years manufacturing experience as a result of comfort and safety considerations. However, in the context of the green transformation of the global economy, major automakers - for example, Volkswagen, BMW, Toyota, GM and Ford, move toward production of light cars. In addition, breakthroughs in raw materials and technologies also facilitate the development of lightweight design for future car body products.

Volkswagen Passat CC: the ratio of hot-pressing components to a car body



Source: China Society of Automotive Engineers

The development trend of lightweight vehicles concerns not only comfort and convenience of products, but also energy consumption of them with the aim of reducing environmental impact. When a car is running, it is required to overcome several resistance forces, including rolling resistance, grade resistance, acceleration resistance and air resistance. In addition to air resistance, other types of resistance forces have a positive correlation with product quality. A research conducted by German Volkswagen showed that the fuel efficiency of a car can increase by 0.3-0.5 liters per 100 km when reducing the car weight by 0.1 ton. Lightweight also helps improve controllability and car acceleration.

As mentioned above, key industrial trends involve how to find lightweight materials (such as high-strength steel, Almelec and other metal molding technique), and application of molding techniques for special plastics and composite materials. Through application of new materials and improving metal working process (for example, application of cockpit carrier made by aluminium alloys), the Company aims to supply lightweight materials with the same tensile strength. Alternatively, the Company uses parametric modeling of auto parts to build models and utilize the new technology such thermoforming to meet the goal of lightweight car body requested by the downstream car makers.

(4) Competition in the Relevant Product Market

As China is the largest automotive market in the world, production of auto parts in the upstream continues to grow with expanding automotive market in China and increasing car ownership. Integration of auto parts plants is crucial to future development strategy

and policy of the auto parts industry in China, and ultimately to equip themselves with more differentiated products and better product quality. For an auto parts manufacturer, when its products are used by tier 1 companies in their automobile assembly lines, it represents that the auto parts supplier's products are rather competitive. The Group has established cooperative relation with tier 1 car companies for more than decades and gained their recognition. The Group also continues to invest in advanced equipment and improve innovative production process to develop and produce more competitive products. The reasons why notable automobile manufacturers favor the Group's products are as follows:

- a. Advanced development of moulds: the Group's ability of designing, manufacturing, and testing moulds not only meets industrial high standards but also guarantee for quality moulds and product development.
- b. Long standing trust: since its inception, the Group has endeavored to establish cooperative relationship with car companies in China for more than decades. With advanced technical skills of product development, the Group has earned the trust of car companies in the downstream as their partner developers in many consecutive years.
- c. Timely responses to customers' requests: the Group ensures timely transmission of information from logistics or customers to the department of quality control and logistics management through our on-site support teams in order to discover problems in time and improve troubleshooting efficiency.

3. Research and Development

- (1) R&D expenses in the most recent fiscal year and as of the date of publication of the annual report

Unit: NT\$1,000

Item \ Year	2015	2016	2017	2018	2019
A. R&D expense	298,707	530,169	577,548	747,148	681,579
Operating Revenue	12,405,766	15,582,053	18,879,842	21,855,386	22,239,873
A/B	2.41%	3.40%	3.06%	3.42%	3.06%

- (2) Successful New Technology or Product Development

The Company has devoted itself to improving metalwork process of stamping, rolling and assembly welding. To achieve the goal of lightweight car, the Company has always invested a lot in composite materials, high strength steel, assembly stamping and aluminum alloy, and constantly seek the most sophisticated skill of processing auto parts. In terms of GMT thermo-compression, LFT online dosing, laser metal welding, high strength steel by rolling, aluminum alloy profile extrusion processed and heat treating, the Company made a technical breakthrough to increase production efficiency and product yield and reduce cost. The table below shows the Company's achievements of research and development in the past five years:

Year	Achievement	Description	Applicatin	Scope of Sales
2015	Double robot coordination welding device	Using combined configuration of double robot coordination welding device, automatic computer and rotator with welding fixtures to implement the process of automatic welding	Applicable to various welded automotive parts	Welded Cockpit carriers for some types of cars manufactured by FAW-Volkswagen
	Circular tube hydraulic molding machine	A machine aim to make ultifaceted tubes be molded at once and the increased pressure inside the tubes can ensure accuracy of molds. It can save time and cost of processing and reduce processing errors as well as improve product quality.	Applicable to automotive metal tube parts	Tube assembly for some types of cars manufactured by BAIC Group
	Quick pull riveting device	A device with laser detectors can avoid leaking of nuts and prevent slight deformation of nuts due to heat in the welding process. Furthermore, the hardness of pull riveting nuts are lower so that they are used easily to assemble brackets.	Applicable to be used as pull riveting nuts for front lock brackets	Front lock brackets for some types of cars manufactured by FAW-Volkswagen
	High-energy plasma cutting device	Cutting sheet metal and metal parts by modularized application of automatic robots along with plasma cutting device and welding fixtures.	Cutting various types of metal part for vehicles	Bumpers for some types of cars manufactured by FAW Car
	Automatic stamping steel open-book blanking system	The patent facilitates effective integration of a separate feeder, straightener, punching machine and automatic robotic arm to make manuel blanking into automatic blanking. It can deliver steel coils directly from an automatic production line to stamping production line and increase significantly production efficiency and product quality.	Applicable to more than 70% of stamping products	Stamping parts for automotive body in white
	Automatic thermo-compression bonding thermal baffle in engine underbody shield device	Implementing automatic hot press process by using integrated PLC control hydraulic system.	Applicable to parts, to which plastic parts and sticky aluminium are attached to foil	Underbody shield
	Engine underbody shield multipoint ultrasonic welding automation device	Implementing automatic process of ultrasonic welding by using two sets of six-head ultrasonic welding systems and a standalone twelve-head ultrasonic welding system as well as movement under the automatic control of PLC.	Applicable to plastic parts welding to each other	Underbody shield
	Assembly error proofing device	A device can help precise and fim position of auto parts and facilitate riveting of standard parts. After reveting, the device can automatically detect the number of parts for assembly and eliminate failure to rivet or errors to improve quality of auto part and reduce repair rates and relevant costs.	Applicable to assembled plastic parts	Plastic parts for car body
2016	Engine shield	Reinforcing flexibility, impact resistance and toughness of engine shields.	Applicable to frontend molds	Frontend molds
	Car engine underbody shield	A shield with stiffening ribs, drain holes and cooling&heating vents can ensure its bearing capacity, heat dissipation and drainability to extend product lifetime. Furthermore, the shield is surrounded by structures for punching and shearing to solve trimming issuee, reduce manpower, increase production efficiecnyn and lower costs.	Appliable to under body shield	Underbody shield
	Reinforced car engine underbody shield	Two sides of a car body are installed with S-shaped stiffening ribs in order to increase its strength and toughness, and extend service life. In addiiotn, the utility model is well designed with a number of characteristics, including good drainage, efficient heat dissipation and easy replacement and maintainance to improve product competitiveness.	Appliable to under body shield	Underbody shield
	Nervous type Car Frontend	Instead of metal headlight brackets, seamless plastic headlight brackets require less parts and processiong and benefit in lightweight auto parts.	Applicable to front end module	Frontend molds
	Noise reduction and muffler function of the car engine underbody shield	Round dimples on a underbody shield can reduce the weight of the underbody shield by using less materials and save costs. This type of shields can also eliminate noises and ensure that drivers are saef on the road. Reinforced structure around mountings holes and the right side of the underbody shield is strengthend with stiffening ribs.	Appliable to under body shield	Underbody shield
	Car instrument panel beam	A main tublar bracket with holes can discharg welding slag in time and prevent noise pollution. The holes are sealed by buckets to ensure high leakproofness, prevent bimetallic corrosion and increase service life. Furthermore, the untility mode are high-functioning, hight-integrated, lightweight and high-strength.	Applicable to Car instrument panel beam	Car instrument panel beam
	Frontend molds quiet gondor, strength test device.	In response to trends of lightweight car and modularization and needs of verifying frontend molds, the test device is designed to verify frontend molds quiet gondor and strength.	Applicable to frontend module testing	Underbody shield

	Frontend molds Locks holding position daishe test device.	Due to much higher standard of impact resistance for bonnet locks of frontend molds during driving at full speed, the test device is designed to verify the quality of the holding position in order to meet the strength requirements of the frontend molds locks holding position.	Applicable to Frontend molds Locks holding position daishe test	Frontend molds
	Auto-water cutting equipment	An auto-water cutting equipment can satisfy the needs of various modern car types with advantages of less molds and batch production. The equipment can save space, increase precision and improve work environment and safety for machine operators to inspect and test molds for various parts with characteristics of precise positioning, user-friendly operation system and easy maintenance.	Applicable to production of wheel arch liners	Applicable to Audi Q3
	Robotic flame handling / paint / gas marking station	Instead of manual operation, the Company adopted automatic robots to complete the process of flame handling-painting-marking. The pocess of painting is finished in a closed but purified space to ensure production safety and consistant quality and prevent operators form health hazards.	Applicable to production of spare wheel pans and door modules	Spare wheel pans and door modules
	Reinforced ring connection detection device	Meeting requirements of strength, size and product quality by adopting connection detection device.	Applicable to reinforcement plate for car seats	Applicable to reinforcement plate for car seats
	Front bracket auto-assembly device	Automatically clamping by adopting assembly torque wrenches to quarantee product quality and increase efficiency at work.	Applicable to engine brackets	Applicable to engine brackets
	Sound reinforced bracket self-locking nut auto-assembly device	Increasing efficiency at work by using sleeve nuts driven by servomotors, automatic clamps and laser detectors in order to measure distances and ensure assembly precision of self-locking nuts.	Applicable to reinforcement brackets for car audio	Various assembly structures of self-locking nuts
2017	A welding machine with self-balancing microsystems	A welding machine with self-balancing microsystems is designed to make microadjustment by automatically measuring angle of inclination and changes in pressure	Applicable to robot welding for auto parts	Robot welding for various auto parts
	A vertical welding mechanic with a test system	A vertical welding mechanic with a test system is designed to inspect and detect at any time wear conditions of workpiece brackets and pillars. The relevant data can be automatically saved and recorded with an alarm system.	Applicable to robot welding for auto parts	Robot welding for various auto parts
	A coating manipulator shifting device	A coating manipulator shifting device is degined to make microadjustment and monitor the levelness by using machines, which are able to move vertically and horizontally.	Applicable to coated auto parts	Various coated auto parts
	A Inspect mould with nut anti-reverse and anti-leak function	An user-friendly inspect mould with an appropriate design and a simple structure has anti-reverse and anti-leak function.	Applicable to riveted parts	Various riveted parts
	A Riveting equipment with nut anti-reverse and inspection function	An user-friendly riveting equipment with an appropriate design and a simple structure has nut anti-reverse and inspection function.	Applicable to riveted parts	Various riveted parts
	An anti-leakage process improvement device	An anti-Leakage process improvement device is designed to improve the current status of spot welding station, prevent mixture of materials and eliminate safety risks.	Applicable to riveted parts	Various riveted parts
	Roll pressure front hole inspection equipment	A kind of roll pressure front hole inspection equipment. This design overcomes the failure to inspections after punching roll pressure front molds, and achieves the goal of inspecting holes without impact on production and processing.	Applicable to door sills	Car door sills
	A new kind of automatization decorating equipment	A new kind of user-friendly and highly automated decorating equipment with an appropriate design and a simple structure to complement deficiencies of current technologies.	Applicable to exterior A-Pillar trims	Various exterior A-Pillar trims
	A kind of circulating water, cold water improvement device	A kind of circulating water device for cold water improvement is designed to improve the colling effect, extend the service life of electrode covers and increase production capacity.	Applicable to cooling system for resitenace welding	Resistance welding parts
	An extension welding system	An extension welding system is designed to solve issues of high fatigue strength and low efficiency out of current technologies.	Applicable to resistance spot welding parts	Various resistance spot welding parts
	Detection device with anti-error function	A user-friendly detection device with an appropriate design and a simple structure has anti-error function.	Applicable to door sills	Car door sills
	A new type of device to avoid leakage riveting nuts	A new type of user-friendly device with an appropriate design and a simple structur to avoid leakage riveting nuts.	Applicable to door sills	Car door sills
	An anti-leakage process functional device	An anti-leakage process functional device is designed to improve the current status of spot welding station, prevent mixture of materials and eliminate safety risks.	Applicable to wheel arch liners	Various wheel arch liners

	A roll pressure front hole inspection device	A kind of roll pressure front hole inspection equipment. This design overcomes the failure to inspections after punching roll pressure front molds, and achieves the goal of inspecting holes without impact on production and processing.	Applicable to door sills	Car door sills
	An efficient self-bending equipment	A new kind of user-friendly and highly automated self-bending equipment with an appropriate design and a scientific structure to complement deficiencies of current technologies.	Applicable to exterior A-Pillar trims	Various exterior A-Pillar trims
	An electric circle, water cooled circuit	A kind of electric circle for water cooled circuit is designed to improve the colling effect, extend the service life of electrode covers and increase production capacity.	Applicable to cooling system for resistance welding	Resistance welding parts
	A new type stretch welding machine	An extension welding system is designed to solve issues of high fatigue strength and low efficiency out of current technologies.	Applicable to resistance spot welding parts	Various resistance spot welding parts
2018	Static stiffness and strength testing device for frontend module	In response to trends of lightweight car and modularization and needs of verifying frontend molds, the testing device is designed to verify static stiffness and strength of frontend molds.	Frontend molds	Frontend molds
	Plastic front end module eight-character beam structure	It can increase structural strength of frontend moldes without locker bracket but reduce total weight of a vehicle. This beam structure has been applied widely in the process of designing frontend molds so that it can improve promotion to customers. Particulary it is applicable to new eneger cars and traditional cars when introducing customers products with reinforced structure, such as eight-character beam structure.	Framework design of frontend molds	Frontend molds
	Automatic water cutting device	An auto-water cutting equipment can satisfy the following needs: capacity requirements, precision of parts, less labor costs and a safe workplace for operators with the aim of improving product quality, technology level and yield rates and ultimately reducing costs.	Wheel arch liner for Audi Q3	Hot-pressing wheel arch liner
	Robotic flame handling / paint / gas marking station	Instead of manual operation, the Company adopted automatic robots to complete the process of flame handling-painting-marking. The pocess of painting is finished in a closed but purified space to ensure production safety and consistant quality and prevent operators form health hazards.	Spare wheel pans and door modules	Spare wheel pans and door modules
	Reinforcing ring riveting detection device	Meeting requirements of strength, size and product quality by adopting riveting detection device.	Reinforcement plate for car seats	Reinforcement plate for car seats
	Front bracket auto-assembly bolts device	Advanced automated manufacturing process by adopting electronic torque wrenches and pneumatic type clamp to quarantee product quality and increase efficiency at work.	Applicable to bolt assembly, requiring precise torque control	Various engine brackets
	Sound reinforced bracket self-locking nuts auto-assembly device	Increasing efficiency at work by using sleeve nuts driven by servomotors and automatic clamps in order to measure distances and ensure assembly precision of self-locking nuts.	Reinforcement brackets for car audio	Various assembly structures of self-locking nuts
	A complexation multiple materials CCB	It's weight reduced by 35%-45% with less R&D expenses and less parts for assembly. It also ensures overall precision and minimize deformation risks on CCB's size, resulting from welding. Its surface is anti-erosion. It also simplify processing procedure, decrease takt time and increase efficiency.	Applicable to Car instrument panel beam	Car instrument panel beam
	A complexation materials CCB	1. Simplifying processing procedure, decreasing takt time and increasing efficiency; 2. Minimizing deformation risks on CCB's size, resulting from welding; 3. Less parts for assembly can ensure overall precision; 4. It's weight significantly reduced by 40-50%; 5. It does not require surface treatment.	Applicable to Car instrument panel beam	Car instrument panel beam
	A complexation materials CCB	1.It is lighter than traditional bumper beam; 2.High structural strength, high corrosion resistance and high impact resistance; 3.The flexible design can be applied to parts with complex structure; 4.It requires more simplified technology process without welding.	Rear bumper beam	Rear bumper beam
2019	Leakage detection device for metal stamping parts	A kind of leakage inspection device for metal stamping parts. It belongs to automotive parts detection device.	Metal stamping parts	Metal stamping parts
	RIM car front bumper	It puts two kinds of raw materials (polyethylene and isocyanate) into temperature-controllable tanks equipped with the stirrer. After accurate measurement, the two components are respectively sprayed into the mixing chamber based on a certain proportion, in which the materials are fully mixed in mist status. Then they are injected into the mold under certain pressure, which will be cured in the mold after chemical reaction, and finally form the polyurethane polymer.	Car front bumper	Car front bumper

	LFT-D material automotive rear bumper beam	It is the application of LFT-D material in the automotive rear bumper beam.	Automotive rear bumper beam	Automotive rear bumper beam
	Manufacturing method of complication continuous glass fiber reinforced frontend module	The complication continuous glass fiber reinforced frontend structure is designed to apply finite element topology optimization to locate the weak structure, which is then locally reinforced by the complication continuous fiberglass board. In this way, it increases the stiffness and strength of the weak locations to meet the performance requirements, making the frontend module light weight and long service life.	Frontend	Frontend
	Fiber local reinforced plastic spare wheel pan and production method	Fiber local reinforced plastic spare wheel pan belongs to automotive spare wheel pan.	Spare wheel pan	Spare wheel pan
	Production method of continuous glass fiber board reinforced plastic CCB assembly	The design method of continuous glass fiber board reinforced plastic CCB assembly applies the finite element topology optimization to locate the weak structure, which is then locally reinforced by the new complication continuous fiberglass board, so as to achieve local reinforcement, uniform stress and lower stress concentration of the plastic CCB assembly.	Plastic CCB assembly	Plastic CCB assembly
	CCB vibration testing by finite element simulation method	It test the CCB vibration by finite element simulation method. CCB assembly is an important automobile part. The results obtained by conventional analysis method are not accurate. The vibration performance of CCB is verified by finite element method.	CCB	CCB
	A kind of fiber local reinforced plastic door substrate	The patent of continuous fiber board local reinforced door substrate is invented in the development or production of automotive door substrates, which aims to producer the door substrate lighter than conventional metal and non-metal door substrates under the premise of satisfying the performance requirements. The patent realizes the door substrates of lower weight and higher performance, achieving the effect of lightweight automobiles.	Door substrate	Door substrate
	A kind of spare wheel pan injection mold handling mechanism	The positioning mechanism is controlled by the hydraulic cylinder. While positioning, it also realizes the functions of the molding part, and the structure for positioning the sheet materials inside the mold cavity is realized. No waste material will be generated, so as to meet the design requirements.	Spare wheel pan	Spare wheel pan
	Spare wheel pan injection mold with floating positioning mechanism	It makes use of the air cylinder and the nitrogen spring, so the hanging mechanism can realize the hanging function without affecting the appearance of the product. Moreover, it realizes the positioning of the sheet material in the mold and effectively controls the material flow stability of the organic sheet material in the molding process, as well as solves the problem of placing the organic sheet material in the horizontal injection molding machine when plastic wrapping and molding of spare wheel pan. So it provides the premises for the realization of plastic wrapping and molding of spare wheel pan made of organic sheet material.	Spare wheel pan	Spare wheel pan
	Automotive CCB	Using the statistical analysis of DOE, it designed a CCB for OEM that meets the customer's needs. It was verified by the experiments of the laboratory, such as the frequency sweep vibration test and stiffness test to meet the various performance requirements of the customer.	Aluminum alloy CCB	Aluminum alloy CCB
	Automotive frontend	The main structure is of frame. The upper structure is for loading, while the pillar is of reinforced structure, and the bottom is the structure to control dimensions. The structure is streamlined, which not only meets the performance requirements, but also makes lightweight and reasonable arrangement.	Frontend	Frontend
2020	Local reinforcement technology	It uses continuous fiber board for local reinforcement of products, so as to realize lightweight products.	Mold	Mold
	Frontend integration technology	The integrated frontend module reduces the dimensional chain, improves the assembly accuracy, shortens the length of the assembly line, and elevates the assembly efficiency of the vehicle body.	Frontend	Frontend
	New CCB	Lightweight, integration, simple process and better control of accuracy	CCB	CCB
	Complication continuous glass fiber tear bumper beam	Higher precision and lightweight	Rear bumper beam	Rear bumper beam
	Lightweight door substrate	Lower weight to achieve the same strength, with the weight reduced by 30%	Door substrate	Door substrate
	Storage battery pallet	Low cost, low weight, higher precision and faster production	Battery pallet	Battery pallet

	Complication materials spare wheel pan	Lightweight and high integration	Spare wheel pan	Spare wheel pan
	SMC upper cover of battery	Significant weight reduction, high chemical resistance, excellent UV resistance and aging resistance, long service life, flame retardance, non-toxic, non-hazardous, and good dimensional stability	Upper cover of battery	Upper cover of battery
	Lightweight mold	The design minimizes the materials provided the desired machining performance, so as to achieve the purpose of lightweight and cost saving.	Mold	Mold

4. Long-term and Short-term Plans for Business Development

(1) Short-term plans for business development

- Introducing new production line equipment to increase production capacity and manufacturing efficiency.
- Seeking potential customers through existing product and five established production bases.
- Promoting lightweight solutions of current products.
- Improving production technology and R&D capabilities through academia-industry collaboration and recruit talents.

(2) Long-term plans for business development

- Staying up to date through cooperation in the supply chain and exploring new fields of R&D as well as following cutting-edge technologies.
- Focusing on production processes with competitive advantages and introducing automotive manufacturing equipment (automated warehousing, robotic arms and progressive stamping) to continue innovation and improvement of R&D, design and manufacturing process.
- Providing comprehensive solutions in response to the policies of new energy industry in China's 13th five-year plan, dual-credit scheme and trends of light cars and electronic vehicles.

B. Market and the Overview of Production and Sales

1. Market Analysis

(1) Sales Area of Main Products (Service)

Unit: NT\$1,000

Sales Area \ Year	2018		2019	
	Sales Amount	%	Sales Amount	%
Domestic	21,311,629	97.51	21,549,796	96.90
Export	543,757	2.49	690,077	3.10
Total	21,855,386	100.00	22,239,873	100.00

(2) Market Share

The Group has committed itself to R&D and manufacturing of auto parts for more than a decade to provide the most comprehensive solutions for lightweight cars. In respect of design, R&D, testing and manufacturing, the Group has been a leading role in technology of the automobile industry in China, and continued to provide safer, more environment-friendly and energy efficient auto parts to customers. The Company particularly emphasizes R&D and manufacturing of three types of products, which are high strength cockpit carriers, fiberglass hot-pressing parts and stamping as well as roll parts to meet different requests from customers.

There are nearly 40 types of developed and developing frames of cockpit carriers. All frames of cockpit carriers for Audi produced by FAW-Volkswagen Automobile Co., Ltd. are manufactured by our Group. Until the end of March in 2020, batch production of and developed non-metal products are applied to more than eighty car brands, of which more than 4.57 million products are front ends. These can show the importance of the Group to the downstream OEMs

Sales of different types of vehicles in mainland China

Unit : 1,000 cars

Type\Year	2017	2018	2019
Sedan/Hatchback	11,848	11,528	10,308
SUV	10,253	9,995	9,353
MPV	2,070	1,735	1,384
Minivan	547	453	400
Passenger Car	24,718	23,711	21,445

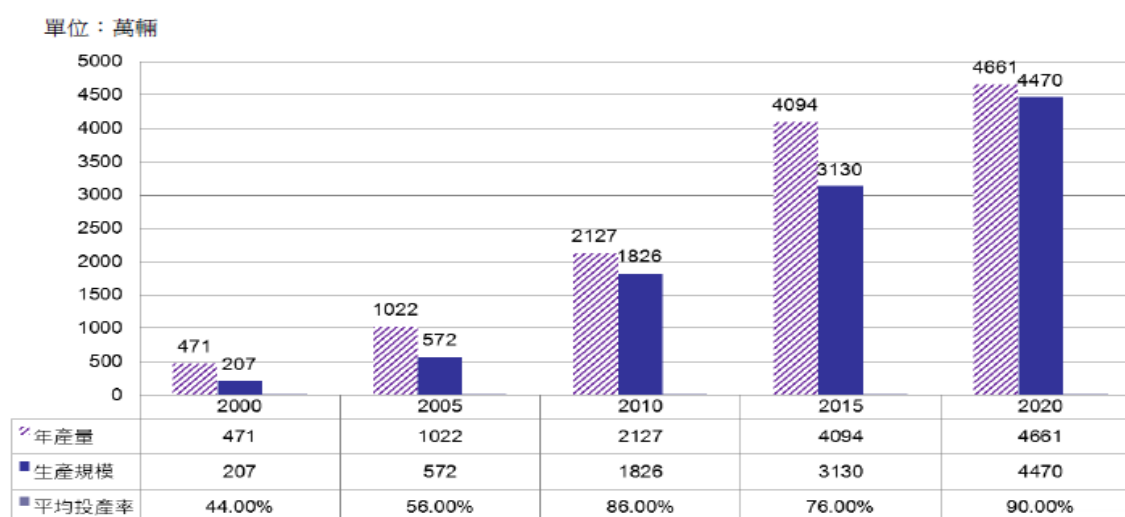
Source : the China Association of Automobile Manufacturers and industrial information published by the Ministry of Industry and Information Technology.

For example, a vehicle is equipped with a cockpit carrier. In 2019 the number of cockpit carriers sold to car makers was 3,300,000. Based on the number of passenger cars (21,445,000) in the table above, the Company's sales represented 15.38% market shares in the passenger car market in China.

(3) Future Supply and Demand & Market Growth

In the past few years, with China's growing economy and rapid development of car manufacturing and aftermarket service markets, the auto parts industry continued expanding and kept up with transformation trends and moved toward professionalization. The research report published by the Industrial Technology Research Institute showed that the car market in China maintains an upward trend before 2020.

Projected Annual Vehicle Sales in China Between 2000 to 2020



Source: China Association of Automobile Manufacturer, Forruin and the Industrial Technology Research Institute (August 2014)

Many research institutes in China predicted that the economic growth in China may remain 6% in 2020. Despite low Consumer Price Index in China, consumers tend to decrease unnecessary consumption with lower consumer confidence when GDP growth

rate is not as high as before. Given that the growth rate in the base year is high, it can be assumed that the rapid expansion stage of the automotive industry in China may end, and the market gradually moves into the stage of stable development. However, China's macroeconomic regulation and control is still in favor of development of car manufacturers and upstream auto part firms because macro-control emphasizes continuity and stability of economic policies, which benefits large-scale firms with promising long-term effect.

(4) Competitive Advantages

a. Key customers

The Group has been selected supplier for domestic car brands and received recognition of excellent performance from auto manufacturers. On the basis of existing customer, the Company continue expanding its scale and acquire valuable world famous customer, such as Volkswagen, Mercedes-Benz and BMW to seek more domestic and overseas business opportunities

b. Cost Advantage

The Group has stuck with its low cost strategy. To achieve this goal, the Company constantly refines its business model in respect of all management aspects. It also establishes a strict cost management system and various cost control measures from procurement, production and logistics. In particular, the Company takes cost of manufacturing and batch production into consideration even in the early stage of designing and developing new products and moulds. Currently the Company has developed an effective cost management system so that the Company has a certain cost advantage in comparison to other competitors in the relevant market.

c. Advantage of technology in developing products and moulds

The Group's ability in terms of product modularization, mould design and mould production has reached the skill level as other sophisticated companies in the car market. The R&D team often engaged into joint development projects on new products for different car brands with FAW-Volkswagen, SAIC Volkswagen, Beijing Benz, SAIC-GM and Brilliance Auto, and accordingly gained rich experience in product development. In addition, the Group has built close cooperation with companies from Germany, Italy and Taiwan. Particularly, the Group is able to develop various auto parts, including aluminium alloy, hot-pressing and plastic molding composites, realize product standardization and improve production efficiency to strengthen its core competency.

d. Well-established production bases

The Group launched a tactical plan to arrange production bases few years ago. Up to now, the Company has set up production bases in Changchun, Chengdu, Tianjin, Foshan, Suzhou, Changsha, Yizheng and Ningbo, and established production network in South China, Central China, North China, East China and North East China to reduce delivery distance from suppliers to automakers, and speed up response time requested by automakers. Briefly, the Company's tactical plan in China has been completed so the Company can provide more suitable services to meet customers' expectations and equip itself with geographic competitive advantages to improve market development.

(5) Positive Factors and Negative Factors affecting Development of a Business Vision and Mitigation Measures

a. Positive factors

b. Policy support from the Chinese government:

Since China joined the WTO, China has played more important role in global car industry and became one of national car markets, which continue growing at a stable rate. Following the energy policy set out in China's 13th five-year plan, Chinese government will take more active actions – subsidies for example, to promote new energy and eco-friendly vehicles. While the new energy market scale is relatively small, this policy represents a great potential for long-term development of auto parts.

c. A stable customer base in China:

A process of verification and validation is required before the tier 1 car companies select their suppliers. For an auto parts manufacturer, when its products are used in the automobile assembly line, it represents that the auto parts manufacturer's products are quite competitive. In addition, the long-term cooperative relationship with existing customers will help the Group to be recognized more easily by other tier 1 car companies and enable the Group being more competitive to explore the market.

d. A shift toward China in global sourcing:

In contrast with markets in Europe and America, China is the most important country, which is famous for its low-cost manufacturing. In recent years, global sourcing in the auto parts industry gradually shifted toward China and set many procurement centers. Low-cost products are the major advantage for the Group to explore foreign markets in the future.

e. Negative factors and mitigation measures

f. Increasing labor cost in mainland China:

In recent years, the minimum wage and employment protection in every province and city in China have increased and improved, resulting in growing labor cost. In addition, with development of society, the national average educational attainment level has increased, which caused a reduction of labor supply in China has reduced and led to increasing operating costs year by year.

Mitigation measure :

The Company has committed to a more refined manufacturing process and automated production lines to reduce the demand for labor and improve product quality.

g. High customer concentration:

The Group supplies its products to specific automobile manufacturers, and it is regarded by these customers as the best-performing firm. In the past, the Company had received orders from a single automobile manufacturer, which led to high customer concentration.

Mitigation measure:

The Group will accelerate product development to meet needs of other automobile manufacturers and then increase sales in order to reduce customer concentration.

h. Relatively small scale company in comparison with global well-known companies:

By comparison with world-famous auto parts manufacturers, the Company has less asset value and smaller business scale, and its R&D capabilities and financial strength is also not as good as those international competitors. °

Mitigation measure:

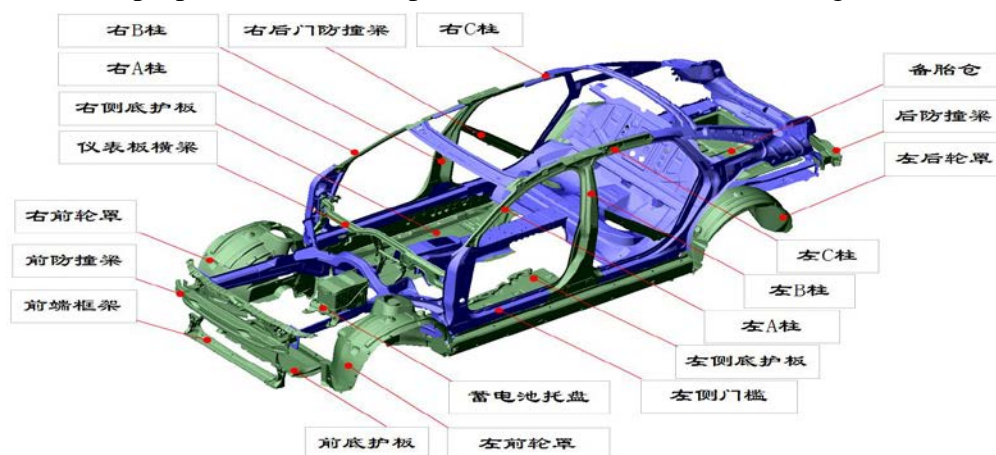
Due to insufficient operating capital, the Company sources finance and funding by offering shares publicly to acquire. In the future, the Company may increase its asset base and profitability through M&A.

2. Important Purpose of Main Products and the Manufacturing Process

(1) Important Purposes of Main Products:

- Metal : vehicle body stamping parts, cockpit carrier and vehicle body parts.
- Non-metal: Under body shield, front end, wheel arch liner, spare wheel pan, battery tray and door module.

The purposes of the main products are illustrated as the diagram below:



(2) Manufacturing Process

The manufacturing processes vary depending on different product types. All processes are illustrated as the diagram below:

Non-metallic injection	Non-metal hot pressing	Metal stamping	Metal welding			Metal rolling		
<ul style="list-style-type: none"> •Procurement of raw materials •Testing and inspection •Storage •Injection moulding •Assembling •Testing and inspection •Packaging •Delivery 	<ul style="list-style-type: none"> •Procurement of raw materials •Testing and inspection •Storage •material heating •Hot-pressing moulding •Testing and inspection •Punching •Testing and inspection •Assembling •Testing and inspection •Packaging •Delivery 	<ul style="list-style-type: none"> •Procurement of raw materials •Testing and inspection •Storage •Blanking •Drawing process •Trimming punching •Flanging and restriking •Dimensional control •Packaging •Delivery 	<ul style="list-style-type: none"> •Procurement of raw materials •Testing and inspection •Stamping •Testing •Storage 	<ul style="list-style-type: none"> •Procurement of outsourced parts •On-site inspection •Storage 	<ul style="list-style-type: none"> •Procurement of standard parts •On-site inspection •Storage 	<ul style="list-style-type: none"> •Procurement of raw materials •Testing and inspection •Leveling •Punching •Roll molding •Cutting •Testing and inspection •Storage 	<ul style="list-style-type: none"> •Procurement of raw materials •Testing and inspection •Storage •Stamping •Testing and inspection •Storage 	<ul style="list-style-type: none"> •Procurement of standard parts •On-site inspection •Storage
			<ul style="list-style-type: none"> • Welding sub-assembly •Performance test of Welding •Welding/riveting assembly •Dimension measurement/performance assessment •Packing •Shipment 			<ul style="list-style-type: none"> •Welding sub-assembly •Performance test of Welding •Welding/riveting assembly •Dimension measurement/performance assessment •Packing •Shipment 		

3. Supply of Primary Raw Materials

The Company has established a long term relationship with suppliers of primary raw materials, and paid attention to market price to stabilized purchased price of key raw materials, and also build strategic partnership with suppliers to get reliable supply.

Raw Materials	Suppliers	Supply Status
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GMT	Party F, CMT, DALIAN JINTIAN	Good
Plastics	SABIC, Nexeo Plaschem, Shanghai Juner(renamed as Shanghai Juner)	Good
Steel Sheet	Zhangquan Hardware Products, SHANGHAI ANGSHOU, PENGLONG TIANCHUANG, CHENGDU YIGANG, Tianjin Baosteel 、CHONGQING WENJIN, HONGZHONG STEEL PROCESSING, China Steel Shanghai, China Steel Changchun	Good

4. List of major suppliers and

- (1) Any supplier accounted for at least 10% of total purchases in any of the most recent two years, please identify the customer name, purchase amount and its percentage, and specify the reasons of the variance (if applicable)

Unit: NT\$ 1,000; %

Item	2018				2019			
	Name	Amount	% of total annual net purchases	Relation with issuer	Name	Name	% of total annual net purchases	Relation with issuer
1	CHANGCHUN HONGZHONG STEEL PROCESSING CO.,LTD.	925,512	5.53	Note	CHANGCHUN HONGZHONG STEEL PROCESSING CO.,LTD.	741,968	5.06	Note
	Others	15,814,703	94.47		Others	13,926,195	94.94	
	Net purchases	16,740,215	100.00		Net purchases	14,668,163	100.00	

Reasons of Variance:

Before the Group procures raw materials from suppliers, part of them required verification made by main customers. The purchase amount from main suppliers is reliant on the demand of the downstream customers. The change between 2017 and 2018 is considered reasonable.

- (2) Any customer accounted 10% of total purchases in any of the most recent two years, please identify the customer name, sales amount and its percentage, and specify the reasons of the variance (if applicable)

Unit: NT\$ 1,000; %

Item	2018				2019			
	Name	Amount	% of total annual net sales	Relation with issuer	Name	Name	% of total annual net sales	Relation with issuer
1	FAW-Volkswagen	10,104,363	46.23	None	FAW-Volkswagen	10,269,822	46.18	None
2	Beijing Benz	4,461,217	20.41	None	Beijing Benz	5,134,971	23.09	None
	Others	7,289,806	33.36		Others	6,835,080	30.73	
	Net sales	21,855,386	100.00		Net sales	22,239,873	100.00	

Reasons of Variance:

The Group has been reliable supplier for FAW-Volkswagen and Beijing Benz. The sales amount is reliant on customers' demand and the business performance. The change between 2018 and 2019 is considered reasonable.

5. Production in the most recent two years

- (1) Production in the most recent two years

Unit: NT\$ 1,000/ per 1,000 item

Item \ Year	2018			2019		
	Capacity	Output	Amount	Capacity	Output	Amount
Main Products						
Metal parts	149,810	128,120	15,021,128	155,802	127,954	15,679,462
Non-metal parts	37,300	31,680	6,296,777	38,068	30,966	5,886,173
Total	187,110	15,980	21,317,905	193,870	158,920	21,565,635

- (2) Variance Analysis

In terms of metal and non-metal products in 2019, the respective percentages of the total production are similar to the percentages in 2017. There is no significant change between 2017 and 2018.

6. Sales in the most recent two years

(1) Sales in the most recent two years

Unit: NT\$ 1,000/ per item

Item \ Year	2018		2019	
	Quantity	Amount	Quantity	Amount
Metal parts	130,564,972	14,392,276	118,721,670	13,555,918
Non-metal parts	31,129,860	5,584,981	29,381,288	5,432,247
Mould and others	3,061,929	1,878,129	976,708	3,251,708
Total	164,756,761	21,855,386	149,079,666	22,239,873

(2) Variance Analysis

Due to the growing sales of metal body parts, the annual sales in 2019 are more than the annual sales in 2018.

C. The Number of Employees in the Most Recent Two Years and As of the Date of Publication of the Annual Report

Unit: person; %

Item \ Year		2018	2019	As of March 31 2020
Staff (persons)	Manager	95	127	97
	Production Linie Worker	2,804	2,597	2,268
	General Employee	1,979	1,731	1,842
	Total	4,878	4,455	4,207
Average Age		37.00	34.44	34.71
Average Employee Tenure (Year)		4.00	3.34	5.02
Distribution of Education Attainment (%)	Doctor	0.00%	0.00%	0.00%
	Master	0.92%	0.95%	0.88%
	Bachelor	34.55%	32.19%	34.25%
	Senior High School	17.20%	16.39%	20.51%
	Below Senior High School	47.33%	50.48%	44.35%

D. Environmental Protection Expenses

Disbursements for environmental protection: total losses (including damage awards) and fines for environmental pollution for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, and an explanation of the measures (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible).

In the most recent year and as of the date of publication of the annual report, no loss or fine incurred to the Group as a result of environment pollution.

E. Labor Relation

1. Specified employee welfare measures, continuing education, job training, retirement system

and its implementation, as well as labor agreements, labor rights and employment protection measures.

(1) Employee welfare measures and its implementation

As the Company's primary business sites are located in mainland China, to protect employee welfare, it is required to offer mandatory benefits, including social insurance (covering pension, medical, maternity, work-related injury and unemployment) in accordance with local labor laws and regulations, and it also provide shuttle service, employee canteen and subsidies for car and house purchase. In addition, employees are entitled to have holiday, paid vacation, maternity leave, wedding leave and compassionate leave. The Company organizes various activities, including monthly birthday party, annual sport event and gifts for festival greetings, to bond with its employees. The Company also encourages employees based on business performance and individual achievement through a year-end bonus and performance-based bonus.

(2) Continuing education, job training

To improve employees' understanding of functionality in each department with its operating goal and relevant administrative procedures, the Company provides every new employee an on-board training to ensure his/her familiarity with work environment and applicable regulations. Furthermore, the Company regularly reviews each employee's performance and capabilities, and continues to develop future managers in respect of technology and management in order to improve its competitiveness with talent human resources,

(3) Retirement system and its implementation

As the Company's primary business sites are located in mainland China, it is required to make contributions to employee pension insurance and make payment to local Social Insurance Bureaus in accordance with local labor laws and regulations. Once an employee reaches mandatory retirement age, he/she is entitled to receive pension from the local Social Insurance Bureau. The pension fund for all current employees and retired employees is arranged exclusively by the local governments.

(4) Labor agreements, labor rights and employment protection measures^{[1][2]}

All subsidiaries of the Company have complied with Employment Contract Act and other applicable regulations to protect labor legitimate interests and maintain harmony labor relations. Up to date, no labor dispute is required to be negotiated.

(5) Communication between employer and employee

To promote business philosophy and business culture, the Company has issued an internal publication "A Window to Engley" since 2017 to facilitate communication between the Company and its employees and strengthen bonding with employees and their recognitions.

Employees set up an union and initiate union activities under the Trade Union Law in China. The labor union represents all employees' benefits and protects their legal interests. It also assists the Company in arrangement and usage of employee welfare and rewarding. Furthermore, the union organizes cultural or sport activities and help employees study politics, technology and business knowledge. The union educates employees about labor disciplines in order to complete tasks assigned by the Company. The union can sign the collective employment contract on behalf of employees with the Company and monitor the implementation of the labor contract.

(6) Labor safety

The Company set the department of system management, which will regularly check

whether the workplace meets safety requirements in order to reduce the possibility of work-related accidents. The Group also offers health checks regularly to increase employees' health awareness and improve employee physical and mental wellbeing.

The Company acquired the certification OHSAS18001. The usage of risk management tools can reduce risk of unsafe workplace and minimized the possibility of work-related accidents. Furthermore, the Company concerns food safety, it built employee canteens and delegate professional catering companies to prepare meals for employees.

2. Any loss incurred as a result of labor disputes in the most recent year and as of the date of publication of the annual report, and any loss, which may be incurred to date or in the future, and mitigation measures

The Group has recognized the importance of labor relations. In the most recent year and as of the date of publication of the annual report, no loss was incurred due to labor disputes.

F. Important Contracts

Nature of Contract	Party	Duration	Substance	Restrictive Provisions
Sales Contract	Party A	2016.04.05-2025.12.31	Agreement of selling products	None
Sales Contract	Party A	2017.01.15	Agreement of selling products	None
Sales Contract	Party B	2014.05.09	Agreement of selling products	None
Sales Contract	Party C	2014.09.24	Agreement of selling products	None
Sales Contract	Party D	2017.01.01	Agreement of selling products	None
Sales Contract	Party E	2015.03.17	Agreement of selling products	None
Construction Contract	Changchun Hongyuan Construction Co., Ltd	2017.12.19	Factory construction	None
Loan Agreement	China Construction Bank (FAW Branch)	2017.04.20-2020.04.19	RMB\$ 81.5 million for business operation of Engley Automobile Industry	None
Loan Agreement	China Construction Bank (FAW Branch)	2017.10.24-2020.10.23	RMB\$ 53.5 million for business operation of Engley Automobile Industry	None
Loan Agreement	China Construction Bank (FAW Branch)	2017.08.04-2020.08.03	RMB\$ 35 million for business operation of Engley Automobile Industry	None
Loan Agreement	Cathay United Bank (Tsingtao Branch)	2017.06.01-2020.06.01	RMB\$ 20 million for business operation of Tianjin Engley and RMB\$ 40 million for its purchase of machine and equipment	None
Loan Agreement	SinoPac Bank	2017.09.25-2020.09.24	US\$ 4 million for Taizhou Maoqi to purchase fixed assets	None
Loan Agreement	China Construction Bank (Jimo Branch)	2017.04.06-2022.04.06	RMB\$ 50 million forTsingtao Engley to build its plants	None
Loan Agreement	China Construction Bank (Jimo Branch)	2017.02.13-2022.02.13	RMB\$ 30 million forTsingtao Engley to build its plants	None
Loan Agreement	Cathay United Bank (Tsingtao Branch)	2017.09.22-2020.09.22	RMB\$ 12 million for Ningbo Maoxian to purchase machine and equipment	None
Loan Agreement	SinoPac Bank	2017.09.25-2020.09.24	US\$ 3 million for Ningbo Maoxian to purchase fixed assets	None
Loan Agreement	Mega International Commercial Bank	2018.10.22-2021.10.21	€3.5 million for business operation of Ningbo Maoxian	None
Loan	Taishin International	2019.10.30-	Joint credit contract	None

Nature of Contract	Party	Duration	Substance	Restrictive Provisions
Agreement	Commercial Bank	2022.10.29		
Finance Lease	International Far Eastern Leasing Co., Ltd.	2017.11.01-2020.09.01	Welding equipment	None
Patent Licensing	Party F	2012.11.09-2032.11.08	Licensed Engley Automobile Industry to use its patented technology (SymaLITE)	None
Patent Licensing	Party F	Licensed 2013.03.04 Relicensed 2014.06.19	Relicensed Lightweight to use its patented technology (SymaLITE)	None

VI. Overview of Company Financial Status

A. The Consolidated Financial Statements and Information for the Recent Five Fiscal Year, which includes CPAs' names with audit opinions

1. Condensed Balance Sheet and Condensed Statement of Comprehensive Income

(1) Condensed Balance Sheet

Unit: NT\$1,000

Item \ Year		Financial Information in the Last Five Years				
		2015	2016 (adjusted)	2017	2018	2019
Current Assets		6,932,263	10,643,774	11,692,130	16,236,255	14,799,104
Property, Plant and Equipment		4,869,650	6,883,445	8,511,298	8,808,774	9,379,161
Intangible Assets		74,712	856,576	1,540,036	1,469,390	1,381,716
Other Assets		2,736,579	3,397,387	3,643,411	4,504,079	4,630,796
Total Assets		14,613,204	21,781,182	25,386,875	31,018,498	30,190,777
Current Liabilities	Before Distribution	6,685,584	9,045,041	9,330,362	13,641,589	12,441,039
	After Distribution	7,125,584	9,540,041	8,901,362	13,110,557	Not distributed yet
Non-current Liabilities		747,031	2,263,234	4,594,904	3,977,436	4,665,704
Total Liabilities	Before Distribution	7,432,615	11,308,275	13,925,266	17,619,025	17,106,743
	After Distribution	7,872,615	11,803,275	13,496,266	17,087,993	Not distributed yet
Equity Attributable to Shareholders of the Parent		7,180,589	9,181,640	9,648,035	10,986,745	10,852,411
Capital Stock		1,000,000	1,100,000	1,100,000	1,190,000	1,180,070
Capital Surplus		5,600,401	6,979,967	7,053,536	7,969,511	8,371,087
Retained Earnings	Before Distribution	694,480	1,907,356	2,393,091	3,087,491	2,948,764
	Before Distribution	254,480	1,412,356	1,964,091	2,556,459	Not distributed yet
Other Equity Interest		(114,292)	(805,683)	(898,592)	(1,179,819)	(1,647,510)
Non-controlling Interests		—	1,291,267	1,813,574	2,412,728	2,231,623
Total Equity	Before Distribution	7,180,589	10,472,907	11,461,609	13,399,473	13,084,034
	Before Distribution	6,740,589	9,977,907	11,032,609	12,868,441	Not distributed yet

Source: The consolidated financial statement signed and audited by CPAs, is prepared in accordance with the International Financial Reporting Standards

Note: The Group acquired the control of Linde+Engley (Tianjin) and Linde+Engley (Changchun) in April 2016 and then acquired the control of Ningbo Maoxiang in December 2016. After the period of purchase price allocation ended on December 31 2017, the Group adopted the acquisition-date fair values to revise estimates during the period of purchase price allocation, and adjusted retrospectively the financial statement on December 31 2016 in accordance with the IFRS 3.

(2) Condensed Statement of Comprehensive Income

Unit:NT\$ 1,000

Item \ Year	Financial Information in the Last Five Years (Note)				
	2015	2016 (adjusted)	2017	2018	2019
Operating Revenue	12,405,766	15,582,053	18,879,842	21,855,386	22,239,873
Operating Margin	2,379,300	3,379,030	3,934,018	4,242,876	3,744,203
Operating Net Profit	1,324,884	1,814,732	2,007,760	1,952,400	1,433,506
Non-operating Income and Expenses	116,291	289,099	(283,523)	(211,495)	(300,471)
Net profit before tax	1,441,175	2,103,831	1,724,237	1,740,905	1,133,035
Net Income of Continuing Business Unit for this fiscal year	1,120,107	1,786,605	1,354,171	1,451,327	968,020
Net Income	1,120,107	1,786,605	1,354,171	1,451,327	968,020
Other Comprehensive Income, Net of Tax	(111,435)	(691,391)	(118,845)	(308,487)	(549,125)
Total Comprehensive Income	1,008,672	1,095,214	1,235,326	1,142,840	418,895
Net income attributable to stockholders of the parent	1,120,107	1,652,876	1,072,177	1,123,400	644,193
Net income attributable to non-controlling interests	—	133,729	281,994	327,927	323,827
Total comprehensive income attributable to stockholders of the parent	1,008,672	961,485	979,268	842,173	176,502
Total comprehensive income attributable to non-controlling interests	—	133,729	256,058	300,667	242,393
Earnings Per Share(NT\$)	11.20	15.12	9.75	9.89	5.46

Source: The consolidated financial statement signed and audited by CPAs, is prepared in accordance with the International Financial Reporting Standards

Note: The Group acquired the control of Linde+Engley (Tianjin) and Linde+Engley (Changchun) in April 2016 and then acquired the control of Ningbo Maoxiang in December in 2016. After the period of purchase price allocation ended on December 31 2017, the Group adopted the acquisition-date fair values to revise estimates during the period of purchase price allocation, and adjusted retrospectively the financial statement on December 31 2016 in accordance with the IFRS 3.

(3) The names of appointed certified accountants and their audit opinions in the last 5 years

Year	Accounting Firm	Name of CPA	Audit Opinion
2015	PricewaterhouseCoopers Taiwan	YANG, MING-CHIN, WANG YU CHUAN	Unqualified opinion
2016	PricewaterhouseCoopers Taiwan	YANG, MING-CHIN, WANG YU CHUAN	Unqualified opinion
2017	PricewaterhouseCoopers Taiwan	YANG, MING-CHIN, HSU CHIEN YEH	Unqualified opinion
2018	PricewaterhouseCoopers Taiwan	YANG, MING-CHIN, LIU, MEI-LAN	Unqualified opinion
2019	PricewaterhouseCoopers Taiwan	YANG, MING-CHIN, LIU, MEI-LAN	Unqualified opinion

Note: The CPAs explained that the pro forma consolidated financial statement was made for Cayman Engley Industrial Co., Ltd.'s listing application.

B. Financial Analyses for the Past Five Fiscal Years

Item	Year	Financial Information in the Last Five Years				
		2015	2016 (adjusted)	2017	2018	2019
Financial Structure (%)	Debt to asset ratio	50.86	51.92	54.85	56.80	56.66
	Long term capital to property, plant and equipment ratio	162.80	185.03	188.65	197.27	189.25
Solvency	Current ratio (%)	103.69	117.68	125.31	119.02	118.95
	Quick ratio (%)	61.93	71.32	72.88	73.57	75.01
	Interest coverage ratio (multiple)	15.72	20.45	8.83	7.70	4.48
Operating Performance	Receivable turnover rate (times)	4.35	4.18	4.17	4.41	4.28
	Average cash recovery day	84	88	88	83	85
	Inventory turnover rate (times)	4.14	4.08	3.84	3.53	3.45
	Payable turnover rate (times)	2.51	2.98	3.10	3.16	3.12
	Days sales outstanding	88	90	96	103	106
	Property, plant and equipment turnover rate (times)	2.63	2.65	2.45	2.52	2.45
	Total asset turnover rate (times)	0.88	0.86	0.8	0.77	0.73
Profitability	Return on assets (%)	8.50	10.26	6.44	5.84	3.96
	Return on equity (%)	16.79	20.24	12.35	11.68	7.31
	Pre-tax net profit to paid-in capital ratio (%)	144.12	191.26	156.75	146.29	96.01
	Net profit rate (%)	9.03	11.47	7.17	6.64	4.35
	Earnings per share(NT\$)	11.20	15.12	9.75	9.89	5.46
Cash Flow (%)	Cash flow ratio	3.41	18.3	19.71	8.55	23.77
	Cash flow adequacy ratio	63.14	59.33	50.42	40.11	52.97
	Cash reinvestment ratio	2.45	8.79	7.81	3.82	12.69
Leverage	Operating leverage	1.31	1.28	1.42	1.51	1.95
	Financial leverage	1.08	1.06	1.12	1.15	1.29

Analysis of significant changes in financial ratios over the last two years (excluding that every change in ratios was less than 20%):

1. Reduction of interest coverage ratio: Net profit of the year is lower than that of the same period last year.
2. Reduction of profitability: Net profit of the year is lower than that of the same period last year.
3. Increase of cash flow ratio: The account receivables of this year have been received successively, and the net cash flow of operation activities has increased.
4. Increase of cash flow adequacy ratio: Increase in net cash flow from operating activities and increase in capex for capacity expansion in recent years.
5. Increase of cash reinvestment ratio: Increase in net cash flow from operating activities and increase in capex for capacity expansion in recent years.
6. Leverage Net operating profit of the year decreased compared with the same period of last year.

Source: The consolidated financial statement signed and audited by CPAs, is prepared in accordance with the International Financial Reporting Standards

Note 1: The formula for financial analysis is specified on the next page.

Note 2: The Group acquired the control of Linde+Engley (Tianjin) and Linde+Engley (Changchun) in April 2016 and then acquired the control of Ningbo Maoxiang in December in 2016. After the period of purchase price allocation ended on December 31 2017, the Group adopted the acquisition-date fair values to revise estimates during the period of purchase price allocation, and adjusted retrospectively the financial statement on December 31 2016 in accordance with the IFRS 3.

The formula for financial analysis is as follows:

1. Financial Structure
 - (1) Debt Ratio = Total Liabilities / Total Assets
 - (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Solvency
 - (1) Current Ratio = Current Assets / Current Liabilities
 - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
 - (3) Interest coverage ratio = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance
 - (1) Receivable Turnover Rate = Net Sales / Average Trade Receivables (including trade receivables and note receivables arising from operating activities)
 - (2) Average Cash Recovery Day = 365 / Receivable Turnover Rate
 - (3) Inventory Turnover Rate = Cost of Sales / Average Inventory
 - (4) Payable Turnover Rate = 365 / Average Trade Payables (including trade payables and note payables arising from operating activities)
 - (5) Days Sales Outstanding = Cost of Sales / Inventory Turnover Rate
 - (6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net Value of Property, Plant and Equipment
 - (7) Total Asset Turnover Rate = Net Sales / Average Total Assets
4. Profitability
 - (1) Return on Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
 - (2) Return on Equity = Net Income / Average Total Equity
 - (3) Operating Income to Paid-in Capital Ratio = Operating Income / Paid-in Capital
 - (4) Pre-tax Net Profit to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
 - (5) Net Profit Rate = Net Income / Net Sales
 - (6) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
5. Cash Flow
 - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operating Activities / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
 - (3) Cash Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)
6. Leverage
 - (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
 - (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

C. Audit Committee's Review Report for the Most Recent Financial Statements

Cayman Engley Industrial Co., Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article of 219 of the Company Law, we hereby submit this report.

To the 2020 Annual Shareholders' Meeting of Cayman Engley Industrial Co., Ltd.

Cayman Engley Industrial Co., Ltd

Convener of the Auditing Committee: Liou, Cheng-Hwai

March 27 , 2020

- D. The financial statements in the most recent fiscal year, including an auditor's report prepared by CPAs, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart, and any related footnotes or attached appendices

See appendix: the consolidated financial statements for the most recent fiscal year.

- E. Standalone financial statements in the most recent fiscal year, certified by a CPA

The Company is a foreign issuer^[1]_{SEP} so this is not applicable.

- F. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year and as of the date of publication of the annual report, the annual report shall explain how such difficulties affect the company's financial situation

None

VII Review and Analysis of the Company's Financial Status, Financial Performance, and Risk Management

A. Financial Status

Unit: NT\$ 1,000

Item \ Year	2018	2019	Change		Note
			Amount	%	
Current Assets	16,236,255	14,799,104	(1,437,151)	(8.85)	
Property, Plant and Equipment	8,808,774	9,379,161	570,387	6.48	
Intangible Assets	1,469,390	1,381,716	(87,674)	(5.97)	
Other Assets	4,504,079	4,630,796	126,717	(2.81)	
Total Assets	31,018,498	30,190,777	(827,721)	(2.67)	
Current Liabilities	13,641,589	12,441,039	(1,200,550)	(8.80)	
Non-current Liabilities	3,977,436	4,665,704	688,268	17.30	1
Total Liabilities	17,619,025	17,106,743	(512,282)	(2.91)	
Capital Stock	1,190,000	1,180,070	(9,930)	(0.83)	
Capital Surplus	7,969,511	8,371,087	401,576	5.04	
Retained Earnings	3,087,491	2,948,764	(138,727)	(4.49)	
Non-controlling interests	2,412,728	2,231,623	(181,105)	(7.51)	
Total Equity	13,399,473	13,084,034	(315,439)	(2.35)	
Analysis of changes (including that every change in ratios was more than 20% and its amount reached 1% of total assets in the current year):					
The increase of non current liabilities in 2019 is mainly due to the increase of long-term borrowings and lease liabilities.					

B. Financial Performance

1. Main reasons of major changes in operating revenue, net operating profit and pre-tax net profit in the last two years

Unit: NT\$ 1,000

Item \ Year	2018	2019	Change		Note
			Amount	%	
Operating Net Profit	21,855,386	22,239,873	384,387	1.76	
Operating Costs	17,612,510	18,495,670	883,160	5.01	
Operating Margin	4,242,876	3,744,203	(498,673)	(11.75)	1
Operating Expenses	2,290,476	2,310,697	20,221	0.88	
Non-operating income and expenses	(211,495)	(300,471)	88,976	42.07	
Net profit before tax	1,740,905	1,133,035	(607,870)	(34.92)	2
Net Profit	1,451,327	968,020	(483,307)	(33.30)	3
Other comprehensive income	(308,487)	(552,275)	213,788	69.30	
Analysis of changes (including that every change in ratios was more than 20% and its amount reached 1% of total assets in the current year):					
1. Reduction of operating margin: This period is affected by the annual decline of major customers and the low price of new products. In addition, Qingdao Engly started mass production in the second quarter of 2018. Although its revenue increased compared with the same period of last year, the gross profit has not turned positive at the beginning of mass production. In conclusion, the gross profit rate of this period has decreased.					
2. Reduction of non-operating income and expenses and net profit: The operating margin of the current period is lower than that of the same period last year.					

2. Sales projection and its rationale

The reinvestment company, which the Company is affiliated to, set a reasonable sales goal based on market demand and assessment of sales and supply made by customers. Please see the section of “Overviews of Business Operation” for relevant market analysis and industrial development.

3. Plans in response to possible impact on the Company’s future financial performance

The industry where the Company runs its business still has a large potential customer base. Sales may grow with development of new projects, and business expansion plan of downstream customers. Furthermore, the Company also pays close attention to market news so as to discover development trends of the latest products in the future. By doing so , the Company can improve its profitability and maintain stable operations.

C. Cash Flow

1. Analysis of Cash Flow in the most recent year

Unit: NT\$ 1,000

Account Name \ Year	2018	2019	Difference	
			Amount	%
Net cash flow from operating activities	1,166,627	2,957,829	1,791,202	153.54
Net cash flow to investment activities	2,689,746	1,874,369	(815,377)	(30.31)
Net cash flow from financing activities	3,760,308	(693,346)	(4,453,654)	(118.44)
Analysis of changes				
1. Increase of net cash flow from operating activities.				
2. Reduction of net cash flow to investment activities.				
3. Increase of net cash flow from financing activities.				

2. Improvement plans for insufficient liquidity and liquidity analysis in 2019

- (1) Improvement plant for insufficient liquidity: The insufficient liquidity didn’t occurred to the Company, so it is N/A.
- (2) Analysis for the changes of cash flow in the next year: The Company owns adequate funds. It is expected that the operating activities will still show a net cash inflow. Therefore, it could support cash outflows of investment activities and financing activities, and there is no risk of insufficient liquidity.

D. The impact of major capital expenditures in the most recent year on financial status

The Group started to establish Tsingtao Engley in the first quarter of 2016 in response to growing businesses and align with establishment of MQB platform of FAW-Volkswagen in Jimo, Tsingtao. Tsingtao Engley began mass production in the third quarter of 2018. The Company provided financial support to Engley Automobile Industry and Foshan Engley for machine and equipment. It also supported Tianjin Engley to build new plants and purchase machine and equipment for its expansion. To harmony with the upcoming batch production of new models in FAW-Volkswagen, Beijing Benz and Geely Volvo, the Company would initiate its production in the latter half of 2019. With increased buinesses, the Company was able to repay loans gradually to decrease liabilities and reduce interest expenses. Currenly capital expenditures did not have negative impact on the Company’s financial status.

E. Reinvestment Policy in the Most Recent Year, Reinvestment Results with Reasons and Improvement Plans, and Investment Plan for the Upcoming Year

1. Reinvestment Policy

The Company's reinvestment policy focuses on its core businesses, and aims to enhance vertical integration with upstream and downstream firms. Investment related plans are analyzed and the benefit to the Group is also assessed appropriately. These plans are compliant with internal control systems approved by the Board of Directors or Shareholders' Meeting – for example, "Investment Cycle" and "Regulations on Acquisition or Disposal of Assets".

2. The main reasons of reinvestment performance (profit or loss) in the most recent year and following improvement plants

Unit : NT\$1,000

Invested Company	Shareholding (direct and indirect)	Income or Loss from Reinvestment Recognized in 2019	Reasons of Reinvestment Performance	Improvement Plan
Changchun Engley Automobile Industry Co., Ltd.	96.57%	670,863	Good business performance with growing revenue.	—
Changchun Engley Auto Parts Co., Ltd.	100.00%	103,794	Good business performance with growing revenue.	—
Suzhou Engley Auto Part Co., Ltd.	100.00%	78,937	Good business performance with growing revenue.	—
Chengdu Engley Auto part Co.	100.00%	294,995	Good business performance with growing revenue.	—
Yizheng Engley Auto Part Co., Ltd.	100.00%	19,392	Good business performance with growing revenue.	—
Liaoning Engley Auto Part Co., Ltd.	100.00%	(8,730)	Suspension of business activities, but any incurred expense would be recognized	Given that orders received are not as many as expected, the production was transferred to other plants in order to maximize production efficiency. The plants might be sold in the future.
Foshan Engley Auto Part Co., Ltd.	100.00%	45,523	Good business performance with growing revenue.	—
Tianjin Engley Manufacturing Co., Ltd.	100.00%	(86,586)	Good business performance with growing revenue.	—
Changchun Lightweight Technology Co., Ltd.	100.00%	90,638	Good business performance with growing revenue.	—
Changsha Engley Auto Part Co., Ltd.	100.00%	(38,725)	Good business performance with growing revenue.	—
Tsingtao Engley Auto Part Co., Ltd.	100.00%	(74,121)	Early-stage startup	Its performance could be improved as it

Invested Company	Shareholding (direct and indirect)	Income or Loss from Reinvestment Recognized in 2019	Reasons of Reinvestment Performance	Improvement Plan
				continued mass produce.
Ningbo Engley Auto Part Co., Ltd.	100.00%	(14,160)	Early-stage startup	Its performance could be improved as it continued mass produce.
Linde+Engley (Changchun) Auto Parts Co.,	54.00%	17,144	Good business performance with growing revenue.	—
Linde+Engley (Tianjin) Auto Parts Co., Ltd.	54.00%	412,287	Good business performance with growing revenue.	—
Ningbo Maoxiang Material Co., Ltd. (China)	51.00%	(53,602)	The car market is in poor condition	Its performance could be improved as it continued mass produce.
Taizhou Maoqi Metal Co., Ltd. (China)	51.00%	(14,250)	The car market is in poor condition	Its performance could be improved as it continued mass produce.
Jilin Jinli Auto part Co., Ltd.	23.00%	3,056	Good business performance with growing revenue.	—
Chengdu Youli Auto part Co., Ltd.	20.00%	14,610	Good business performance with growing revenue.	—
Constellium Engley (Changchun) Automotive Structures Co., Ltd.	46.00%	70,590	Good business performance with growing revenue.	—
Zhejiang Sanse Mold Technology Co., Ltd	20.00%	(12,334)	The car market is in poor condition	Its performance could be improved as it continued mass produce.
Changchun CECK Auto. Parts Co.,Ltd.	32.40%	(62,188)	Early-stage startup	Its performance could be improved as it continued mass produce.
Chongqing HC&C Auto Parts Co., Ltd	17.82%	(3,924)	The car market is in poor condition	Its performance could be improved as it continued mass produce.
Engley Automobile Industry Co., Ltd	100.00%	(1,239)	Increase expenditure in	Strengthen expenditure control
Engley Holding (Somoa) Limited	80.00%	20,126	Good business performance with growing revenue.	—
Engley Precision Industry B.V.	100%	83,162	Good business performance with growing revenue.	—

Invested Company	Shareholding (direct and indirect)	Income or Loss from Reinvestment Recognized in 2019	Reasons of Reinvestment Performance	Improvement Plan
Kranendonk Beheersmaatschappij B.V.	75.00%(Note)	41,581 (Note)	Good business performance with growing revenue.	—
Wiser Decision Holding Company Limited	100.00%	4,345	Good business performance with growing revenue.	—
Honley Auto. Parts Co.,Ltd	36.63%	(124,908)	Early-stage startup	Its performance could be improved as it continued mass produce.
CECK Holdings Co., Limited	36.63%	(77,670)	Recognized loss of Changchun CECK.	Continuous mass production and shipment of Changchun CECK products should be improved
Chi Rui (Cayman) Holding Limited	100.00%	18,406	Good business performance with growing revenue.	—

Note: The shareholding refers to the shares held by the investing company, which is one level higher than the invested company, and its recognized income or loss from investment, rather than total shareholding ratio.

3. Investment Plan for the Upcoming Year

The Company's reinvestment policy meets the needs of operational development, every subsidiary's business looks promising in the upcoming year, and the projected revenue is stable. The Company will draft a new investment plan where it is appropriate in respect of market trends, the Group's business strategy and financial status.

F. Risk Management

1. The Affect of Interest Rate, Exchange Rate and Inflation upon the Company's Profits (Losses) , and future approaches to these fluctuations

(1) Interest Rate

The Group's interest expenses in 2018 and 2019 amounted to 259,699,000 and 325,931,000 which respectively accounted for 1.19% and 1.47% of operating income. Safety Management is of the greatest importance to funding resources. Therefore, the Group has maintained good relationship with banks to increase credit limit with the lowest interest. The Group will consider limits of different financing source and related costs when it is raising funding. In the future, it will also pay attention to changes on interest rates, and take necessary action to mitigate the impact of interest rate changes upon this Group.

(2) Exchange Rate

The Group's business operations mainly concentrate in China, except for some sourced raw material and equipment outside of China. In 2018 and 2019, the amounts resulted from foreign exchange losses amounted to 83,497,000 and 13,570,000 , which respectively accounted for 0.38% and 0.06% of operating revenue. The robustness principle is applied to the Group's foreign currency management in order to protect the Group from adverse effects of exchange rate volatility. The Group also collects relevant

information about exchange rates to fully understand exchange rate trends and ensure profitability, which will not be subject to impact of exchange rate fluctuations. Furthermore, the Group's financial statements are denominated in Taiwan dollars and may result in translation exposure due to exchange rate changes. However, the translation exposure does not affect actual operating status.

(3) Inflation

In the past, the Group hadn't experienced significant influence as a result of inflation. Although inflation may cause an increase in purchase cost, the Group can swiftly adjust its quotations to its customers and suppliers depending on market prices. The Group will also pay close attention to price changes on products in the upstream sector and accordingly consider such changes in its costs and quotations in order to reduce the impact resulting from cost changes.

2. The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby, and future mitigation measures

- (1) The Group has committed to its core business and operated its business in good faith. Because its financial policy is grounded on the robustness principal, the Group has not engages in high risk or highly leveraged investments.
- (2) The Group has established "Operational Procedures for Lending Capital to Others", "Operational Procedures for Endorsements and Guarantees" and "Acquisition and Disposal of Assets Procedures". Since the Group has complied with these regulations, the risks are limited.

3. Research and development work to be carried out in the future, and further expenditures expected for research and development work

(1) Product line:

- a. Current Products: The company maintains its strength in products including front ends, battery trays, cockpit carriers, door sills, develops new products , and provide more comprehensive services to customers (product modularization- customers need not assemble small spare parts).
 - b. Application of Aluminum alloys: Given the trend of energy efficiency and environmental protection, the Company takes active actions to develop products out of Aluminum alloys to achieve the goal of lightweight cars.
 - c. Application of hot-pressing parts: Given the trend of energy efficiency and environmental protection, the Company takes active actions to develop hot-pressing products to achieve the goal of lightweight cars with the same strength.
- (2) Engagement in development of auto parts though joint venture formed by Chinese and foreign car brands: the Company continues to develop auto parts for new car brands to maintains its relationship with current customers, including FAW-Volkswagen, FAW Car and SAIC Volkswagen. In addition, the Company explores new customers, such as HYUNDAI MOBIS Group, Chery Automobile and Great Wall Motor.
- (3) Engagement in design and development of Chinese brand auto parts: the Company cooperate with Chinese brand car manufacturers (FAW Car, Hongqqi, Geely and Chang'an Automobile) to design and develop new car types. With its experiences in design, R&D and manufacturing, the Company can provide customers more comprehensive and constructive advices.

(4) Automation :

- a. Application of Robotic arms: Using robotic arms to load and unload materials aims to increase production efficiency and minimize the impact of increased labor costs.
- b. Application of automated robots: For example, welding. Increasing the proportion of fully automated welding aims to increase production efficiency and precision.
- c. Application of quick die change systems: In response to trends of mixed-model production (simultaneous production of different car models) and low inventories in the automotive industry, production lines are required to respond and adjust in timely manners. Quick die change systems can increase production efficiency.
- d. Application of progressive dies: Introduction of progressive stamping increases production efficiency per unit and minimizes the impact of increased labor costs.
- e. Fully automated detection: Using fully automated detection devices aims to grow production and improve product quality.

(5) Expected Expenses for R&D: the Company's expected expenses for R&D in 2020 may account for 2% to 5% of total operating income.

4. Changes of Government Policies and Regulatory Environment and the Effect on the Company's Financial Status as well as mitigation measures

In the most recent year and as of the date of publication of the annual report, the Group has not been affected by any major changes of domestic and foreign government policies and regulatory environment. The Group implements its business in accordance with applicable government policies and legal requirements, and pays close attention to trends of government policies and changes in regulatory environment. When any change occurs, the Group will consult with relevant experts, including legal counsels and accountants, or delegate them to evaluate and design appropriate measures to take timely actions for changes in market environment. In the most recent year and as of the date of publication of the annual report, the Group's financial status has not been affected by any changes of government policies and regulatory environment in Cayman Islands and Mainland China.

5. Changes of Technology and Industry and the Effect on the Company's Financial Status as well as mitigation measures

The automobile industry has moved toward a more intelligent and energy efficient development as a result of advanced global technology and increasing awareness of environment protection and energy saving. Nowadays electric cars, self-driving cars, electronic monitoring systems (such as tire-pressure monitoring system) have been launched to the relevant market with a trend of energy efficiency (higher fuel efficiency and lighter car weight). The Group needs to update its manufacturing process and make investment in new equipment to meet standards of automobile manufacturers.

Responsive measures :

In addition to industrial trend and the latest technology, the Group has conducted research on thickness, strength, high reliability and nature of products, and developed advanced manufacturing process, material and framework. In doing so, the Group can provide the most competitive products and service and then expand its market share in response to dynamic industrial environment and application of new technology.

6. Effect of Changes in Corporate Image on the Company's Crisis Management and mitigation measures

Since its establishment, the Company has continued reinforcing internal management and improving quality management based on the philosophy of good faith. By creating an effective corporate image, a strong customer trust in our brand has been built so that there is no such potential risk.

7. Expected Benefits and Potential Risks Associated with any Merger and Acquisitions, and mitigation measures

As of the date of publication of the annual report, the Group has not had any M&A plan. If the Company has any M&A plan in the future, the Company will make a careful assessment and consider synergy to ensure shareholders' interest.

8. Expected Benefits and Potential Risks Associated with Expansion of Plants and mitigation measures

To respond to the continuous growth of the operation scale and meet the diversified demands of customers, Linde + Engley (Tianjin) Auto Parts Co., Ltd. will expand the plant for metal surface treatment, with an estimated capacity of 300,000 unit, which will be officially put into production in Q3, 2020. These expansions enabled the Company strengthening its ability and increasing its production capacity as well as decreasing management and production costs for the purpose of expanding business and reinforcing competitiveness.

9. Risks Associated with Concentration of Purchases and Sales and mitigation measures

(1) Risks Associated with Concentration of Purchases and mitigation measures

There is no such risk associated with concentration of purchases. The Group's primary raw materials are steel and plastics. Part of them are required to be verified by major customers and then such specified raw materials will be imported through custom brokers. Because most of raw materials purchase by the Group are not rare and precious, and provided by many suppliers, it gives more negotiating space and less risk of a shortage.

(2) Risks Associated with Concentration of Sales and mitigation measures

FAW-Volkswagen Automobile Co., Ltd. was the Group's main customer in 2018 and 2019 due to industry characteristics illustrated below: A. certification: Auto parts suppliers and their products are required to be certified by automobile manufacturers; B. business scale : its scale meets the needs of automobile manufacturers in terms of scale production; C. capital scale : The process of R&D, manufacturing, and sales in the automobile industry requires a huge initial investment; D. management system: the trend is repetitive manufacturing with limited quantity, which requires stable production management system; E. long-term cooperation: In general, there are long-term cooperative relationships between automobile manufacturers and suppliers. Automobile manufacturers may cooperate with one or several suppliers, and will not change these suppliers without reasonable reasons. Furthermore, customers have long-standing trust in the Group's product quality and scheduled delivery date so transactions between two parties have gone smoothly. The reason why the ratio of sales from FAW-Volkswagen Automobile Co., Ltd to total sales has been decreasing, is that the Group actively develop new customers.

The Group will continue making efforts to improve existing customer satisfaction and strengthen competitive advantages as well as maintain the long cooperative relation with customers. In addition, the Group will keep expanding its business to seek further strategic cooperation with other automobile manufacturers and explore possibility in upstream raw materials with the aim of more diverse end customers and products

10. Potential Impact and Risk Associated with Bulk Transfer of Shares Owned by Directors,

Supervisors and Major Shareholders with more than 10% shares, and the Company's mitigation measures

The Company's Directors, Supervisors and Major Shareholders with more than 10% shares do not transfer significant numbers of their shares of the Company and management levels do not experience significant changes.

11. Potential Impact and Risk Associated with Management rights and Company's mitigation measures

There is no change in the Company's management rights in the Most Recent Year and as of the date of publication of the annual report. The Company has taken steps to improve corporate governance and introduced independent directors to establish the Audit Committee for protection of shareholders' interest. Furthermore, the Company's performance, which mainly relies on professional managers, has received its shareholders' support. In the event of changes in management rights, the Company will not be affected significantly due to its well-established internal control regime and applicable management rules.

12. Risks Associated with Litigious and Non-litigious Matters

If any final judgment, important ongoing lawsuit, non-litigation matter or administrative litigation matter in relation to the Directors, Supervisors, general managers, de facto responsible persons of the company, and the major shareholders and affiliated companies with more than 10% of the Company's shares, may have a significant effect on the company's shareholders' equity or securities price, its fact, claim amount, starting date of legal actions, relevant parties and update of its status as of the date of publication of the annual report should be disclosed : None

13. Other Important Risks and Mitigation Measures

The Company is registered in the Cayman Islands and its main business is operated in mainland China. Therefore, changes in macroeconomic situations, political environments and exchange rates in the Cayman Islands and mainland China will affect the Company's business operation. Below are detailed information about macroeconomic situations, political and economic environments, foreign exchange controls, tax and relevant regulations in the Cayman Islands and mainland China as well as whether they recognize final and binding judgments on civil matters rendered by Taiwan courts.

(1) Registered Country: Cayman Islands

a. Changes in the macroeconomic situation and political environment

The Cayman Islands is a British Overseas Territory in the West Indies, which is located in the Caribbean Sea in the south of Miami, Florida. Politics in the Cayman Islands has remained stable. Its capital city, George Town located in the Grand Cayman, is the center of administration, commerce and finance. The economy of the Cayman Islands is mainly fueled by the tourism sector and the financial services sector. The Cayman Islands is one of global financial centers.

The Cayman Islands Government took more active actions to improve its reputation as an offshore financial center. In 1986, a mutual legal assistance treat concerning the Cayman Islands was signed between the US and UK and it could prevent international criminal organizations from engaging into illegal transactions, including drug dealing or money laundering through the Cayman Islands.

As the Cayman Islands Government is taking actions to prevent crimes, it is also endeavoring to protect confidentiality of legal commercial conduct. The political and economic environment in the Cayman Islands has been stable for a long time, and it

has been a safe place.

The Company is a holding company registered as an “exempted company”, which refers to a company without substantial operational activities in the Cayman Islands. The Cayman Islands is the world’s fifth largest financial center and its politics remains stable for a long time. As a result, changes in macrocosmic situation and political and economic environment in the Cayman Islands will not have significant influence on the Company’s operation.

b. Risks associated with foreign exchange controls, tax and relevant regulations

The Cayman Islands hasn't imposed taxes relating to profits, income and gains or appreciations on individuals or companies, and no estate tax or inheritance tax is applicable. In the case where a contract is signed or made in the Cayman Islands, the stamp duty may be applied to related parties. Except that, the Cayman Islands doesn't levy any tax, which matters to the Company. In general, transfer of shares owned by the Cayman companies doesn't involve the stamp duty except for those companies with interests of lands in the Cayman Islands.

Since there is no foreign exchange controls in the Cayman Islands, the Company’s financial activities will not be affected thereby. Furthermore, the Company is just a holding company in the Cayman Islands, which does not have business activities there. In this regard, local tax and relevant regulations will not have significant impact on the Company’s operation though the registered country is the Cayman Islands.

c. Recognition of final and binding judgments on civil matters rendered by Taiwan courts

As per legal opinions of the Cayman Islands, a final civil judgment rendered by a foreign court can be recognized by courts in the Cayman Islands and be enforceable there in the case where it meets the following requirements: A. it is a final and binding judgment; B. it is rendered by a foreign court, which has jurisdiction over the case; C. it relates to claims for monetary debts (excluding tax payables, administrative penalties, fines and other similar obligations) or non-monetary remedies (restricted in certain circumstances), and D. the judgment and its enforcement should not violate the principle of fairness or public policies of the Cayman Islands.

(2) The Country where the Main Business is: Mainland China

a. Changes in the macroeconomic situation and political environment

Since the “open door policy” was adopted in 1978, the economy of mainland China has continued to grow. Data from the National Bureau of Statistics in China shows that between 2016~2018, the GDP figures in China were worth RMB\$ 6,365 billion, 6,767 billion and 7,441 billion with the annual growth rates of 7.4%, 6.9% and 6.7% , . Although the rate of economic growth slowed slightly, China overtook Japan as the second largest economy behind the United States. In March 2016 , the conclusions of the Chinese People's Political Consultative Conference and the National People's Congress stated that the Chinese Government would follow the spirit of the Twelfth Five Year Plan, and develop digital and intelligent industries with the aim of stabilizing economic growth. To achieve this goal, the Chinese Government helps businesses reduce their costs, diminish the gap between countries and cities, increase minimum wage, and encourages innovation for industrial upgrades as well as support industries associated with energy efficiency and carbon emissions reduction. The overall economy in China is still subject to limited resources and environmental conditions, and facing challenges of supply and demand for labor as well as changes in China’s

population. The key for China's economic growth in the long run will be more reliant on innovative development and adjustment of economic structure. In terms of recent economic situation in mainland China, price control would be the priority of macroeconomic regulation and control. When approaches of macroeconomic regulation and control become effective, economic growth rate will slow accordingly. Despite of this, medium- and long-term momentum for stable economic growth remains.

b. Risks associated with Foreign Exchange Controls, Tax and Relevant Regulations

i. Risks associated with Foreign Exchange Controls

After 1978, foreign exchange controls in China switched gradually from central planning to market orientation. Since 1994, China has implemented a series of proposals to reform foreign exchange regulations and make the market mechanism work appropriately. They included: 1) the “regulated float regime” based on market supply and demand with the aim of using single exchange rate system; 2) a banking system for foreign exchange settlement and sale to take steps to make RMB convertible freely under the current account; 3) establishment of an inter-bank foreign exchange market in order to improve exchange rates formation mechanism and keep reasonable and relatively stable RMB rate.

Exchange of RMB and foreign currency depended on political impact in China and international political and economic environment. On July 21, 2005, Chinese Government adopted a floating exchange rate system, and RMB stopped pegging to US dollar. The value of RMB is determined by a basket of foreign currencies so that the RMB rate is allowed to float conditionally. Foreign exchange in China is not fully deregulated. However, China continues to open up its foreign exchange market as a result of global economic development. In this regard, the current foreign exchange controls do not have significant impact on the Company's business.

ii. Tax risk

Before January 1, 2008, the “Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises” provided that 30% of enterprise income tax and 3% of local income tax are were applied to foreign investment and foreign enterprises established in China (hereinafter collectively referred to as “foreign investment”). Chinese Government offered various tax benefits, including tax exemptions, reduced tax rates, tax refunds to foreign investment and companies, which meet specified requirements and other policies. The “Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises” (hereinafter referred to as the “China Tax Law”) and its enforcement rules both came into effect on 1 July, 1991 and were abolished on January 1, 2008. The income tax on foreign enterprises, which have establishments or places in Special Economic Zones engaged in production or business operations, and on enterprises with foreign investment of a production nature in Economic and Technological Development Zones, shall be levied at the reduced rate of 15%. The enterprise with foreign investment of a production nature scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a fifty percent reduction in the third to fifth years (three years of exemption plus three years of 50% reduction). According to the China Income Tax Law and its enforcement rules, any exported enterprise with foreign investment, which total exports in any year are more than 70% of total products made by such enterprise, can enjoy 50 % reduction of enterprise income tax after the periods of

tax exemption and reduction expire. In the case where any enterprises are in Special Economic Zones and Economic and Technological Development Zones and other enterprises for export, which pay 15% income tax rate, meet the aforementioned requirements, 10% of enterprise income tax will be applied.

On March 16, 2007, mainland China enacted the new “Enterprise Income Tax Law of the People's Republic of China” and then enacted on December 6, 2007 the “Implementation Rules of Enterprise Income Tax Law of the People's Republic of China”. Since January 1, 2008, 25% of the enterprise income tax has been applied to domestic enterprises and foreign enterprises and a number of tax exemptions and benefits for foreign investment has been revoked. The enterprise income tax benefits for foreign enterprises will increase to 25% from lower tax rates in five years after the new Enterprise Income Tax Law came into enforce.

In terms of Value-Added Tax, all units and individuals engaged in the sale of goods, provision of processing, repair and replacement services, and the importation of goods within the territory of the People's Republic of China are taxpayers of Value-added Tax , and shall pay VAT (0%~17%) and zero tax for exportation of goods in accordance with Provisional Regulations of the People's Republic of China on Value-added Tax. Furthermore, the new Enterprise Income Tax Law and its Implementation Rules stated that the term "resident enterprise" as mentioned in this Law refers to an enterprise which is established under the law of a foreign country (region) but whose actual office of management is inside China. Any resident enterprise shall pay enterprise income tax (25%) on its incomes derived from China as well as on incomes that it earns external China.

c. Labor Contract Law

To clarify the rights and obligations of both parties of labor contracts, protect the legitimate rights and interests of employees, and establish and develop a harmonious and stable employment relationship, the “Labor Contract Law of the People's Republic of China” (hereinafter referred to as the “Labor Contract Law”) came into effect on January 1, 2008. Employers should comply with contracts and national regulations to pay reasonable remuneration in time to employees. Employers also need to enumerate explicitly the rights and obligations of both parties of labor contracts. In the case of statutory rights and benefits, they will increase labor costs for enterprises and it may have undesired effect on the company’s financial situation. If the rights and obligations of employees and employers are explicitly set out in labor contracts, it can avoid many conflicts to harmonize mutual relationship for a long run. The Company’s subsidiary has signed contracts with all employees in accordance with the Labor Contract Law, and developed labor policies as well as employees’ social insurances. While any changes in labor related law may have impact on the Company to a certain extent, the Company will keep paying attention to legal changes in China and make plans in response to these changes.

d. Dividend Allocation

Given that the Company is a holding company, the ability of paying dividends is subject to earnings and distributions of its affiliated companies and the measures and amounts of the distribution approved by the Board of Directors. In the regard, future distribution of dividends depend on overall operational performance, financial status, demand for cash and applicable laws and statutes. Under Chinese laws, Chinese subsidiaries only can distribute and pay dividends allocated from net profit. Net income will be based on retained earnings determined in accordance with Chinese GAAP and relevant financial regulations, which the standards are different from

IFRS.

In addition, each of the Company's subsidiaries in China is required to allocate at least 10% of net profit after tax as statutory earnings (which is non-distributable reserve. When the legal reserve accumulates up to 50% of the registered capital, the Company needn't contribute to statutory earnings from net profit after tax) in the current year before distribute profit in accordance with applicable laws and regulations. In the case where the Company's subsidiaries in China pay dividends to the Company through outflow of capital (10%), the Company's ability to distribute dividends to shareholders is likely to be affected.

- e. Recognition of final and binding judgments on civil matters rendered by Taiwan courts

An explanation of the Supreme People's Court is as follows : The Court enacted the 《Provisions of the Supreme People's Court on Recognition and Enforcement of the Civil Judgments of Courts of the Taiwan Region》 (hereinafter referred to as 《Provisions》) on May 22, 1998 and it came into effect on May 26 1998. The Court also published 《Responses to an Application for Recognition of Mediation Agreement on Civil Matters Reached at Courts in Taiwan Region or Reached at or Verified by Applicable Authorities》 on April 27, 1999 and it came into effect on May 12, 1999 . On April 10, 2001, the Court published 《Responses to an Application for Recognition of the Order of Payment Issued by a Court in Taiwan Region》 and it came into enforce on April 27, 2001. In addition, the Court published 《 Supplementary Provisions of the Supreme People's Court on Recognition and Enforcement of the Civil Judgments of Courts of the Taiwan Region》(hereinafter referred as to 《Supplementary Provisions》) on April 24, 2009 and it came into effect on May 14 2009.

According to 《Provisions》 and 《Supplementary Provisions》 , criteria of recognition of a civil judgment rendered by Courts in Taiwan Region are as follows : (1) Such a judgment can be confirmed that they are authentic and binding judgments after reviewed by the People's Court. (2) Such judgments do not fall within any of the following circumstances: A.Violation of One China Policy; B Application for recognition of a civil judgment, which is not final and binding; C. Application for recognition of a default judgment, in which the defendant(s) was not summoned legally, or the defendant(s) appearing in the court did not have capacity to action and no qualified representative person(s) was present at court; D. Such a judgment involves the matter, which the People's Court has exclusive jurisdiction over; F. The People's Court, or any foreign court made a judgment on the same matter, or any foreign arbitration institution made arbitration for the same matter, which was also recognized by the People's Court; G. Application for recognition of civil judgments, which violate fundamental principals of national laws or impair social public interest.

- (3) Other important matters

None.

VIII Special Disclosure

A. Information Related to the Company's Affiliates

1. Consolidated Business Report of Affiliated Companies

(1) Organizational Chart: Please see II Company Profile.

(2) Basic Information of Affiliated Companies(As of December 12, 2019)

Unit: NT\$1,000

Name	Date of Establishment	Address	Paid-in Capital	Main Business or Product Category
Engley Automobile Industry Co., Ltd	2006/12/21	No.2379, Zhuoyue Street, Hi-Tech Zone, Changchun, Jilin	5,796,208	Manufacturing and Sale of Auto Parts
Engley Auto Parts	2001/02/09	No.567, Yumin Road, Economic Development Area, Changchun, Jilin	266,574	Manufacturing and Sale of Auto Parts
Suzhou Engley	2008/02/18	No.32, Taizhong Road, Yuewang yuezhen Village, Shaxi Town, Taicang City, Suzhou, Jiangsu	430,483	Manufacturing and Sale of Auto Parts
Chengdu Engley	2009/11/19	No.268, South 4 th Road, Economic and Technological Development Zone, Chengdu, Sichuan	144,040	Manufacturing and Sale of Auto Parts
Yizheng Engley	2011/05/27	No.31, Lianzhong Road, Automobile Industrial Park, Yizheng, Jiangsu	215,500	Manufacturing and Sale of Auto Parts
Liaoning Engley	2011/08/23	Yilu Industrial Park, Xintaizi Town, Tieling County, Tieling, Liaoning	271,530	Manufacturing and Sale of Auto Parts
Foshan Engley	2012/04/24	No.15-1, Dongyang 3 rd Road, Huanan Hardware Industry Base, Danzao Town, Nanhai Area, Foshan, Guangdong	1,012,850	Manufacturing and Sale of Auto Parts
Tianjin Engley	2012/09/19	No.21 Baokang Rd, Baodi Economic	735,976	Manufacturing and Sale of Auto Parts

Name	Date of Establishment	Address	Paid-in Capital	Main Business or Product Category
		Development Zone, Tianjin		
Lightweight	2013/09/17	No. 699, Shunda Road, Hi-Tech Zone, Changchun, Jilin	235,240	Manufacturing and Sale of Auto Parts
Changsha Engley	2014/05/19	No 9, Qingyuan Road, Langli Industrial Park, Changsha County, Changsha, Hunan	163,780	Manufacturing and Sale of Auto Parts
Tsingtao Engley	2016/04/25	North of Dazhong 1 st Road and West of Yingliu Road, New Automobile Industrial City, Qingdao, Shandong	927,210	Manufacturing and Sale of Auto Parts
Ningbo Engley Automobile Industry Co.,Ltd	2019/1/29	No.209, Xingci 1 st Road, New Area, Hangzhou Wan, Ningbo, Zhejiang	64,650	Manufacturing and Sale of Auto Parts
Linde+Engley (Changchun)	2012/09/11	No.888, Jinghe Street, Economic Development Area, Gongzhuling, Jilin	88,090	Manufacturing and Sale of Auto Parts
Linde+Engley (Tianjin)	2013/03/27	No.34 Baokang Rd, Baodi Energy Conservation and Environmental Protection Industrial Area, Tianjin	155,160	Manufacturing and Sale of Auto Parts
Ningbo Maoxiang	2000/06/23	No.609, Xiayingbei Road, Yinzhou District, Ningbo, Zhejiang	565,002	Manufacturing and Sale of Auto Parts , Design and Development of Moulds
Taizhou Maoqi	2014/12/26	No. 2298, Juying Road, East Section of Pengbei Avenue, Luqiao District, Taizhou, Zhejiang	603,400	Manufacturing and Sale of Auto Parts
Jilin Jinli Auto part Co., Ltd.	2007/01/04	No.1854, Jinghe Street, Economic Development Area, Gongzhuling, Jilin	86,200	Manufacturing and Sale of Auto Parts, Stamping Products 、 Hot-Presssing Products
Chengdu Youli	2010/11/09	No. 388, Section 3, Chenglong Avenue,	128,801	Manufacturing and Sale of Auto Parts,

Name	Date of Establishment	Address	Paid-in Capital	Main Business or Product Category
Auto part Co., Ltd.		Longquanyi District, Chengdu Economic and Technological Development Zone, Sichuan		Stamping Products 、 Hot-Presssing Products
Constellium Engley (Changchun)	2009/12/14	No. 677 Sanyou Road, Economic Development Zone, Chaoyang Changchun	159,630	Manufacturing and Sale of Auto Parts, Stamping Products 、 Hot-Presssing Products
Zhejiang Sanse Mold Technology	2009/06/09	The Coastal Industrial Town of Sanmen, Taizhou City, Zhejiang	166,146	Manufacturing and Sale of Auto Parts , Design and Development of Moulds
Changchun CECK Auto. Parts Co.,Ltd.	2014/04/30	No. 2299, Chaoyue Street, Changechun, Jilin	614,917	Manufacturing and Sale of Auto Parts , Design and Development of Moulds
Chongqing HC&C	2016/05/19	No.3 Tongguan Avenue, Yufengshang Town, Yubei District, Chongqing	1,172,661	Manufacturing and Sale of Auto Parts , Design and Development of Moulds
Taiwan Engley	2016/09/02	8F., No. 349, Sec. 2, Zhongshan Rd., Changhua City, Changhua County	6,000	Wholesale and Sale of Auto Parts
Engley Holding (Samoa) Limited	2016/10/25	Portcullis Chambers, P.O. Box 1225, Apia , Samoa, P.O. Box 1225, Apia , Samoa.	335,836	General Investment
Engley Precision Industry B.V.	2017/01/20	Herikerbergweg 238, 1101CM Amsterdam, The Netherlands.	555,873	General Investment
Kranendonk Beheersmaatschapp ij B.V.	1998/11/25	Biezenwei 14 P.O. Box 6147, NL-4000 HC Tiel, The Netherlands.	3,079	Solutions of welding, cutting and assembling by flexible robots.
Wiser Decision Holding Company Limited	2018/10/23	8F., No. 349, Sec. 2, Zhongshan Rd., Changhua City, Changhua County	104,930	General Investment
Honley Auto. Parts	2013/12/26	No. 32, Jingjian Road, Pingtung City	1,681,388	Manufacturing and Sale of Auto Parts,

Name	Date of Establishment	Address	Paid-in Capital	Main Business or Product Category
Co.,Ltd				Stamping Products 、 Hot-Presssing Products
CECK Holdings Co., Limited	2014/02/04	No. 88, Chenggong 2nd Road, Lingya District, Kaohsiung City	1,349,100	General Investment
Chi Rui (Cayman) Holding Limited	2014/10/15	10-2F., No. 349, Sec. 2, Zhongshan Rd., Changhua City, Changhua County	442,000	General Investment

- (3) Under Article 369-3 of the Company Act is presumed the existence of controlling and subordinate relation: None
- (4) Sectors covered by the Group's Business The man businesses for the affiliated companies of the Group include manufacturing and sale of auto parts regarding stamping, rolling, and hot-pressing, design and manufacturing of moulds as well as technology consulting services and manufacturing and development of automation equipment.

(5) Name of Directors, Supervisors and General Manager in each Affiliated Company and their Shares hereof.

March 31, 2020

Company	Title	Name of Representative(s)	Shareholding	
			Shares	%
Engley Automobile Industry Co., Ltd	Chairman	Lin, Chi-Pin	—	—
Engley Automobile Industry Co., Ltd	Chairman&General Manager	Lin, Shang-Wei	—	—
Engley Automobile Industry Co., Ltd	Director	Liu Jun, Lin, Shang-Chi, Zhang Ning, Meng Yan, Wang Jun	—	—
Engley Automobile Industry Co., Ltd	Supervisor	Hou Quan Chang	—	—
Engley Automobile Industry Co., Ltd	Supervisor	Li Shi Guang, Wang Yi Ning	—	—
Engley Auoto Parts	Chairman	Lin, Chi-Pin	—	—
Engley Auoto Parts	Vice Chairman	Lin, Chen-Yin	—	—
Engley Auoto Parts	Director	Lin, Shang-Chi	—	—
Engley Auoto Parts	Supervisor	Lin, Shang-Wei	—	—
Suzhou Engley	Chairman	Lin, Shang-Wei	—	—
Suzhou Engley	Director	Lin, Chen-Yin, Chen, Jung-Juan	—	—
Suzhou Engley	Supervisor	Lin, Shang-Chi	—	—
Suzhou Engley	General Manager	Chen, Ming-Hui	—	—
Chengdu Engley	Chairman	Lin, Shang-Wei	—	—
Chengdu Engley	Director	Lin, Chen-Yin, Lin, Shang-Chi	—	—
Chengdu Engley	Supervisor	Yu Li	—	—
Chengdu Engley	General Manager	Zhang Yu Bao	—	—
Foshan Engley Auto Part Co., Ltd.	Executive Director	Lin, Chi-Pin	—	—
Foshan Engley Auto Part Co., Ltd.	Supervisor	Lin, Chen-Yin	—	—
Foshan Engley Auto Part Co., Ltd.	General Manager	Lv, Dong-Sheng	—	—
Tianjin Engley	Executive Director	Lin, Chi-Pin	—	—
Tianjin Engley	Supervisor	Lin, Shang-Chi	—	—
Lightweight	Executive Director	Lin, Shang-Wei	—	—
Lightweight	Supervisor	Sun Shu Yuan	—	—
Lightweight	General Manager	Ma Ji	—	—
Changsha Engley	Director&General Manager	Lin, Chen-Yin	—	—
Changsha Engley	Director	Lin, Shang-Wei, Lin, Shang-Chi	—	—
Changsha Engley	Supervisor	Yu Li	—	—
Changsha Engley	Director&General Manager	Lin, Shang-Wei	—	—
Changsha Engley	Director	Lin, Chen-Yin, Lin, Shang-Chi	—	—

Company	Title	Name of Representative(s)	Shareholding	
			Shares	%
Changsha Engley	Supervisor	Yang, Cheng-Feng	—	—
Yizheng Engley	Director&General Manager	Lin, Shang-Wei	—	—
Yizheng Engley	Director	Lin, Chen-Yin, Lin, Shang-Chi	—	—
Yizheng Engley	Supervisor	Yang, Cheng-Feng	—	—
Tsingtao Engley	Executive Director	Lin, Shang-Wei	—	—
Tsingtao Engley	Supervisor	Lin, Shang-Chi	—	—
Tsingtao Engley	General Manager	Lu Shi Yong	—	—
Liaoning Engley	Chairman&General Manager	Lin, Shang-Wei	—	—
Liaoning Engley	Director	Lin, Chen-Yin, Lin, Shang-Chi	—	—
Liaoning Engley	Supervisor	Yang, Cheng-Feng	—	—
Taiwan Engley	Director	Cheng Deng Ran	—	—
Linde Changchun	Chairman	Lin, Shang-Wei	—	—
Linde Changchun	Vice Chairman	Ulrich Schoof	—	—
Linde Changchun	Director	Lin, Chen-Yin, Nishant Arya, Wang Hong	—	—
Linde Changchun	Supervisor	Lin, Shang-Chi	—	—
Linde Tianjin	Chairman	Lin, Shang-Wei	—	—
Linde Tianjin	Vice Chairman	Ulrich Schoof	—	—
Linde Tianjin	Director	Lin, Chen-Yin, Nishant Arya, Wang Hong	—	—
Linde Tianjin	Supervisor	Lin, Shang-Chi	—	—
Linde Tianjin	General Manager	Wu Tingbo	—	—
Jilin Jinli Auto part Co., Ltd.	Executive Director	Hsiao Chia Chen	—	—
Jilin Jinli Auto part Co., Ltd.	Supervisor	Lin, Shang-Chi	—	—
Chengdu Youli Auto part Co., Ltd.	Chairman	Hsiao Chia Chen	—	—
Chengdu Youli Auto part Co., Ltd.	Director	Yang Chi Ming, Pai Tsung Hsien	—	—
Chengdu Youli Auto part Co., Ltd.	Supervisor	Lin, Shang-Chi	—	—
Chengdu Youli Auto part Co., Ltd.	General Manager	Tseng Jui Tien	—	—
Constellium Engley (Changchun) Automotive Structures Co., Ltd.	Chairman	Paul Warton	—	—
Constellium Engley (Changchun) Automotive Structures Co., Ltd.	Vice Chairman	Lin, Chi-Pin	—	—

Company	Title	Name of Representative(s)	Shareholding	
			Shares	%
Constellium Engley (Changchun) Automotive Structures Co., Ltd.	Director	Gao Min, Lin, Chen-Yin, Lionel Pierre Chapis	—	—
Constellium Engley (Changchun) Automotive Structures Co., Ltd.	Supervisor	Tsai, Chi-Chung	—	—
Constellium Engley (Changchun) Automotive Structures Co., Ltd.	General Manager	Sun Li Meng	—	—
Honley Auto. Parts Co.,Ltd	Chiarman	Yun Tasi Fu	—	—
Honley Auto. Parts Co.,Ltd	Director	Tsai Sung Chao、Zheng Jing Ren、Lin, Shang-Wei, Lin, Shang-Chi, Cheng Ming Hai, Liu Hong Yi	—	—
Honley Auto. Parts Co.,Ltd	Supervisor	Wang Chun Chieh	—	—
Honley Auto. Parts Co.,Ltd	General Manager	Cheng Zong Rong	—	—
CECK Holdings Co., Limited	General Manager	Cheng Zong Rong	—	—
Changchun CECK Auto. Parts Co.,Ltd.	Chiarman	Lin, Chi-Pin	—	—
Changchun CECK Auto. Parts Co.,Ltd.	Director	Zheng Jing Ren, Cheng Zong Rong	—	—
Changchun CECK Auto. Parts Co.,Ltd.	Supervisor	Ma Lain Bo, Yun Tasi Fu, Chen Kuan Fu	—	—
Changchun CECK Auto. Parts Co.,Ltd.	General Manager	Chen Tzu Ming	—	—
Chongqing HC&C Auto Parts Co., Ltd	Chairman	Lin, Shang-Wei	—	—
Chongqing HC&C Auto Parts Co., Ltd	Director&General Manager	Jing Yi Wen	—	—
Chongqing HC&C Auto Parts Co., Ltd	Director	Lin, Shang-Chi, Liu An Min, Li Yang, Cheng Zong Rong, Yun Tasi Fu, Guan Yu Liang, Zheng Jing Ren	—	—
Chongqing HC&C Auto Parts Co., Ltd	Supervisor	Deng Ping Chiun, Tsai Sung Jau	—	—
Engley Holding (Samoa) Limited	Chairman	Lin, Shang-Wei	—	—
Engley Holding (Samoa) Limited	Director	Lin, Chen-Yin, Lin, Shang-Chi	—	—
Kranendonk Beheersmaatschappij B.V.	Chairman	Lin, Shang-Wei	—	—

Company	Title	Name of Representative(s)	Shareholding	
			Shares	%
Ningbo Maoxiang	Chairman	Lin, Shang-Wei	—	—
Ningbo Maoxiang	Vice Chairman	Chang Chun Yao	—	—
Ningbo Maoxiang	Director	Lin, Shang-Chi, Chien Chi Hsing, Wu Ming Huei	—	—
Ningbo Maoxiang	Supervisor	Yang, Cheng-Feng	—	—
Taizhou Maoqi	Executive Director	Lin, Shang-Wei	—	—
Taizhou Maoqi	Director	Yang, Cheng-Feng	—	—
Taizhou Maoqi	General Manager	Yang Xue	—	—
Zhejiang Sanse	Chairman&General Manager	Li Jia Chun	—	—
Zhejiang Sanse	Director	Pan Qi Wei	—	—
Zhejiang Sanse	Director	Wang Wen Shuang	—	—
Zhejiang Sanse	Director	Long Wei Guo	—	—
Zhejiang Sanse	Director	Lin, Shang-Wei	—	—
Zhejiang Sanse	Director	Wang Yu Ping	—	—
Zhejiang Sanse	Director	Cai Ye	—	—
Zhejiang Sanse	Supervisor	Li Ming Hui	—	—
Ningbo Engley	Executive Director&General Manager	Lin, Shang-Wei	—	—
Ningbo Engley	Supervisor	Yu Li	—	—
Wiser Decision Holding Company Limited	Director	Lin, Shang-Chi	—	—
Chi Rui (Cayman) Holding Limited	Chairman	I Yuen Investmen Co., Ltd. (Representative: Hsiao Chia Chen)	—	—
Chi Rui (Cayman) Holding Limited	Director	Tseng Yu Ching 、Lin Ming Tan 、Pai Yu Hua 、Lin Hsing Hui	—	—
Chi Rui (Cayman) Holding Limited	Supervisor	Pai Tsung Hsien	—	—

(1) Financial Status and Operational Performance of Every Affiliated Companies (As of December 31, 2019)

Company	Capital (Note1)	Total Assets (Note1)	Total Liabilities (Note1)	Net Worth (Note1)	Operating Revenue (Note 2)	Operating Net Profit (Note 2)	Current profit and loss (After tax) (Note 2)	EPS (Note 2)
Engley Automobile Industry Co., Ltd	5,796,208	18,381,502	5,059,902	13,321,600	5,459,815	221,892	694,691	Note 3
Engley Auoto Parts	266,574	2,691,827	601,898	2,089,930	2,250,407	38,992	103,794	Note 3
Suzhou Engley	430,483	2,830,813	1,903,104	927,708	2,471,730	113,122	78,937	Note 3
Chengdu Engley	144,040	2,463,981	592,362	1,871,619	2,487,973	345,323	294,995	Note 3
Yizheng Engley	215,500	487,711	121,231	366,480	305,859	26,096	19,392	Note 3
Liaoning Engley	271,530	162,815	14,046	148,770	199	(10,028)	(8,730)	Note 3
Foshan Engley	1,012,850	2,259,655	1,180,858	1,078,797	1,679,306	53,421	45,523	Note 3
Tianjin Engley	927,210	2,483,853	1,561,763	922,090	3,041,380	(98,619)	(86,586)	Note 3
Lightweight	235,240	454,469	101,458	353,011	576,550	119,022	90,638	Note 3
Changsha Engley	163,780	650,911	563,071	87,840	220,458	(39,545)	(38,725)	Note 3
Tsingtao Engley	735,976	1,844,597	1,336,303	508,294	1,536,550	(74,495)	(74,121)	Note 3
Ningbo Engley	64,650	64,183	13,186	50,997	16,730	(18,887)	(14,160)	Note 3
Linde Changchun	88,090	474,971	270,997	203,975	671,525	30,729	31,749	Note 3
Linde Tianjin	155,160	3,253,928	1,182,009	2,071,919	4,772,256	901,885	763,495	Note 3
Ningbo Maoxiang	565,002	1,451,724	572,452	879,272	415,631	(104,808)	(105,101)	Note 3
Taizhou Maoqi	603,400	1,275,032	824,460	450,572	458,490	(4,011)	(27,941)	Note 3
Jilin Jinli Auto part Co., Ltd.	86,200	430,408	328,942	101,466	223,601	(6,620)	13,289	Note 3
Chengdu Youli Auto part Co., Ltd.	128,801	654,299	64,059	590,240	280,012	31,018	73,051	Note 3
Constellium Engley (Changchun) Automotive Structures Co., Ltd.	159,630	1,240,132	628,306	611,826	1,294,309	204,422	153,456	Note 3
Zhejiang Sanse Mold Technology Co., Ltd	166,146	1,099,106	664,538	434,568	606,859	(60,140)	(61,669)	Note 3
Changchun CECK Auto. Parts Co.,Ltd.	614,917	1,652,453	1,527,494	124,959	371,885	(191,966)	(191,938)	Note 3
Chongqing HC&C Auto Parts Co., Ltd	1,172,661	1,310,717	188,512	1,122,205	129,699	(64,568)	(22,021)	Note 3

Company	Capital (Note1)	Total Assets (Note1)	Total Liabilities (Note1)	Net Worth (Note1)	Operating Revenue (Note 2)	Operating Net Profit (Note 2)	Current profit and loss (After tax) (Note 2)	EPS (Note 2)
Taiwan Engley	6,000	33,597	33,249	348	9,212	(1,240)	(1,239)	Note 3
Honley Auto. Parts Co.,Ltd	1,681,388	2,516,978	1,204,350	1,312,628	37,208	(91,965)	(341,000)	(0.20)
CECK Holdings Co., Limited	1,349,100	730,196	-	730,196	-	-	(212,038)	(0.15)
Wiser Decision Holding Company Limited	104,930	109,145	-	109,145	-	-	4,345	(0.41)
Chi Rui (Cayman) Holding Limited	442,000	1,004,298	2,054	1,002,244	-	-	18,406	(0.04)

Note 1: The number was calculated based on the exchange rates on December 31 2019 (US\$29.98NT\$ 1,RMB 4.31:NT\$1).

Note 2: The number was calculated based on average yearly exchange rates in 2019 (US\$30.91:NT\$ 1,RMB 4.47:NT\$1).

Note 3 : These Companies are limited companies without issuance of shares.

2. Consolidated Financial Statements

The Foreign Company needn't prepare consolidated financial statements, which are set out in the Chapter Five of the IFRS. For the Company's consolidated financial statement, please refer to Consolidated Financial Statements Independent Auditors' Report °

3. Representation Letter for Consolidated Financial Statements: Not applicable for foreign companies.

4. Relation Report

N/A. The Company is not the subordinate company defined in the Chapter "Affiliated Enterprises" of Company Act.

B. Transaction about the company's private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

None.

C. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

None.

D. Other matters that require additional description

1. Major differences with Provisions on Protection of Shareholder Equity in Taiwan

As a result of slight differences between laws of the Cayman Islands and R.O.C, the “checklist of legal protection of shareholder equity in the country where foreign issuers are registered” (hereinafter referred to as the “checklist of legal protection of shareholder equity”) revised by the TWSE can not be fully applied to the Company. Below are the details informaino on the differences between laws of the Cayman Islands and the Company’s Article of Incorporation.

Difference	Law of the Cayman Islands	Article of Incorporation
A company which buys back its shares and assigns or transfers those shares to its employees may restrain such shares from being assigned or transferred to others within a specific period of time which shall in no case be longer than two years.	The Board of Directors may determine terms and conditions on treasury shares. The Companies Law of the Cayman Islands does not include any provision relating to employee rewards programs.	Article 1 provides that treasury shares refer to as shares that were previously issued but were purchased, redeemed or otherwise acquired by the Company and not cancelled, in accordance with these Articles, the Companies Law of the Cayman Islands and the Applicable Listing Rules. Article 40 D provides the disposal of treasure shares. However, the legal counsel in the Cayman Island clarifies that the restrictions agreed between the company and the employee is a contractual matter between themselves.
<p>5. The following matters shall be specified in the notice of a general meeting, and shall not be proposed as ad hoc motions:</p> <p>(1) election or discharge of Director or supervisors;</p> <p>(2) amendments to these Articles;</p> <p>(3) dissolution, merger, share swap or spinoff of the Company;</p> <p>(4) entering into, amendment to, or termination of any contract for lease of its business in whole, or for entrusting business, or for regular joint operation with others;</p> <p>(5) the transfer of the whole or any material part of its business or assets;</p> <p>(6) the takeover of another's whole business or assets, which will have a material</p>	<p>The Companies Law of the Cayman Islands does not have any provision about ad hoc motions. The legal counsel in the Cayman Island further explains that a notice of a regular shareholders’ meeting with proposals and relevant information should be given to shareholders to facilitate their understanding. In addition, the notice also includes the agenda item “any other proposal”. Other than unofficial or minor matters, the Chair cannot include important matters for this agenda item. In the event of new important matters, another meeting for discussion is required in accordance with applicable procedures. In an urgent circumstance where it is necessary to discuss important matters as ad hoc motions at shareholders’</p>	<p>The Companies Law of the Cayman Islands does not have any provision about ad hoc motions. Therefore, the item 5 is set out in the Article 50 of these Articles.</p> <p>The legal counsel in the Cayman Island further explains that a notice of a regular shareholders’ meeting with proposals and relevant information should be given to shareholders to facilitate their understanding. In addition, the notice also includes the agenda item “any other proposal”. Other than unofficial or minor matters, the Chair cannot include important matters for this agenda item. In the event of new important matters, another meeting for discussion is required in accordance with applicable procedures. In an urgent circumstance where it</p>

Difference	Law of the Cayman Islands	Article of Incorporation
<p>effect on the business operation of the Company;</p> <p>(7) the private placement of equity-linked securities;</p> <p>(8) granting waiver to the Director's engaging in any business within the scope of business of the Company;</p> <p>(9) distribution of part or all of its dividends or bonus by way of issuance of new Shares;</p> <p>(10) capitalization of the Legal Reserves and Capital Reserves arising from the share premium account or endowment income, in whole or in part, by issuing new Shares which shall be distributable as dividend shares to the then Shareholders in proportion to the number of Shares being held by each of them;</p>	<p>meeting, detailed information for such ad hoc motions need to be submitted to the next meeting for recognition. Despite no explicit prohibition of ad hoc motions under laws of the Cayman Islands, the legal counsel advises that ad hoc motions are not appropriate at shareholders' meeting.</p>	<p>is necessary to discuss important matters as ad hoc motions at shareholders' meeting, detailed information for such ad hoc motions need to be submitted to the next meeting for recognition.</p>
<p>3. A company whose shareholders may exercise their voting power in writing or by way of electronic transmission in a shareholders' meeting shall describe in the shareholders' meeting notice the method of exercising their voting power. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respective of any extemporary motion(s) and the amendment(s) to the contents of the original proposal(s) at the said</p>	<p>The Companies Law of the Cayman Islands does not have any provision specifying the item 3.</p>	<p>The Companies Law of the Cayman Islands does not have any provision specifying the item 3. Therefore, the first paragraph of the item 3 is set out in Article 68 of the Articles. Furthermore, the legal counsel in the Cayman Islands is of the opinion that a shareholder who exercises his votes in writing shall be deemed to have appointed the chairman of the general meeting as his or her proxy to exercise his or her voting right. Considering the legal counsel's opinions, Article 68 will include the second paragraph of Article 68 (a shareholder who exercises his votes in writing or by way of electronic transmission shall be deemed to have appointed the chairman of the general meeting as his or her proxy to</p>

Difference	Law of the Cayman Islands	Article of Incorporation
shareholders' meeting.		exercise his or her voting right at such general meeting in accordance with the instructions stipulated in the written or electronic document, but shall be deemed to have waived his votes in respect of any ad hoc motions and the amendments to the contents of the original proposals at such general meeting; provided, however, that such appointment shall be deemed not to constitute the appointment of a proxy for the purposes of the Applicable Listing Rules.)
5. In case a shareholder who has submitted his votes by written ballot or electronic transmission intends to attend the general meeting in person, he shall, at least two (2) days prior to the date of the meeting revoke such vote by written ballot or electronic transmission and such revocation shall constitute a revocation of the proxy deemed to be given to the chairman of the general meeting. If a shareholder who has submitted his or her vote in writing or by way of electronic transmission does not submit such a revocation before the prescribed time, his or her vote by written ballot or electronic transmission and the proxy deemed to be given to the chairman of the general meeting.	The Companies Law of the Cayman Islands does not have any provision specifying the item 5.	The Companies Law of the Cayman Islands does not have any provision specifying the item 5. It is set out in Article 70 of the Articles. The legal counsel in the Cayman Islands is of the opinion that under common law, a person may revoke its proxy by attending the meeting in person. Because a shareholder who exercises his votes in writing or by way of electronic transmission shall be deemed to have appointed the chairman of the general meeting as his or her proxy to exercise his or her voting right at such general meeting in accordance with the instructions stipulated in the written or electronic document, the item 5 may not be enforceable.
4. After the service of the power of attorney of a proxy to the company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person or to exercise	The Companies Law of the Cayman Islands does not have any provision specifying power of attorney or collection of its documents.	The Companies Law of the Cayman Islands does not have any provision specifying power of attorney or collection of its documents. The item 4 is set out in Article 62B of the Articles. The legal counsel in

Difference	Law of the Cayman Islands	Article of Incorporation
<p>his/her/its voting power in writing or by way of electronic transmission, a proxy rescission notice shall be filed with the company two days prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.</p>		<p>the Cayman Islands of the opinion that under common law, a person may revoke its proxy by attending the meeting in person, the item 4 may not be enforceable.</p>
<p>The following matters, which may involve shareholders important interests, shall resolved by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares:</p> <ol style="list-style-type: none"> 1. Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others, or for transfer the whole or any essential part of its business or assets, for gaining of the transfer of another's whole business or assets, which has great bearing on the business operation of the company. 2. Amendments to these Articles; 3. When amendments to these Articles violate the rights of special shareholders, such amendments are required to be approved at the Special Shareholder Meeting. 4. Distribution of part or all of its dividends or bonus by way of issuance of new Shares; 5. Resolution concerning dissolution, merger, or spinoff. 	<p>The Companies Law of the Cayman Islands does have specific requirements or prohibitions for Subparagraph 1, 4 and 5.</p> <p>In terms of Subparagraph 2. and 3., Article 24 of the Companies Law of the Cayman Islands provides that any amendments to the Articles need to obtain a Special Resolutions reached by a shareholders' meeting.</p> <p>In terms of Subparagraph 5. (dissolution), Article 116 of the Companies Law of the Cayman Islands states that a company's voluntary dissolution should be approved by a Special Resolution. However, a company in general meeting resolves when it is unable to pay its debts. The legal counsel is of the opinion that the aforementioned resolutions of the shareholders' meeting can be ordinary resolution, special resolution, or otherwise a higher quorum specified in the Article of Incorporation.</p> <p>In terms of Subparagraph 5. (merger), the legal counsel is of opinion that a merger requires a Special Resolution under Article 233(6) of the Companies Law of the</p>	<ol style="list-style-type: none"> 1. The Companies Law of the Cayman Islands does have specific requirements or prohibitions for Subparagraph 1, 4 and 5. Subparagraph 1, 4 and 5 are set out in Article 32(a)(b)(c)(d)(g) of the Articles. Supermajority Resolution Type or Supermajority Resolution Type B is required special resolution reached at shareholders' meeting (see definitions above). 2. Article 24 of the Companies Law of the Cayman Islands provides that any amendments to the Articles need to obtain a Special Resolutions reached by a shareholders' meeting. In this regard, Subparagraph 2 is set out in Article 157 of the Articles. In another word, a company can amend memorandums and/or Article of Incorporation by special resolutions from time to time. The quorum in a shareholders' meeting is subject to the Article 51 (the holders of Shares being more than an aggregate of one-half (1/2) of all Shares in issue present in person or by proxy and entitled to

Difference	Law of the Cayman Islands	Article of Incorporation
	Cayman Islands except otherwise stated in the Articles of Incorporation.	<p>vote shall be a quorum for all purposes).</p> <p>3. Article 24 of the Companies Law of the Cayman Islands provides that any amendments to the Articles need to obtain special resolutions reached by shareholders' meetings. Therefore, Subparagraph 3 is set out in Article 18 of the Articles. Once amendments to these Articles violate the rights of special shareholders, such amendments are required to obtain a special resolution reached by the general shareholders' meeting and another special resolution reached by the special shareholders meeting. The quorum in a shareholders' meeting is subject to the Article 51 (the holders of Shares being more than an aggregate of one-half (1/2) of all Shares in issue present in person or by proxy and entitled to vote shall be a quorum for all purposes).</p> <p>4. In terms of dissolution under Subparagraph 5, Article 116 of the Companies Law of the Cayman Islands states that a company's voluntary dissolution should be approved by a Special Resolution. However, a company in general meeting resolves when it is unable to pay its debts. The legal counsel is of the opinion that the aforementioned resolutions of the shareholders' meeting can be ordinary resolution, special resolution, or otherwise a higher quorum specified in the Article of</p>

Difference	Law of the Cayman Islands	Article of Incorporation
		<p>Incorporation. The Subparagraph 5 for dissolution is set out in Article 33 of the Article of Incorporation. If the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due, either a Supermajority Resolution Type A or a Supermajority Resolution (See definitions above) is required (Article 33(a)). If the Company resolves that it be wound up voluntarily because for other reasons, a Special Resolution is required (Article 33(b)).</p> <p>The quorum in a shareholders' meeting is subject to the Article 51 (the holders of Shares being more than an aggregate of one-half (1/2) of all Shares in issue present in person or by proxy and entitled to vote shall be a quorum for all purposes).</p> <p>In terms of dissolution under Subparagraph 5, the legal counsel is of opinion that a merger requires a Special Resolution under Article 233(6) of the Companies Law of the Cayman Islands except otherwise stated in the Articles of Incorporation. The Subparagraph 5 concerning mergers set out in Article 31 (c) of the Article of Incorporation. The quorum in a shareholders' meeting is subject to the Article 51 (the holders of Shares being more than an aggregate of one-half (1/2) of all Shares in issue present in person or by proxy and entitled to vote shall be a quorum for</p>

Difference	Law of the Cayman Islands	Article of Incorporation
		all purposes).
Supervisors	No specific provision concerning Supervisors under the Companies Law of the Cayman Islands	The Company has established the Audit Committee instead of Supervisors so it is not necessary to amend the Article of Incorporation.
<p>1. Any shareholder(s) who has continuously holding 3% or more of the total number of the outstanding shares of the company over a consecutive year may request in writing the Supervisors to institute, for the company, an action against Directors of the company. The Taiwan Taipei District Court can be the initial trial court.</p> <p>2. In case the Supervisors fails to institute an action within 30 days after having received the shareholder's request, the shareholders may institute the action for the company. The Taiwan Taipei District Court can be the initial trial court.</p>	<p>The Article of Incorporation of the Cayman Company does not have specific provision or prohibitive provision for this matter. The applicable law of the Cayman Islands provides that any shareholder(s) can file a lawsuit on behalf of the company under the following circumstances: (A) where the alleged wrong is ultra vires (i.e. beyond the capacity of) the company or illegal, which cannot be recognized by shareholders, or (B) where what has been done amounts to a "fraud on the minority". Given that such litigations against major shareholders, they will not cause the company to bring an action. In other words, in the case of (B), the wrongdoers are themselves in control of the company and the existence of fraud need to be proved)</p> <p>In general, any conduct within the company's capacity, or which can be recognized by shareholders with majority consent even though it is beyond the capacity of the company, courts in the Cayman Islands tend to be more lenient towards internal conduct in the company.</p>	<p>The Article of Incorporation of the Cayman Company does not have specific provision or prohibitive provision for this matter. Furthermore, the Company has established the Audit Committee instead of Supervisors. The explanation of Taizhengshangtzu No. 1011702189 issued by the TSWE on July 27 2012 stated that Supervisors shall be replaced by Independent Directors of the Audit Committee. Therefore, Supervisors specified in the item 1 and 2 are replaced by Independent Directors of the Audit Committee, which are set out in Article 123 of the Articles. The competent court having proper jurisdiction includes Taipei District Court. Furthermore, the legal counsel in the Cayman Islands, Article 123 of the Articles needs to meet legal requirements of laws of the Cayman Islands. In a word, if such Directors consider a legal action may not benefit the company, they are not obligated to file a litigation against other Directors although a request is made by any shareholder(s) 3% or more of the total number of the outstanding shares of the company.</p>
1. The Directors of a company shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the company; and if any of them acting	According to the Companies Law of the Cayman Islands, any Director shall owe fiduciary duties to his/her company. If any Director violates the aforesaid fiduciary duties for himself or others	After considering opinions of legal counsel in the Cayman Islands (see the left column), the item 1, 2 and 3 are set forth in Article 97B of the Articles. However, the legal counsel noted that from the legal

Difference	Law of the Cayman Islands	Article of Incorporation
<p>contrary to this provision, shall be liable for the damages to be sustained by the company therefrom. The Shareholders' Meeting may, by its resolution, consider the earnings in such an act as earnings of the company.</p> <p>2. If any Director of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and regulations, and thus caused damage to any other person, he/she shall be liable, jointly and severally with the company.</p> <p>3. Managers and Supervisors of a company have the same liability as Directors within performing their duties.</p>	<p>and receives gainings, a court can order him/her to return his/her gainings.</p> <p>According to applicable laws of the Cayman Islands, if any Director of a company has, in the course of conducting the business operations, caused damage to any third party, the third party is entitled to file a claim against the company for compensation. The company is also entitled to request such a Director to compensate any loss as a result of the third party's claim. From the legal perspective of the Cayman Islands, the third party can not directly file a claim against Directors even though they have a joint and several liability specified in the Article of Incorporation.</p>	<p>perspective of the Cayman Islands, the third party can not directly file a claim against Directors even though they have a joint and several liability specified in the Article of Incorporation.</p>

IX Any matters listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred in the most recent fiscal year and as of the date of publication of the annual report, such situations

None.

Appendix : Consolidated Financial Statements in the most recent year

Cayman Engley Industrial Co., Ltd. and its Subsidiaries

Consolidated Financial Statements Independent Auditors' Report

2019 and 2018
(Stock Code 2239)

Address : The Grand Pavilion Commercial Centre,
Oleander Way, 802 West Bay Road, P.O. Box
32052, Grand Cayman KY1-1208, Cayman
Islands

**These three financial statements are translated from the traditional Chinese version and are unaudited by a PCA.

Independent Auditors' Report

(2020)PWCR19003917

To the Board of Directors and Shareholders of Cayman Engley Industrial CO., LTD.,

Audit Opinion

We have audited the consolidated balance sheets of Cayman Engley Industrial CO., LTD. and its subsidiaries (the "Company") as at December 31st, 2019 and 2018, and the consolidated comprehensive profit or loss statement, consolidated statement of changes in equities and consolidated cash flow table for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the abovementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31st, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis of Audit Opinion

We conducted our audits in accordance with the "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants", Jinguanzhengshen Zi No. 1090360805 Letter issued by the Financial Supervisory Commission on February 25th, 2019 and auditing standards generally accepted in the Republic of China (ROC GAAS) in 2019; and conducted our audits in accordance with the "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China (ROC GAAS) in 2018. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidences we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, are of most significance in our audit of the consolidated financial statements of the Company's consolidated financial statements for the year ended December 31st, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in the process of forming our opinion thereon, we do not provide a separate opinion on these matters.

Deadline of the Recognition of the Sales Revenue

Description

For accounting policies on the recognition of revenue, please refer to Note 4 (29) of the consolidated financial report. For explanation of accounting of sales revenues, please refer to Note 6 (24) of the consolidated financial statement. The operating income of the Company is mainly derived from sales transactions with car-assembly manufacturers. Since the automobile industry is the buyer's market, the recognition of revenue comes into effect after the customer has accepted the goods and confirmed the transfer of control of products.

Since the impact of revenue on the overall financial statements is enormous, as revenue recognition is based upon completion time of customer acceptance, plus said recognition usually involves many manual controls which may increase the risk that revenue recognition is not recorded in the correct period of time, thereby affecting correctness of deadline of revenue recognition. Therefore, the accountants listed deadline for sales revenue recognition as one of the key matters for auditing.

Audit procedures in response

The accountants have implemented the following procedures in response to the specific aspects specified in the abovementioned key audit matters :

1. Understand the sales revenue operating procedures of car-assembly manufacturers of the Company; Evaluate and test effectiveness of the design and implementation of internal control system of car-assembly manufacturers related to revenue recognition
2. Verify the sales transaction with the group car assembly manufacturer within a certain period before and after the date stated in the balance sheet, and verify the proof of the transfer of control of the goods provided by the car assembly manufacturers to confirm the correctness of the transaction recognition deadline.

Evaluation of Allowance for Inventory Valuation Losses

Description

For accounting policies on inventory valuation, please refer to the Note 4 (12) of the consolidated financial report. For uncertainties of accounting estimations and assumptions of

inventory valuations, please refer to Note 5 (2) of the consolidated financial report. For description of inventory accounting, please refer Note 6 (5) of the consolidated financial report. Balance of inventory and allowance for inventory valuation of December 31st, 2019 are NT \$4,962,712 and NT \$309,958 thousands respectively.

The Company is mainly engaged in the manufacturing and sales of automobile parts. The value of inventories is subject to fluctuations of the demand market and rapid changes in technologies, which may result in higher inventory depreciation losses or outdated risks. Taking into account the significant impact on the financial statements of the inventory of the Company and its allowance for depreciation losses, the net realization value used in inventory valuation often involves subjective judgments, and thus has a high level of estimation uncertainty. Therefore, the accountants listed evaluation of allowance for inventory valuation losses as one of the key matters for auditing.

Audit procedures in response

The accountants have implemented the following procedures in response to the specific aspects specified in the abovementioned key audit matters:

1. Understand and evaluate the rationality of the Company's inventory valuation policies.
2. Obtain the inventory age statement, check inventory items randomly to examine logic behind inventory age calculation and information correctness to ensure appropriate categorization of inventory age.
3. As for net realizable value valued of inventory items, the accountants have discussed with the management team and obtained supporting documentation to assess rationality of valuation allowance decisions.

Responsibilities of the Management Team and Those in Charge with Governance for the Consolidated Financial Statements

The management team is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for the necessary internal control related to the preparation of the consolidated financial statements to ensure that said statements are free from material misstatement, whether due to fraud or error, in accordance with the published and effective International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as recognized and endorsed by the Financial Supervisory Commission.

When preparing the consolidated financial statements, responsibilities of the management team includes assessing the Company’s ability to continue as a going concern, disclosing, as applicable, related matters, and adopting the going concern basis of accounting

unless the management team either intends to liquidate the Company or to cease operations of which, or has no realistic alternative but to do so.

Those charged with governance of the Company (including members of the Audit Committee) are responsible for overseeing the financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives to audit the consolidated financial statements are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered significant if, individually or in the aggregate, said misstatements could reasonably be expected to influence the economic decisions of users of the consolidated financial statements.

When auditing 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 implemented the following procedures

1. Identify and assess risks of material misstatement of the consolidated financial statements, whether due to fraud or error; Design and perform audit procedures responsive to the said risks; Obtain audit evidence sufficient and appropriate to provide basis for audit 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 the necessary understanding of internal control relevant to the audit, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate appropriateness of accounting policies adopted by the management team, and the rationality of accounting estimations and related disclosures made by the management team.
4. Conclude on the appropriateness of the management team's adaptation of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the

Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw the attention of consolidated financial report users in our auditors' report to the related disclosures in the consolidated financial statements; or, if such disclosures are inappropriate, we shall modify our audit opinions accordingly. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to lose the ability to continue as a going concern.

5. Evaluate the overall presentations, structure and content of the consolidated financial statements, including relevant notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding financial information of entities within the Company, in order to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the Company audit.

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

We also provide those charged with governance with a statement that personnel under individual specification of the accounting firm have complied with relevant ethical requirements regarding independence of The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and to communicate with them all relationships and other matters that may reasonably be thought to affect our independence (including related safeguarding measures).

From the matters communicated with those charged with governance, we determine matters that were of most significance in the audit of the Company's consolidated financial statements for the year ended December 31st, 2019, which are therefore key audit matters. We describe these matters in our auditors' report, unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh benefits to public interest of such communication.

Yang, Ming-Ching

Certified Public Accountants

Liu, Mei-Lan

Previously Securities and Futures Commission, Ministry of
Finance

Approval Issuance No. (81) Taicaizheng (6) inancial
Supervisory Commission

Approval Issuance No. Jinguanzhengshen Zi No.
1070323061

March 27th, 2020

Cayman Engley Industrial CO., LTD. and its Subsidiaries

Consolidated Balance Sheets

December 31st 2019 and December 31st, 2018

Unit : NTD(thousands)

		Unit : NTD(thousands)		December 31 st 2019		December 31 st 2018	
Assets		NOTES	Amount	%	Amount	%	
Current Assets							
1100	Cash and cash equivalent	6(1)	\$ 3,175,493	11	\$ 3,241,253	10	
1110	Financial assets at fair value through	6(2)					
	profit or loss - current		-	-	1,320		
1150	Notes receivable, net	6(4)& 8	1,411,697	5	1,113,140	4	
1170	Accounts receivable, net	6(4)&8	3,629,404	12	4,072,463	13	
1180	Accounts receivable - related	7(3 三)					
	parties, net		2,279	-	2,655	-	
1200	Other receivables	7(3)	73,544	-	121,925	-	
130X	Inventory	6(5)	4,652,754	15	5,498,409	18	
1410	Prepayments	6(6)及&7(3)	814,179	3	1,093,139	3	
1470	Other current assets	6(7)&8	1,039,754	3	1,091,951	4	
11XX	Total current assets		14,799,104	49	16,236,255	52	
Non current assets							
1517	Financial assets at fair value through	6(三)					
	other comprehensive profit or loss –						
	non-current		108,439	-	-	-	
1550	Investment accounted for using	6(8)					
	equity method		1,220,207	4	1,356,176	4	
1600	Property, plant and equipment	6(9)&8	9,379,161	31	8,808,774	29	
1755	Right-of-use assets	6(10)	1,332,216	4	-	-	
1780	Intangible assets	6(11)	1,381,716	5	1,469,390	5	
1840	Deferred income tax assets	6(30)	314,803	1	232,304	1	
1900	Other non-current assets	6(12)&8	1,655,131	6	2,915,599	9	
15XX	Total non-current assets		15,391,673	51	14,782,243	48	
1XXX	Total assets		\$ 30,190,777	100	\$ 31,018,498	100	

(continued)

Cayman Engley Industrial CO., LTD. and its Subsidiaries

Consolidated Balance Sheets

December 31st 2019 and December 31st, 2018

Unit : NTD(thousands)

Liabilities and equities		NOTES	December 31 st 2019		December 31 st 2018	
			Amount	%	Amount	%
Current Liabilities						
2100	Short-term borrowings	6(14)	\$ 2,704,243	9	\$ 2,337,360	8
2130	Contract liabilities-current	6(24)	265,348	1	522,570	2
2150	Notes payable		1,702,585	6	1,586,937	5
2160	Notes payable –related parties	7(3)	101,579	1	114,506	-
2170	Accounts payable		3,636,629	12	3,726,869	12
2180	Accounts payable – related parties	7(3)	381,309	1	596,057	2
2200	Other payables	6(15)	1,244,928	4	1,916,100	6
2220	Other payables - related parties	7(3)	7,289	-	7,725	-
2230	Income tax payable		86,146	-	120,846	-
2280	Lease liabilities – current	7(3)	95,239	-	-	-
2300	Other current liabilities	6(16)(17)				
		(18)&7(3)	2,215,744	7	2,712,619	9
21XX	Total current liabilities		12,441,039	41	13,641,589	44
Non current liabilities						
2530	Bonds payables	6(16)	393,118	1	388,218	1
2540	Long-term borrowings	6(17)	3,313,657	11	2,902,863	9
2570	Deferred income liabilities	6(30)	445,284	2	454,159	2
2580	Lease liabilities — non-current	7(3)	294,799	1	-	-
2600	Other non-current liabilities	6(18)	218,846	1	232,196	1
25XX	Total non-current liabilities		4,665,704	16	3,977,436	13
2XXX	Total liabilities		17,106,743	57	17,619,025	57
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY						
3110	Common stock	6(20)	1,180,070	4	1,190,000	4
	Capital surplus	6(21)				
3200	Capital surplus		8,371,087	27	7,969,511	25
	Retained earnings	6(22)				
3310	Legal reserve		442,409	2	330,069	1
3320	Special reserve		1,179,819	4	898,592	3
3350	Unappropriated retained earnings		1,326,536	4	1,858,830	6
	Other interests					
3400	Other interests		(1,647,510)	(5)	(1,179,819)	(4)
3500	Treasury stock	6(20)	-	-	80,438)	-
31XX	Total equity attributable to shareholders of the		10,852,411	36	10,986,745	35
36XX	Non-controlling interests	6(23)	2,231,623	7	2,412,728	8
3XXX	Total equity		13,084,034	43	13,399,473	43
	contingent liabilities and unrecognized contractual commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and interests		\$ 30,190,777	100	\$ 31,018,498	100

Please refer to the accompanying notes, an integral part of the consolidated financial statements.

Chairman : Lin, Chi-Pin

General manager : Lin, Chi-Pin

Accounts supervisor : Yang, Cheng-Feng

Cayman Engley Industrial CO., LTD. and its Subsidiaries
Consolidated Statement of Comprehensive Income
January 1st to December 31st, 2019 and January 1st to December 31st, 2018 Unit : NTD (thousand)
(Except earnings per share, which is in NTD)

Items	NOTES	2019		2018	
		Amount	%	Amount	%
4000 Operating revenue	6(24)&7(3)	\$ 22,239,873	100	\$ 21,855,386	100
5000 Operating cost	6(5)&7(3)	(18,495,670)	(83)	(17,612,510)	(81)
5900 Operating margin		<u>3,744,203</u>	<u>17</u>	<u>4,242,876</u>	<u>19</u>
Operating expenses	6(28)&7(3)				
6100 Marketing expenses		(571,114)	(3)	(516,903)	(2)
6200 Administrative expenses		(1,033,701)	(5)	(1,024,448)	(5)
6300 Research and development expenses		(681,579)	(3)	(747,148)	(3)
6450 Expected credit impairment loss	12(2)	(24,303)	-	(1,977)	-
6000 Total operating expenses		<u>(2,310,697)</u>	<u>(11)</u>	<u>(2,290,476)</u>	<u>(10)</u>
6900 Operating income		<u>1,433,506</u>	<u>6</u>	<u>1,952,400</u>	<u>9</u>
Non-operating income and expenses					
7010 Other incomes	6(26)	114,657	-	116,337	-
7020 Other profit and loss	6(25)	(40,567)	-	(89,018)	-
7050 Finance cost	6(27)	(325,931)	(1)	(259,699)	(1)
7060 Share of profit and loss of associates and joint ventures recognized using equity method	6(8)	(48,630)	-	20,885	-
7000 Total non-operating income and expenses		<u>(300,471)</u>	<u>(1)</u>	<u>(211,495)</u>	<u>(1)</u>
7900 Income before tax		1,133,035	5	1,740,905	8
7950 Income expenses	6(30)	(165,015)	(1)	(289,578)	(1)
8200 Net profit of the year		<u>\$ 968,020</u>	<u>4</u>	<u>\$ 1,451,327</u>	<u>7</u>

(Continued)

Cayman Engley Industrial CO., LTD. and its Subsidiaries
Consolidated Statement of Comprehensive Income

January 1st to December 31st, 2019 and January 1st to December 31st, 2018 Unit : NTD (thousand)

(Except earnings per share, which is in NTD)

	Items	Notes	2019		2018	
			Amount	%	Amount	%
	Components of other comprehensive profit and loss (net)					
	Items not reclassified to profit or loss					
8316	Unrealized assessed profit or loss invested by equity tools measured at fair value through other comprehensive profit or loss	6(3)	\$ 3,150	-	\$-	-
8310	Total items not reclassified to profit or loss		3,150	-	-	-
	Subsequent items that may be reclassified to profit or loss					
8361	Exchange differences on translation for financial statements of foreign organizations in operation		(554,901)	(2)	(301,950)	(2)
8370	Share of other comprehensive income of associates and joint ventures recognized using equity method that may be reclassified to profit or loss	6(8)	2,626	-	(6,537)	-
8360	Total Subsequent items that may be reclassified to profit or loss		(552,275)	(2)	(308,487)	(2)
8300	Other comprehensive profit or loss (net)		(\$ 549,125)	(2)	(\$ 308,487)	(2)
8500	Total comprehensive profit or loss for the year		\$ 418,895	2	\$ 1,142,840	5
	Net profit (loss) attributable to:					
8610	Shareholders of the parent company		\$ 644,193	3	\$ 1,123,400	5
8620	Non-controllong interests		323,827	1	327,927	2
			\$ 968,020	4	\$ 1,451,327	7
	Comprehensive income/loss (net) attributable to:					
8710	Shareholders of the parent company		\$ 176,502	1	\$ 842,173	4
8720	Non controlling interests		242,393	1	300,667	1
	Total comprehensive income		\$ 418,895	2	\$ 1,142,840	5
	Earnings per share	6(31)				
9750	Total basic earnings per share		\$	5.46	\$	9.89
9850	Total diluted earnings per share		\$	5.32	\$	9.41

Please refer to the accompanying notes, an integral part of the consolidated financial statements.

Chairman : Lin, Chi-Pin

General manager : Lin, Chi-Pin

Accounts supervisor : Yang, Cheng-Feng

Cayman Engley Industrial CO., LTD. and its Subsidiaries
Consolidated Statement of Changes in Equities
Jan. 1st to Dec. 31st, 2019 and Jan. 1st to Dec. 31st, 2018

Unit: NTD (thousand)

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT												
Notes	Surplus			Retained earnings			Other interests		Treasury stock	Total	Non-controlling interests	Total equity
	Capital stock – Common equity	Capital stock – Amount	Capital stock	Legal reserve	Special capital reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Financial assets measured at fair value through other comprehensive income				
<u>Jan. 1st to Dec. 31st, 2018</u>												
Balance on Jan. 1 st 2018	\$ 1,100,000	\$ 6,991,694	\$ 61,842	\$ 196,082	\$ 807,592	\$ 1,389,417	(\$ 898,592)	\$ -	\$ -	\$ 9,648,035	\$ 1,813,574	\$ 11,461,609
Total consolidated profit and loss of the year	-	-	-	-	-	1,123,400	-	-	-	1,123,400	327,927	1,451,327
Other comprehensive profit and loss of the year	-	-	-	-	-	-	(281,227)	-	-	(281,227)	(27,260)	(308,487)
Total comprehensive profit and loss of the year	-	-	-	-	-	1,123,400	(281,227)	-	-	842,173	300,667	1,142,840
Appropriation and distribution of retained earnings in 2017	6(22)											
Legal surplus reserve		-	-	-	133,987	(133,987)	-	-	-	-	-	-
Special surplus reserve		-	-	-	91,000	(91,000)	-	-	-	-	-	-
Cash dividend		-	-	-	-	(429,000)	-	-	-	(429,000)	-	(429,000)
Seasoned equity offering	6(20)	90,000	1,233,000	-	-	-	-	-	-	1,323,000	-	1,323,000
Recognition of equity components upon issuance of convertible corporate bonds	6(16)	-	-	13,352	-	-	-	-	-	13,352	-	13,352
Changes in affiliates and joint ventures as recognized by equity method	6(8)	-	-	16,555	-	-	-	-	-	16,555	-	16,555
Changes in non-controlling interests	6(32)	-	-	110,668	-	-	-	-	-	110,668	442,857	553,525
Agreement to purchase additional equity of subsidiaries	6(21)	-	(457,600)	-	-	-	-	-	-	(457,600)	-	(457,600)
Bought back treasury stock	6(20)	-	-	-	-	-	-	-	(80,438)	(80,438)	-	(80,438)
Cash dividends of subsidiary shareholders	6(23)	-	-	-	-	-	-	-	-	-	(144,370)	(144,370)
Balance on Dec. 31 st 2018		\$ 1,190,000	\$ 7,767,094	\$ 202,417	\$ 330,069	\$ 898,592	(\$ 1,179,819)	\$ -	(\$ 80,438)	\$ 10,986,745	\$ 2,412,728	\$ 13,399,473
<u>Jan. 1st to Dec. 31st 2019</u>												
Balance on Jan. 1 st 2019		\$ 1,190,000	\$ 7,767,094	\$ 202,417	\$ 330,069	\$ 898,592	(\$ 1,179,819)	\$ -	(\$ 80,438)	\$ 10,986,745	\$ 2,412,728	\$ 13,399,473
Total consolidated profit and loss of the year		-	-	-	-	644,193	-	-	-	644,193	323,827	968,020
Other consolidated profit and loss of the year.		-	-	-	-	-	(470,841)	3,150	-	(467,691)	(81,434)	(549,125)
Total consolidated profit and loss of the year		-	-	-	-	644,193	(470,841)	3,150	-	176,502	242,393	418,895
Appropriation and distribution of retained earnings in 2018	6(22)											
Legal reserves		-	-	-	112,340	(112,340)	-	-	-	-	-	-
Special reserves		-	-	-	281,227	(281,227)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(531,032)	-	-	-	(531,032)	-	(531,032)
Changes in affiliates and joint venture using equity method	6(8)	-	-	8,789	-	-	-	-	-	8,789	424	9,213
Non-controlling interests changes	6(23)	-	-	-	-	-	-	-	-	-	(268,655)	(268,655)
Agreement to purchase additional equity of subsidiaries.	6(21)	-	457,600	-	-	(209,321)	-	-	-	248,279	-	248,279
Bought back of treasury stock	6(20)	-	-	-	-	-	-	-	(36,872)	(36,872)	-	(36,872)
Treasury shares wrote off	6(20)	(9,930)	(64,813)	-	-	(42,567)	-	-	117,310	-	-	-
Cash dividend of subsidiary shareholders	6(23)	-	-	-	-	-	-	-	-	-	(155,267)	(155,267)
Balance on Dec. 31 st , 2019		\$ 1,180,070	\$ 8,159,881	\$ 211,206	\$ 442,409	\$ 1,326,536	(\$ 1,650,660)	\$ 3,150	\$ -	\$ 10,852,411	\$ 2,231,623	\$ 13,084,034

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Please refer to the accompanying notes, an integral part of the consolidated financial statements °
General Manager: Lin, Chi-Pin

Accounts supervisor: Yang, Cheng-Feng

Cayman Engley Industrial CO., LTD. and its Subsidiaries
Consolidated Statement of Cash Flow
Jan. 1st to Dec. 31st 2019 and Jan. 1st to Dec. 31st 2018

Unit : NTD(thousand)

	Notes	2019	2018
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Income before tax of the year		\$ 1,133,035	\$ 1,740,905
Items for adjustment			
Income and expense items			
Depreciation expense-Property, plant and equipment	6(9)(28)	1,076,641	888,347
Rent of land use right	6(12)	-	27,000
Depreciation expense-Right of use of assets	6(10)(28)	170,632	-
Amortization	6(11)(28)	120,046	113,479
Profit or loss evaluated of financial assets measured by fair value through profit or loss	6(2)	1,320	1,369
Recognized share of profit(loss) of subsidiaries or associates using equity method	6(8)	48,630	(20,885)
Loss of disposal of property, plant and equipment	6(25)	4,726	8,175
Property, plant and equipment impairment loss	6(25)	-	8,540
Loss of goodwill	6(11)(25)	11,338	-
Intangible asset disposal loss		124	-
Expected credit impairment loss	12(2)	24,303	1,977
Interest income	6(26)	(7,777)	(16,030)
Interest cost-financing	6(27)	304,294	259,699
Interest expense – lease liability	6(10)(27)	20,952	-
Interest expense – joint loan amortization	6(27)	685	-
Corporate debt redemption loss		8,475	-
Recognized income of deferred government grants	6(18)	(5,226)	(6,247)
Asset/liability changes related to operating activities			
Net changes of assets related to operating activities			
Notes receivable		(298,557)	(291,326)
Accounts receivable, net		418,756	(306,882)
Accounts receivable, related parties		376	2,956
Other receivables		(674)	(20,229)
Other receivables-related parties		(4,295)	840
Prepayments		278,960	61,555
Inventory		730,255	(1,426,953)
Other current assets		10,823	(89,328)
Other non-current assets		(40,337)	(23,021)
Net changes in liabilities related to operating activities			
Notes payable		115,648	340,405
Notes payable-related parties		(12,927)	492
Accounts payable		(90,240)	450,664
Accounts payable-related parties		(214,748)	125,689
Other payables		(24,134)	28,794
Other payables- related parties		(436)	(50,335)
Contract liabilities		(257,222)	(51,889)
Cash inflow generated from operations		3,523,446	1,757,761
Interests received		7,777	16,030
Interests paid		(314,281)	(244,822)
Income taxes paid		(259,113)	(362,342)
Net cash flow from operating activities		2,957,829	1,166,627

(Continued)

Cayman Engley Industrial CO., LTD. and its Subsidiaries
Consolidated Statement of Cash Flow
Jan. 1st to Dec. 31st 2019 and Jan. 1st to Dec. 31st 2018

Unit : NTD(thousand)

	Notes	2019	2018
<u>Cash flow from investment activities</u>			
Acquisition of property, plant and equipment	6(34)	(\$ 1,911,371)	(\$ 2,319,497)
Disposal of real estate, plant and equipment prices		21,847	21,755
Acquisition of intangible assets	6(11)	(67,491)	(66,399)
Refundable deposits decrease(increase)		63,948	(325,605)
Financial assets measured at fair value through other comprehensive income-non-current	7(3)	(106,271)	-
Dividends received from investments accounted for using equity method	6(8)	124,969	-
Net cash outflow from investment activities		(1,874,369)	(2,689,746)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>			
Increase (repay) in short-term loans	6(35)	430,381	694,617
Decrease in lease payable	6(35)	-	(100,071)
Decrease in other borrowing	6(35)	(9,713)	(96,162)
Lease principal repayment	6(10)(35)	(145,357)	-
Issuance of convertible bonds	6(35)	-	400,000
Repayment of convertible bonds	6(35)	(623,600)	-
Borrow long-term loans	6(35)	2,465,052	2,120,537
Repayment of long-term loans	6(35)	(1,728,707)	(481,330)
Number of cash payments for new syndicate loans organizing fees	6(35)	(12,334)	-
Issuing non-controlling equity cash dividends	6(23)	(155,267)	(144,370)
Cash increase	6(20)	-	1,323,000
Distributed cash dividends	6(22)	(531,032)	(429,000)
Acquisition of the non-controlling price equity of subsidiaries	6(32)	(345,897)	-
Changes in non-controlling equity	6(32)	-	553,525
Bought back treasury stocks	6(20)	(36,872)	(80,438)
Net cash inflow (outflow) from financing activities		(693,346)	3,760,308
Exchange rate change		(455,874)	(158,784)
Net increase (decrease) in cash and cash equivalents		(65,760)	2,078,405
Cash and cash equivalents, beginning of year	6(1)	3,241,253	1,162,848
Cash and cash equivalents, end of year	6(1)	\$ 3,175,493	\$ 3,241,253

Please refer to the accompanying notes, an integral part of the consolidated financial statements.

Chairman : Lin, Chi-Pin

General manager : Lin, Chi-Pin

Accounts supervisor :
Yang, Cheng-Feng

Cayman Engley Industrial CO., LTD
Consolidated Financial Statements Notes
Dec.31st 2019 and Dec. 31st 2018

Unit:NTD (thousand)
(Unless specified otherwise)

1. Company history

Cayman Engley Industrial Co., LTD. (hereinafter referred to as the “Company”) was incorporated in January 2015 in British Cayman Islands, as the controlling company for the reorganization of the organizational structure of the application for listing in Taiwan. The Company held a 100% shareholding in Changchun Engley Auto Industrial Co., LTD on May 5th, 2015 in the form of a capital increase and a share swap. Changchun Engley Auto Industrial Co., LTD increased its capital by cash in December 2018, and the Company has not changed its shareholding ratio of 96.57%. The Company and its subsidiaries (hereinafter referred to as the “Group”) were mainly dedicated to businesses such as the production of automobile parts, stamping products, hot-pressed products, mold designs, manufacturing and related technical consulting services.

Since January 27th, 2016, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE).

2. Date and procedures of approval of financial statements

The accompanying consolidated financial statements were issued upon approval by the Board of Directors on March 27th, 2019.

3. Application of new and revised International Financial Reporting Standards and its interpretations

(1) Effects of the adoption of newly issued or amended International Financial Reporting Standards as endorsed by the Financial Supervisory Commission (hereinafter referred to as the “FSC”)

Newly issued and amended International Financial Reporting Standards, and its interpretations, as endorsed by the FSC effective from 2019 are as follows:

Newly issued / revised / amended Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS9‘Prepayment Features with Negative Compensation’	January 1 st , 2019
IFRS 16 ‘Leases’	January 1 st , 2019
Amendments to IAS 19 ‘Amendment, Reduction or Liquidation of Plans’	January 1 st , 2019
Amendments to IAS 28 ‘Long-term interests in affiliates and joint ventures’	January 1 st , 2019
International Financial Report Interpretation No. 23 ‘Uncertainty in Income Tax Treatment’	January 1 st , 2019
Annual improvements of the 2017 cycle	January 1 st , 2019
Upon evaluation by the Group, none of the above guidelines and interpretations had a significant effect on the Company's financial condition and financial performances, with the exceptions of the following cases: :	

IFRS 16 ‘Leases’

1. IFRS 16 'Leases' will supersede IAS 17 'Leases' and its relevant interpretations and interpretation announcements. This Standard stipulates that the lessee should recognize the right-of-use assets and lease liabilities (except for leases of assets for less than 12 months or low-value assets); The lessor's accounting treatment should remain the same, and is treated as two types: operating lease and finance lease, only increase the relevant disclosure.
2. The Group treats the lessee's lease contract in accordance with International Financial Reporting Standard 16, but does not rewrite the previous financial statements (hereinafter referred to as "corrected traceability"), which may be used separately on January 1st, 2019. The right assets amounted to 1,593,369 NTD (thousand); the lease liability was increased by 454,777 NTD (thousand); and other non-current assets were reduced by 1,015,546 NTD (thousand), the plant and equipment were reduced by 165,822 thousand yuan, and the reduction Current liabilities were 42,776 NTD (thousand)
3. When the Group first applied IFRS 16, the practical expedients adopted were as follows:
 - (1) Fails to reassess whether the contract is (or contains) a lease. The contract has been identified as a lease when previously applying IAS 17 and IFRS 4.
 - (2) A single discount rate has been applied for lease portfolios with reasonably similar characteristics.
 - (3) For the leases that ended before December 31st 2019, they were considered short-term leases. The rental costs recognized for these contracts from January 1st to December 31st 2019 were 20,678 NTD (thousand).
 - (4) Failed to include the original direct costs in measurement of right-of-use assets.
 - (5) Evaluation of the exercising of the lease extension option and the non-exercise of the lease termination option was carried out with hindsight. °
4. When calculating the present value of the lease liability, the Group adopts its' incremental borrowing rate which ranged from 1.05% to 6.51%.
5. The Group disclosed the amount of the operating lease commitment in accordance with IAS 17, using the current value of the incremental borrowing rate discounted on the first applicable date and the adjustment of the lease liability recognized on January 1st, 2019, as follows :

The operating lease commitment disclosed in IAS 17 on December 31st , 2018	\$ 591,572
Plus : The lease payments payable under the finance leases recognized in IAS 17 on December 31st , 2018	42,776
Less : Exemption for short-term lease	(15,147)
Less : Business tax	(81,596)
Total of Lease Contracts Recognizing Lease Liabilities, based on IFRS 16 adopted on January 1st ,2019	<u>\$ 537,605</u>
Increased borrowing interest rate of the Group's initial application date	<u>1.05%~6.51%</u>
Lease liability recognized in IFRS 16 on January 1st, 2019	<u>\$ 454,777</u>

(2) The impact of the newly issued and revised IFRSs approved by the FSC that have not been adopted

The following summarizes the standards and interpretations for the newly issued, amended and revised IFRSs approved by the FSC in 2020: :

Newly issued / revised / amended Standards and Interpretations	Effective date issued by IASB
Amendments to IAS 1 and IAS 8 'Disclosure Initiative-Definition of Materiality'	January 1 st , 2020
Amendment to IFRS 3 'Definition of Business'	January 1 st , 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest Rate Index Reform'	January 1 st , 2020
Upon evaluation by the Group, none of the above guidelines and interpretations had a significant effect on the Company's financial condition and financial performances.	

(3) The impact of IFRSs issued by the International Accounting Standards Board but not yet endorsed by the FSC

The following summarizes the standards and interpretations for the newly issued, amended, and revised of the IFRSs that have been issued by the IASB but have not yet been endorsed by the FSC:

Newly issued / revised / amended Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 10 and IAS 28 'Sale or investment of assets between investors and their affiliates or joint ventures'	To be determined by the IASB
IFRS 17 'Insurance Contracts'	January 1 st , 2021
Amendments to IAS 1 'Classification of current or non-current liabilities'	January 1 st , 2022
Upon evaluation by the Group, none of the above guidelines and interpretations had a significant effect on the Company's financial condition and financial performances.	

4. Summary Explanation of Major Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out as below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively hereinafter referred to as the "IFRSs").

(2) Basis for preparation

1. Except for the following important matters, the consolidated financial statements have been prepared under the historical cost convention.

- (1) Financial assets and liabilities (including derivatives) measured at fair value through gains and losses, as measured by fair value.
- (2) Financial assets/financial assets available-for-sale measured at fair value through other consolidated gains and losses by fair value.

2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the management team to exercise its judgement in the process of applying the Group's accounting policies. Items involving a higher degree of judgement or complexity, or for which assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

(3) Basis of consolidation

1. Basis for the preparation of consolidated financial statements

- (1) All subsidiaries are included as entities in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company obtains control over said subsidiaries, and ceases when the Company loses control of said subsidiaries.
- (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (3) Profit and loss and other comprehensive profits and losses are attributed to the parent company's owner and non-controlling interests. The total profit and loss are also attributed to the parent company's owner and non-controlling interests, which may result in the loss of non-controlling rights.
- (4) A change in a shareholding in a subsidiary that does not result in a loss of control (transaction with an uncontrolled right) is treated as a rights transaction, which is considered a transaction with the owner. The difference between the amount of the adjustment of the non-controlling interest and the fair value of the consideration paid or received is directly recognized in the equity.
- (5) When the Group loses control over a subsidiary, remaining investment to the former subsidiary is re-measured by fair value, and deemed fair value of the originally recognized financial asset or cost of originally recognized investment in an affiliate or joint venture. Differences between the fair value and carrying value are recognized as profit or loss of the year. For all amounts recognized as other comprehensive profit or loss and related to the subsidiary, basis for accounting treatment of which is the same as direct disposal of relevant assets or liabilities by the Group. In other words, if said value is previously recognized as gain or loss of other comprehensive profit or loss, said value shall be re-categorized as profit or loss upon disposal of relevant assets or liabilities. As such, when the Group loses control over a subsidiary, the gain or loss should be re-categorized as profit or loss from equity.

2.Subsidiaries included in the consolidated financial statements:

Investment company Name	Subsidiary Name	Business nature	Percentage of equity held		Note
			December 31 st , 2019	December 31 st , 2018	
The Company	Changchun Engley Automobile Industry Co., Ltd.	Production and sales of various auto parts	96.57	96.57	Note 5
The Company	Engley Automobile Industry Co., Ltd	International trade	100	100	-
The Company	Engley Holding (Samoa) Limited	General investment	80	80	-
The Company	Engley Precision Industry B.V.	General investment	39.5	-	Note 7
Changchun Engley Automobile Industry Co., Ltd.	Wiser Decision Holding Company Limited	General investment	100	-	Note 6
Changchun Engley Automobile Industry Co., Ltd.	Changchun Engley Auto Parts Co., Ltd.	Production and sales of various auto parts	100	100	-
Changchun Engley Automobile Industry Co., Ltd.	Chengdu Engley Auto part Co.,	Production and sales of various auto parts	100	100	-
Changchun Engley Automobile Industry Co., Ltd.	Suzhou Engley Auto Part Co., Ltd.	Production and sales of various auto parts	100	100	-
Changchun Engley Automobile Industry Co., Ltd.	Ningbo Engley Automobile Industry Co.,Ltd	Production and sales of various auto parts	100	-	Note 4
Changchun Engley Automobile Industry Co., Ltd.	Liaoning Engley Auto Part Co., Ltd.	Production and sales of various auto parts	100	100	-
Changchun Engley Automobile Industry Co., Ltd.	Changchun Lightweight Technology Co., Ltd.	Production and sales of composite material	100	100	-
Changchun Engley Automobile Industry Co., Ltd.	Changsha Engley Auto Part Co., Ltd.	Production and sale of various auto parts	100	100	-
Changchun Engley Automobile Industry Co., Ltd.	Yizheng Engley Auto Part Co., Ltd.	Production and sale of various auto parts	90	90	Note 1
Changchun Engley Automobile Industry Co., Ltd.	Foshan Engley Auto Part Co., Ltd.	Production and sales of various auto parts	98.6	98.6	Note 2
Changchun Engley Automobile Industry Co., Ltd.	Tsingtao Engley Auto Part Co., Ltd.	Production and sales of various auto parts	100	100	-
Changchun Engley Automobile Industry Co., Ltd.	Linde+Engley (Tianjin) Auto Parts Co., Ltd.	Production and sales of various auto parts	54	54	-
Changchun Engley Automobile Industry Co., Ltd.	Linde+Engley (Changchun) Auto Parts Co.,	Production and sales of various auto parts	54	54	-
Changchun Engley Automobile Industry Co., Ltd.	Tianjin Engley Manufacturing Co., Ltd.	Production and sales of various auto parts	99.5	99.5	Note 3
Changchun Engley Automobile Industry Co., Ltd.	Ningbo Maoxiang Material Co., Ltd. (China)	Production and sales of various auto parts , mold design and development	51	51	-
Ningbo Maoxiang Material Co., Ltd. (China)	Taizhou Maoqi Metal Co., Ltd. (China)	Production and sales of various auto parts	100	100	-
Suzhou Engley Auto Part Co., Ltd.	Yizheng Engley Auto Part Co., Ltd.	Production and sales of various auto parts	10	10	Note 1
Suzhou Engley Auto Part Co., Ltd.	Foshan Engley Auto Part Co., Ltd.	Production and sales of various auto parts	1.4	1.4	Note 2
Suzhou Engley Auto Part Co., Ltd.	Tianjin Engley Manufacturing Co., Ltd.	Production and sales of various auto parts	0.5	0.5	Note 3
Engley Holding (Samoa) Limited	Engley Precision Industry B.V.	General investment	60.5	60.5	Note 7
Engley Precision Industry B.V.	Kranendonk Beheersmaatschappij B.V.	R & D and manufacturing of soft robot software	75	75	-

Note 1: Changchun Engley Automobile Industry Co., Ltd. and Suzhou Engley Automobile Parts Co., Ltd. jointly hold 100% of the shares of Yizheng Engley Automobile Parts Manufacturing Co., Ltd.

Note 2: Changchun Engley Automobile Industry Co., Ltd. and Suzhou Engley Automobile Parts Co., Ltd. jointly hold 100% of the shares of Foshan Engley Automobile Parts Co., Ltd.

Note 3: Changchun Engley Automobile Industry Co., Ltd. and Suzhou Engley Automobile Parts Co., Ltd. jointly hold 100% of the shares of Tianjin Jinli Mold Manufacturing Co., Ltd.

Note 4: Ningbo Engley Automobile Industry Co., Ltd was established on January 29th, 2019.

Note 5: The Group sold 0.01% of its equity in Changchun Engley Automobile Industry Co., Ltd. in April 2018, and Changchun Engley Automobile Industry Co., Ltd. received a cash increase in December 2018. The ratio was changed to 96.57%.

Note 6: Wiser Decision Holding Company Limited was established by the Group on October 23rd, 2018 with a registered capital of USD 3500 thousand. The investment of USD 3,500 thousand has been remitted on September 11th, 2019.

Note 7: The Company acquired Engley Precision Industry B.V. 39.5% equity from non-controlling interests in November 2019. The Company and Engley Holding (Samoa) Limited jointly hold 100% equity of Engley Precision Industry B.V.

3. Subsidiaries not included in the consolidated financial statements

None.

4. Adjustments and treatments for subsidiaries with different balance sheet dates

None.

5. Significant restrictions

None.

6. Subsidiaries with non-controlling interests that are material to the Company Group:

The total of the non-controlling interests of the Group's non-controlling interests on December 31st, 2019 and 2018 are respectively 2,231,623 NTD (thousand) and 2,412,728 NTD (thousand). Information of non-controlling interests that are material to the Group and its belonging subsidiaries are as follows:

Name of subsidiary	Main business location	Non-controlling interests			
		December 31 st , 2019		December 31 st , 2018	
		Amount	Shareholding	Amount	Shareholding
Linde+Engley (Tianjin) Auto Parts Co., Ltd.	China	\$ 1,169,487	46%	\$ 1,038,322	46%
Ningbo Maoxiang Material Co., Ltd. (China)	China	\$ 449,081	49%	\$ 545,143	49%

Aggregate financial information of subsidiaries:

Balance sheet

	<u>Linde+Engley (Tianjin) Auto Parts Co., Ltd.</u>	
	<u>December 31st, 2019</u>	<u>December 31st, 2018</u>
Current assets	\$ 2,001,921	\$ 1,858,632
Non-current assets	1,786,800	1,686,346
Current liabilities	(1,135,150)	(1,103,279)
Non-current liabilities	(111,209)	(184,477)
Total net assets	<u>\$ 2,542,362</u>	<u>\$ 2,257,222</u>

	<u>Ningbo Maoxiang Material Co., Ltd.</u>	
	<u>December 31st, 2019</u>	<u>December 31st, 2018</u>
Current assets	\$ 1,164,788	\$ 1,641,639
Non-current assets	1,278,936	1,385,340
Current liabilities	(1,042,318)	(1,190,475)
Non-current liabilities	(484,914)	(723,967)
Total net assets	<u>\$ 916,492</u>	<u>\$ 1,112,537</u>

Comprehensive statement

	<u>Linde+Engley (Tianjin) Auto Parts Co., Ltd.</u>	
	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Income	\$ 4,772,256	\$ 4,213,592
Income before tax	853,959	762,626
Income benefits(expense)	(134,239)	(106,814)
Net profit of continuing operations of the year	719,720	655,812
Loss of closed operations	-	-
Net profit for the year	<u>719,720</u>	<u>655,812</u>
Other comprehensive income (net after tax)	-	-
Current comprehensive profit or loss	<u>\$ 719,720</u>	<u>\$ 655,812</u>
Total comprehensive profit and loss attributed to non-control rights and interests	<u>\$ 331,071</u>	<u>\$ 301,674</u>
Payment to non-controlling equity dividends	<u>\$ 155,267</u>	<u>\$ 144,370</u>

Ningbo Maoxiang Material Co., Ltd.		
	Jan. 1 st to Dec.31 st , 2019	Jan. 1 st to Dec.31 st , 2018
Income	\$ 997,028	\$ 1,582,735
Income before tax	(192,143)	(1,488)
Income benefits(Expense)	35,579	(14,270)
Net profit of continuing operations of the year	(156,564)	(15,758)
Loss of closed operations	-	-
Net profit for the year	(156,564)	(15,758)
Other comprehensive income (net after tax)	-	-
Current comprehensive profit or loss	(\$ 156,564)	(\$ 15,758)
Total comprehensive profit and loss attributed to non-control rights and interests	(\$ 76,716)	(\$ 7,721)
	\$ -	\$ -

Cash flow statement

Linde+Engley (Tianjin) Auto Parts Co., Ltd.		
	Jan. 1 st to Dec.31 st , 2019	Jan. 1 st to Dec.31 st , 2018
Net cash inflow (outflow) from operating activities	\$ 918,171	\$ 605,617
Net cash inflow (outflow) from investment activities	(527,042)	(389,559)
Net cash outflow from financing activities	(435,397)	(85,324)
Impact of exchange rate on current cash and cash equivalents	(11,776)	(8,063)
(Decrease) increase in cash and cash equivalents	(56,044)	122,671
Cash and cash equivalents on January 1 st	373,251	250,580
Cash and cash equivalents on December 31 st	\$ 317,207	\$ 373,251

Ningbo Maoxiang Material Co., Ltd.		
	Jan. 1 st to Dec.31 st , 2019	Jan. 1 st to Dec.31 st , 2018
Net cash inflows (outflows) from operating activities	\$ 138,499	(\$ 61,520)
Net cash inflows (outflows) from investment activities	(36,735)	(78,050)
Net cash inflows (outflows) from financing activities	(62,772)	186,933
Impact of exchange rate on current cash and cash equivalents	(3,376)	(1,134)

Increase in cash and cash equivalents	35,616	46,229
Cash and cash equivalents on January 1 st	55,325	9,096
Cash and cash equivalents on December 31 st	<u>\$ 90,941</u>	<u>\$ 55,325</u>

(4) Foreign currencies exchange

The items listed in the financial reports of each entity within the Group are measured in the currency (that is, functional currency) of the main economic environment in which the entity operates. This consolidated financial statement is presented in the company's functional currency "NTD" as the expression currency.

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are evaluated and adjusted at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon adjustment at the balance sheet date is recognized in current profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies measured at fair value through profit or loss are evaluated and adjusted at the exchange rates prevailing at the balance sheet date. The generated adjustment differences are recognized as profit or loss. Non-monetary assets and liabilities denominated in foreign currencies measured at fair value through other comprehensive profit or loss are evaluated and adjusted at the exchange rates prevailing at the balance sheet date. The generated adjustment differences are recognized as other comprehensive profit or loss. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are measured using the historical exchange rates at the dates of the initial transactions.
- (4) All exchange differences are presented under 'Other Gains and Losses' in the Profit and Loss Statement.

2. Translation of foreign operations

The operating results and financial positions of all Group entities, affiliated companies and joint agreements with a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
- (2) Incomes and expenses for presented in each statement of comprehensive income comprehensive balance sheet are translated at average exchange rates of that period; and
- (3) All resulting exchange differences are recognized in other comprehensive income profit or loss.

(5) Classification criteria for distinguishing between current and non-current assets and liabilities

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

- (2) Assets held mainly for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash or cash equivalents, excluding restricted cash and cash to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

The Group classifies all liabilities that do not meet the above conditions as non-current.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle.
- (2) Liabilities held mainly for trading purposes.
- (3) Liabilities that are to be settled within twelve months from the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

The Group classifies all liabilities that do not meet the above conditions as non-current.

(6) Cash equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that fulfill the above definition held for the purpose to meet short-term cash commitments are categorized as cash equivalents.

(7) Financial assets measured at fair value through profit or loss

- 1. Financial assets that are not measured at amortized cost or measured at fair value through other comprehensive gains and losses.
- 2. The Group adopts transaction date accounting for financial assets measured at fair value through profit or loss in accordance with customary transactions
- 3. Financial assets measured at fair value through profit or loss are initially recognized at fair value. Related transaction costs are recognized in profit or loss. These financial assets are subsequently measured at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Financial assets measured at fair value through other comprehensive income

- 1. Refers to an irrevocable choice at the time of initial recognition, and reports the changes in fair value of equity instrument investments that are not held for trading in other comprehensive profit or loss; or debt instrument investments that also meet the following conditions:
 - (1) The financial asset is held under a business model whose purpose is to collect contractual cash flows and sell.
 - (2) The contractual terms of the financial asset generate cash flow on a specific date, which is the entire interest for payment of principal and the principal amount in circulation.
- 2. The Group adopts transaction day accounting for financial assets that are measured at fair value through other comprehensive income in accordance with transaction practices.
- 3. The Group's initial recognition is measured by its fair value plus transaction costs, and subsequently measured by fair value
 - (1) Changes in fair value attributable to equity instruments are recognized in other

comprehensive income or loss, and at the time of division, the cumulative benefit or loss previously recognized in other comprehensive income or loss shall not be reclassified to profit or loss and transferred to retained earnings. When the right to receive dividends is established, the economic benefits asso °

- (2) Changes in fair value of a debt instrument are recognized in other comprehensive income and recognized in impairment losses, interest income and foreign currency conversion gains and losses recognized in other comprehensive income are recognized in profit or loss and, at the time of division, accumulated benefits or losses recognized in other comprehensive income are reclassified to profit or loss.

(9) Accounts and notes receivables

1. Refers to contractual agreements that the account and receipt of the unconditional right to exchange the value of the consideration for the transfer of goods or services.
2. For short-term accounts receivable and bills that are not paid, the discount is not significant, and the Group measures by the original invoice amount.

(10) Financial assets loss

After the Group has measured financial assets by fair value of debt instruments and by amortized cost, in consideration of all reasonable and corroborative information (including forward-looking) on every asset liability statement date, allowance loss of those that have not significantly increased its credit risk since original recognition is measured by the 12-month expected credit loss amount. For those that have significantly increased its credit risk since original recognition, the allowance loss is measured by the expected amount of credit loss during its period of existence. Accounts receivable or contract assets that do not contain significant financial components are measured by the amount of expected credit losses during its period of existence.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted-average method. Cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads, but excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, after deducting estimated cost of completion and applicable variable selling expenses.

(13) Investment accounted for using equity method / Associate corporation

1. An associate enterprise is an entity that has a significant impact on the Group and has no control over it. It is generally a share that directly or indirectly holds more than 20% of its voting rights. The Group handles the investment of associate companies in the equity method and recognizes the cost upon acquisition.
2. The Group's share of profit or loss after the acquisition of an associate enterprise is recognized as current gains and losses, and other comprehensive profit or loss shares after its recognition is recognized as other comprehensive gains or losses. If the loss share of the Group of any associate company equals or exceeds its interest in the affiliated enterprise (including any other unsecured receivables), the Group does not recognize any further loss,

unless the Group establishes a legal obligation, presumes an obligation, or has paid for it on its behalf for the relevant affiliate company.

3. When the affiliate company generates non-profit or loss and other comprehensive profit and loss interest changes, which does not affect shareholding ratio of the company, the Group recognizes interest changes the Group enjoys under shares of said affiliate company as “capital reserve” according to shareholding ratio.
4. Unrealized gains and losses generated by transactions between the Group and an affiliate company have been eliminated in accordance with their share of the rights and interests of the associate enterprise. Unless evidence indicates that the transferred property of the transaction has been derogated, the loss is not realized or sold and thus should be eliminated. Accounting policies of the affiliate company has been adjusted as necessary, in line with the policies adopted by the Group.
5. Upon issuance of new shares by an affiliate company, if the Group has not purchased or acquired said shares according to ratio, leading to changes in investment ratio while the Group still imposes a significant impact over which, increase or decrease in net value of said equity is subject to adjustments to the “capital reserve” and “investment using equity method”. If the investment ratio is lowered, in addition to the above adjustment, and the interest or loss previously recognized in other comprehensive gains and losses is related to the decrease in the ownership interest, and the profit or loss is reclassified to profit or loss when the relevant asset or liability is disposed of, it is reclassified to profit or loss according to reduction ratio.
6. When the Group loses significant impact on an affiliate company, the remaining investment in the former affiliate company is re-measured according to fair value. The difference between fair value and book value is recognized as current profit or loss.
7. When the Group disposes of an affiliate company, if the Group loses significant impact on said affiliate company, all amounts previously recognized in other comprehensive profit or loss in relation to the affiliate company, if the accounting treatment of which is the same as the Group’s direct disposal of related assets or liabilities, that is, if it is previously recognized as other comprehensive profit or loss, it will be reclassified as profit or loss upon disposal of relevant assets or liabilities. When significant impact on an affiliate enterprise is lost, the gain or loss is reclassified from equity as profit or loss. If the Group continues to hold significant impact on an affiliate company, the amount previously recognized in other comprehensive gains and losses will be transferred in the above manner in proportion.
8. When the Group disposes of an affiliate company, if significant impact on said affiliate company is lost, the capital reserve related to the affiliate company is transferred to profit or loss. If the Group continues to hold significant impact on the affiliate company, the capital reserve is transferred to profit or loss according to proportion of disposal.

(14) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost of acquisition. Relevant interests incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group, and cost of the said item can be measured reliably. Carrying amount of the replaced part is derecognized. All other repairs and maintenance charges are recognized as current profit or loss at time of occurrence.
3. Follow-up measurements of property, plant and equipment adopt cost model, and are depreciated using the straight-line method according to their estimated service lives. Significant components of a property, plant, and equipment are depreciated separately. °

4.Assets' residual values, service lives and depreciation methods are reviewed at each financial year-end by the Group. If expectation values of the assets' residual values and service lives differ from previous estimates, or if expected patterns of consumption of said asset's future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in accounting estimate under IAS8'Accounting Policies, Changes in Accounting Estimates and Errors' from the date of change.

Estimated service lives of property, plant and equipment are as follows: :

Housing and building	10~20 years
Mechanical equipment	3~10 years
Transportation equipment	4~5 years
Office equipment	3~10 years
Mold equipment	5~10 years
Rental equipment	10 years

(15) Assets / Operating lease (lessee) — Right-of-use assets / lease liabilities

Applicable for 2019

1. The lease assets are recognized as a right-of-use asset and the lease liabilities at the date when they are available for use by the Group. When a lease contract is a lease of a short-term or low-value asset, it is recognized as an expense by the straight-line method during the lease period.
2. Lease liabilities shall be recognized at present value at the beginning of the lease by discounting outstanding leases to the Group's increased borrowing rate. Lease payments shall include:
 - (1) Fixed benefits, less any incentives for which the lease may be charged.
 - (2) Subsequent acquisition interest method is measured by amortization cost method, and the interest expense shall be included during the lease period. When a non-contractual modification causes a change in the lease period or a lease payment, the lease liability will be reassessed and the measurement will be adjusted for the right-of-use asset.
3. The assets are recognized at cost at the beginning of the lease, which includes:
 - (1) The original measurement of the right-of-use the lease liability;
 - (2) Any lease payments paid on or before the start date; and
 - (3) Any original direct costs incurred in the beginning ;

Subsequent acquisition cost measurement, in which the depreciation expense is applied to either at the end of the useful life of the right-to-use asset or at the end of the lease period, whichever comes first. When a lease liability is reassessed, the right-to-use asset will adjust any re-measured amount of the lease liability.

(16) Assets / Operating lease (lessee)

Applicable for 2018

1. According to terms of lease agreements, when almost all risks and rewards of the leasehold ownership are borne by the Group, it is classified as a financing lease.
 - (1) At the beginning of lease, the lower value between fair value of the leased property and present value of lowest rent is recognized as asset and debt.
 - (2) Subsequent minimum lease payments are allocated to financial costs and reduction to liabilities that have not yet been paid. The financial costs are allocated on a

period-by-term basis during the lease period so that the interim interest rate calculated on the balance of the negative debts is fixed.

- (3) Property, plant and equipment obtained under financing leases shall be depreciated according to the service lives of assets. If it is not reasonable to determine that the Group will acquire ownership at the expiration of lease term, depreciation shall be based on the shorter period between said asset's service life and lease term.
2. Deductions for operating leases are recognized as current gains and losses on a straight-line basis over the lease term, except for any incentives received from the lessor.

(17) Intangible assets

1. Intangible assets

Mainly computer software, patents and specialized technology recognized by cost of acquisition, amortized on a straight-line basis over its estimated service life of 10 to 20 years.

2. Goodwill

Goodwill arising on a merge or acquisition of a business. Company merge is differences of fair values of identifiable net assets acquired upon deductions of acquisition prices, which is recognized as goodwill.

(18) Non-financial assets loss

1. The Group estimates the recoverable amount of assets with indications of impairment on the balance sheet date. When the recoverable amount is lower than the book value, the impairment loss is recognized. The recoverable amount refers to the higher value between fair value of an asset minus the cost of disposal or value of use. When the impairment loss of an asset recognized in previous years does not exist or decrease, the impairment loss is reversed, but the book value of said asset increased by the derogation loss should be no more than book value of said asset upon deduction of depreciation or amortization if the asset is not recognized for impairment loss
2. Recoverable amounts of goodwill, non-determined service lives of intangible assets and intangible assets that are not yet available are estimated on a regular basis. When the recoverable amount is lower than book value, the impairment loss is recognized. Impairment loss on goodwill impairment is not reversed in subsequent years.
3. If the goodwill is for the purpose of the impairment test, it will be allocated to the cash generating unit. This apportionment is based on the identification of the operating department. Goodwill is distributed goodwill to a cash-generating unit or cash-generating unit group that is expected to benefit from the merge of business that generates said goodwill.

(19) Loans

1. Refers to the long-term and short-term loans borrowed from the bank, and other long-term and short-term borrowings. The Group measures by fair value after deducting transaction cost at the time of original recognition, and any subsequent differences between the price and the redemption value after deducting the transaction cost. The interest expense method is used to recognize the interest expense in profit or loss during the circulation period according to the amortization procedure.
2. The expenses paid when establishing a loan is deemed to be part or all of the loan, which is recognized as the transaction cost of the loan, which is deferred to the adjustment of the effective interest rate at the time of the expenditure; When it is not possible to withdraw part or all of the loan amount, it is recognized as the prepayment amount and amortized over the period in which the amount is relevant.

(20) Accounts and notes payable

1. Refers to debts to pay for raw materials, goods or services on credit, and notes payable incurred by operation of non-operation.
2. Belongs to short-term accounts and notes payable without bearing interest. The Group measures by initial invoice amount as the effect of discounting is immaterial.

(21) Interchangeable bonds payable

Convertible corporate bonds issued by the Group are embedded with a conversion right (that is, the holder can choose to convert into the ordinary shares of the Group, but not a fixed amount of shares converted by a fixed amount), the right to sell and the right to buy. At the initial issuance, the issue price is classified into financial assets or financial liabilities according to conditions of issuance. The treatment of which is as follows:

1. The embedded conversion rights, the resale rights and the repurchase rights are accounted for as “financial assets or liabilities measured at fair value through profit or loss” at date of original recognition. Based on fair value assessment at the time, the difference is recognized as “profit or loss of financial assets (liabilities) measured at fair value through profit or loss”.
2. Principal contract of corporate bonds: the difference between the issuance amount and redemption value is recognized as corporate bond premium at the time of original recognition, after measuring with remaining value of which upon deduction of the above-mentioned “financial assets or liabilities measured at fair value through profit or loss”. The subsequent effective interest method is adopted to recognize which in profit or loss during the circulation period based on the amortization procedure as an adjustment item for “financial costs”.
3. Any transaction costs directly attributable to the issuance are allocated to the components of liability according to proportion of original book value of each of the above items.
4. With the transfer of holders, liability components of the account (including “amount of corporate bonds payable” and “financial assets or liabilities measured at fair value through profit or loss”) are treated according to subsequent measurements of classification, and part of book value is used as the issuance cost for the exchange of common shares.

(22) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is fulfilled, cancelled or expires.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts, and that there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(24) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid, and recognized as expense in the period when the employees render service.

2. Pensions

Pensions contributed to by a certain ratio of total local employee salaries on a monthly basis according to contribution system defined by the Republic of China.

3. Termination benefits

Termination benefits are benefits provided in exchange for termination of employment before the normal date of retirement or when an employee decides to accept an offer of benefits from the company. The Group recognizes it as expense when it ceases to be able to revoke the termination benefits or when it is too early to identify the costs of restructuring. Benefits that are not expected to be fully repaid within 12 months after the balance sheet date should be discounted.

4. Employees' compensation, and directors' and supervisors' remuneration

Employees' compensation, and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation, and that these amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(25) Employee share-based payment

Equity-settled share-based payment arrangements are employee services received measured at fair value of the equity instruments granted at grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. Fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on service conditions that are expected to be satisfied and estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26) Income tax

1. Income tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income, or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity. °
2. The current income tax expense is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. The management team evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions, where appropriate, based on the amounts expected to be paid to tax authorities.
3. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between tax bases of assets and liabilities, and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill, or of an asset or liability in a transaction (other than a business merge) that at the time of the transaction affects neither accounting nor taxable profit or loss. Temporary differences are not recognized if they arise on investments in subsidiaries and affiliates, and that timing of reversal of said temporary difference is controlled by the Company, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date, and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(27) Share capital

1. Ordinary shares are classified as equity. Differences between incremental costs directly attributable to the issuance of new shares, and book value upon impact of income tax are recognized in adjustments to the shareholder's equity
2. Where the Company repurchases issued shares, the consideration paid, including any directly attributable incremental costs (net after tax) is recognized in deductions from equity attributable to the Company's equity holders. When the repurchased stock is reissued, differences between the received consideration after deducting any incremental costs directly attributable to the issuance of new shares, and book value upon impact of income tax are recognized in adjustments to the shareholder's equity.

(28) Dividends

Dividends allocated to shareholders of the Company are recognized in the Company's financial statements in the period in which they are resolved by the Company's shareholders meeting. Cash dividends are recognized as liabilities.

(29) Revenue recognition

1. Production sales

- (1) The Company operates the manufacture and sale of automobile parts and related products of molds, and the sales receipts are recognized when the control of the products is transferred to the customers. When the product is shipped to the designated location, the risks of oldness, outdatedness and impairment have been transferred to the customer, and the customer accepts the product according to the sales contract, or the customer witnesses that all the acceptance criteria have been met, the commodity delivery hence occurs.
- (2) Sales revenue of automobile parts are deducted from the net amount of the estimated sales discount at contract price. The sales discount given to the customer is usually based on the estimated future sales volume of the item. The Group estimates the sales discount based on historical experience using the expected value method. Limited by portions of the income recognition amount that are likely not to be significantly changed in the future, estimates are updated on each balance sheet date. Estimated sales discount payable to customers related to the sales by asset balance sheet date is recognized as refund liability. Payment terms of sales transaction are 30 days after date of delivery, which is consistent with market practice. Therefore, it is assessed that the contract does not contain a major

financial component.

- (3) The Group recognizes income and receivables when opening the customer's bill every month according to bill amount of the bill it has the right to open.

2. Software service revenue

The Group provides services related to the development of customized software. Labor income is recognized as income during the financial reporting period of service provision to the customer. The fixed price contract is recognized based on the proportion of all services that have been actually provided by balance sheet date, and completion ratio of services is based on the basis that services actually provided are all service that should be provided. The customer pays the contract price in accordance with the agreed time schedule. When the service provided by the Group exceeds the customer's payment, it is recognized as a contractual asset. If the customer pays more than the services already provided by the Company, it is recognized as a contractual debt.

(30) Government grants

Government grants are not recognized until there is reasonable assurance that the company will comply with the conditions attaching to them, and the grants received is recognized by fair value. If the nature of a government grant is to compensate for expenses already incurred of the Group, said grant should be recognized as current profit or loss in the period of occurrence of relevant expenses on a systematic basis. Government grants related to property, plant and equipment are recognized as current profit or loss over the estimated service life of relevant asset straight line method.

(31) Business merge

1. The Group adopts the acquisition method for enterprise merges. The merging consideration is calculated based on the transferred assets, the liabilities incurred or bore, and fair value of issued equity instruments. The transferred consideration, including fair value of any asset and liability generated by the contingent consideration. The costs associated with the acquisition are recognized as an expense at the time of the occurrence. Identifiable assets and liabilities incurred in the business merge are measured at fair value of the acquisition date. The Group takes individual acquisition transactions as benchmark. Components of non-controlling interests are current ownership interests, and their holders are entitled to share the company's net assets on a pro-rata basis at time of liquidation, and choose to measure by fair value of date of acquisition or by proportion of identifiable net assets of the acquired non-controlling interest. All other components of the non-controlling interest are measured at fair value of the acquisition date.
2. If the total of fair value of transferable considerations, non-controlling interests of the acquirer and interests of the previously held acquirer exceeds fair value of the identifiable assets and liabilities assumed, it is recognized as goodwill on the acquisition date. If differences between fair value of identifiable assets and liabilities assumed exceeds the transfer consideration, the non-controlling interest of the acquirer and the previously held equity of the acquirer is recognized as current profit or loss.

(32) Operating units

Information of operating units of the Group and internal management report provided to the main operating decision-maker is reported in consistent manners. The main operating decision-maker is responsible for allocating resources to and assessing performance of operating

units.

5. Major sources of significant accounting judgments, estimations and hypothetical uncertainties

The preparation of these consolidated financial statements requires the management team to make critical judgements in applying the Group's accounting policies, and to make reasonable estimates concerning future events based on current conditions on balance sheet date for accounting estimates and assumptions. Made assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experiences and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. An explanation on significant accounting judgments, estimations and hypothetical uncertainties is addressed below:

(1) Significant judgements in applying accounting policies

There are no significant judgements in accounting policies.

(2) Significant accounting estimations and assumptions

1. Goodwill impairment assessment

The assessment process of goodwill impairment relies on the subjective judgment of the Group, which includes identifying cash-generating units and allocating assets and liabilities and goodwill to the relevant cash-generating units and determining the recoverable amount of the cash-generating units. Please refer to Note 6(11) for an explanation of a goodwill impairment assessment.

On Dec.31st 2019, the group recognized the loss as 605,822 NTD (thousand).

2. Inventory evaluation

Since inventories must be valued at the lower between the cost and net realizable value, the Group must use judgments and estimates to determine net realizable value of the inventory on the balance sheet date. Due to the rapid changes in technology, the Group assessed the amount of normal loss, outdated or no market sales value on the balance sheet date, and reduced the inventory cost to net realizable value. This stock evaluation is mainly based on the estimation of product requirements during the future specific period, and may hence result in major changes.

On December 31st, 2019, book value of the Company's deposit was 4,652,754 NTD (thousand).

6. Contents of significant accounting items

(1) Cash and cash equivalents

	<u>Dec. 31st, 2019</u>	<u>Dec. 31st, 2018</u>
Cash on hands	\$ 1,528	\$ 1,392
Demand deposit	<u>3,173,965</u>	<u>3,239,861</u>
	<u>\$ 3,175,493</u>	<u>\$ 3,241,253</u>

1. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. Exposure amount of the largest credit risk on the balance sheet date is book value of cash and cash equivalents.

2. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss – current

Items	<u>Dec. 31st, 2019</u>	<u>Dec.31st, 2018</u>
Current items:		
Forced financial assets at fair value through profit or loss		
Convertible corporate bond redemption and sale (Note 6(16))	<u>\$ -</u>	<u>\$ 1,320</u>

1. The Group's financial assets, which are measured by fair value through profit and loss by force, were recognized as profit 19,691 NTD (thousand) from January 1st to December 31st, 2019, and 12,741NTD (thousand) from January 1st to December 31st, 2018.
2. The Group has not provided pledges for financial assets that are valued at fair value through profit or loss.
3. Please refer to Note 12 (2) for information on relevant credit risk.

(3) Financial assets measured at fair value through other comprehensive income-non-current

Items	<u>Dec. 31st ,2019</u>	<u>Dec. 31st, 2018</u>
Non-current item:		
Equity instruments		
Unlisted, over the counter, emerging stocks	<u>\$ 107,939</u>	<u>\$ -</u>
	107,939	-
Adjustment for change	3,262	
Exchange rate impact	<u>(2,762)</u>	<u>-</u>
Total	<u>\$ 108,439</u>	<u>\$ -</u>

1. The equity instruments acquired by the Group in April 2019 are classified as equity instruments that are strategic investments as financial assets measured at fair value through other comprehensive income and loss. The fair value of those investments on December 31st, 2019 is 108,439 NTD (thousand). Please refer to note 7 (3) for the transaction of related parties.
2. Regardless of any collateral or other credit enhancement held by the Group, the maximum amount of exposure to credit risk for financial assets measured at fair value through other comprehensive income was 108,439 NTD (thousand) on December 31st, 2019 and 0 NTD on December 31st, 2018.
3. The details of the recognition of financial assets as measured at fair value through other comprehensive income are as follows:

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2019</u>
<u>Equity instruments measured at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive income	<u>\$ 3,262</u>	<u>\$ -</u>

4. Information on credit risk for financial assets measured at fair value through other comprehensive income is given in Note 12 (2).

(4) Notes and accounts receivable, net

	<u>Dec. 31st, 2019</u>	<u>Dec.31st, 2018</u>
Notes receivable	\$ 1,471,313	\$ 1,197,578
Deduct : Discount notes receivable	(59,616)	(84,438)
	<u>\$ 1,411,697</u>	<u>\$ 1,113,140</u>
Accounts receivable	\$ 3,718,324	\$ 4,138,960
Less : Allowance loss	(88,920)	(66,497)
	<u>\$ 3,629,404</u>	<u>\$ 4,072,463</u>

1. Age analysis of notes and accounts receivable are as follows:

	<u>Dec. 31st, 2019</u>	<u>Dec. 31st, 2018</u>
Notes receivable		
Not overdue	<u>\$ 1,411,697</u>	<u>\$ 1,113,140</u>
Notes receivable		
Not overdue	\$ 3,051,624	\$ 3,669,936
In 90 days	495,297	303,159
In 91-180 days	37,612	76,216
Over 181 days	<u>133,791</u>	<u>89,649</u>
	<u>\$ 3,718,324</u>	<u>\$ 4,138,960</u>

The above age analysis is based on overdue days.

- The balance of accounts and notes receivable on December 31st, 2019, December 31st, 2018 and January 1st, 2018 are generated by customer contracts and the balance of receivables from January 1st, 2018 is 4,589,372 NTD (thousand).
- Amount of facilities of the largest credit risk of the Group's bills and accounts receivable on December 31st, 2019 and December 31st, 2018, regardless of collateral or other credit enhancements held, is the carrying amount of each type of notes and accounts receivable.
- On December 31st, 2019 and December 31st, 2018, for the provision of short-term borrowings, some of the Group's subsidiaries provided accounts receivable to the bank for pledge, amounting to 431,000 and 447,000 NTD (thousand) respectively.
- On December 31st, 2019 and December 31st, 2018, for the issuance of bank acceptance bills, some of the Company's subsidiaries provided notes receivable to the bank for pledge, amounting to 640,750 and 696,427 NTD (thousand) respectively.
- The Group assesses some of the notes receivable (which are bank drafts) discounted to the bank meets the requirements for the exclusion of financial assets, provided that the receiver (the accepting bank) refuses to pay and the Group is liable to pay, although the credit rating of the receiver (the accepting bank) mentioned above is extremely high, in general, the Group does not expect the accepting bank to refuse payment. The Group has posted to the bank, but it has not yet matured, the following summary information is available:

	<u>Dec.31st, 2019</u>	<u>Dec.31st, 2018</u>
Amount deducted	<u>\$ 59,616</u>	<u>\$ 84,438</u>

- On December 31st, 2019 and December 31st, 2018, the business model of the Group's notes receivable was achieved through the acquisition of contractual cash flows and the sale of financial assets. Therefore, such notes are measured at fair value through other comprehensive income.
- For details of pledge of the notes and accounts receivable, please refer to the attached Appendix 8 of the consolidated financial report.
- For related credit risk information, please refer to Note 12 (2).

(5) Inventories

	End of 2019		
	Allowance for Obsolescence and valuation loss		
	Cost		Carrying amount
Finished goods	\$ 3,386,100	(\$ 200,907)	\$ 3,185,193
Raw material	992,281	(77,275)	915,006
Work in process	584,331	(31,776)	552,555
Total	<u>\$ 4,962,712</u>	<u>(\$ 309,958)</u>	<u>\$ 4,652,754</u>

	End of 2018		
	Allowance for Obsolescence and valuation loss		
	Cost		Carrying amount
Finished goods	\$ 3,724,444	(\$ 156,421)	\$ 3,568,023
Raw material	1,188,051	(76,780)	1,111,271
Work in process	840,980	(21,865)	819,115
Total	<u>\$ 5,753,475</u>	<u>(\$ 255,066)</u>	<u>\$ 5,498,409</u>

Inventory-related expense losses recognized in the current period :

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st 2018</u>
Cost of inventories sold	\$ 18,812,501	\$ 17,828,146
Amount of obsolescence stock and valuation loss	75,209	80,676
Revenue from sales of waste and scrap	(392,040)	(296,312)
	<u>\$ 18,495,670</u>	<u>\$ 17,612,510</u>

(6) Prepayments

	End of 2019	End of 2018
Prepayments	\$ 446,986	\$ 532,543
Prepayment of software	40,004	57,754
Input tax	226,867	391,285
Other	100,322	111,557
Total	<u>\$ 814,179</u>	<u>\$ 1,093,139</u>

(7) Other current assets

	<u>End of 2019</u>	<u>End of 2018</u>
Refundable deposits	\$ 861,221	\$ 902,595
Other current assets	178,533	189,356
Total	<u>\$ 1,039,754</u>	<u>\$ 1,091,951</u>

Please refer to Appendix 8 of the consolidated financial statements for nature of refundable deposits

(8) Investment using equity methods

	<u>Dec.31st, 2019</u>	<u>Dec. 31st, f 2018</u>
Balance on Jan. 1 st of the year	\$ 1,356,176	\$ 1,421,718
Decrease in investment using equity method	(48,630)	20,885
Capital surplus changes	8,789	16,555
Share of earnings of investment using equity method	(71,619)	(62,928)
Other equity changes-cumulative conversion	2,626	(23,093)
Effect of exchange rate	(27,135)	(16,961)
Balance of Dec.31 st of the year	<u>\$ 1,220,207</u>	<u>\$ 1,356,176</u>

Associate corporation

1. Information of the major associates of the Group is as follows:

Corporation name	Main business location	<u>Shareholding ratio</u>		Relationship	Measuring method
		Dec.31 st , 2019	Dec. 31 st , 2018		
Constellium Engley	China	46%	46%	Strategic investment	Equity method
Honley Auto. Parts Co.,Ltd	Taiwan	36.63%	40%	Strategic investment	Equity method
Zhejiang Sanse Mold Technology Co., Ltd	China	20%	20%	Strategic investment	Equity method

Honley Auto. Parts Co., Ltd increased its capital and reduced it in 2019. The company did not subscribe according to the shareholding ratio which resulted in its shareholding ratio as 36.63%.

2. Financial information of major associates of the Group is as follows:

Balance sheet

	<u>Constellium Engley (Changchun) Automotive Structures Co., Ltd</u>			
	<u>Dec. 31st, 2019</u>		<u>Dec. 31st, 2018</u>	
Current assets	\$	859,673	\$	904,573
Non-current assets		380,459		340,429
Current liabilities	(	628,306)	(	622,387)
Non-current liabilities		-	(	7,827)
Total net assets	\$	<u>611,826</u>	\$	<u>614,788</u>
Share of net assets of associates	\$	281,440	\$	282,802
Goodwill		-		-
Carrying value of associates	\$	<u>281,440</u>	\$	<u>282,802</u>

	<u>Honley Auto. Parts Co.,Ltd</u>			
	<u>Dec. 31st, 2019</u>		<u>Dec. 31st, 2019</u>	
Current assets	\$	828,688	\$	432,260
Non-current assets		1,688,290		1,794,573
Current liabilities	(	569,110)	(	489,194)
Non-current liabilities	(	635,240)	(	252,523)
Total net assets	\$	<u>1,312,628</u>	\$	<u>1,485,116</u>
Share of net assets of associates	\$	480,856	\$	594,047
Goodwill		-		-
Carrying value of associates	\$	<u>480,856</u>	\$	<u>594,047</u>

	<u>Zhejiang Sanse Mold Technology Co., Ltd</u>			
	<u>Dec. 31st, 2019</u>		<u>Dec. 31st, 2018</u>	
Current assets	\$	657,120	\$	941,370
Non-current assets		441,986		444,642
Current liabilities	(	637,382)	(	800,177)
Non-current liabilities	(	27,156)	(	74,383)
Total net assets	\$	<u>434,568</u>	\$	<u>511,452</u>
Share of net assets of associates	\$	86,913	\$	102,291
Goodwill		229,613		238,136
Carrying value of associates	\$	<u>316,526</u>	\$	<u>340,427</u>

Statement of Comprehensive Income

Constellium Engley (Changchun) Automotive Structures Co., Ltd.

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Income	\$ 1,294,309	\$ 1,436,585
Net profit of continuing operations in the current period	\$ 153,456	\$ 162,987
Income (loss) on discontinued operations	-	-
Other comprehensive profit and loss (net after tax)	-	-
Total comprehensive profit and loss in the current period	\$ 153,456	\$ 162,987
Dividends received from associates	\$ 124,969	\$ -

Honley Auto. Parts Co.,Ltd

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Income	\$ 37,208	\$ 12,460
Net loss of continuing operations in the current period	(341,000)	(202,573)
Income (loss) on discontinued operations	-	-
Other comprehensive profit and loss(net after tax)	7,169	(57,732)
Total comprehensive profit and loss in the current period	(\$ 333,831)	(\$ 260,305)
Dividends received from associates	\$ -	\$ -

Zhejiang Sanse Mold Technology Co., Ltd

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Income	\$ 606,859	\$ 955,473
Net loss of continuing operations in the current period	(61,669)	21,204
Income (loss) on discontinued operations	-	-
Other comprehensive profit and loss(net after tax)	-	-
Total comprehensive profit and loss in the current period	(\$ 61,669)	\$ 21,204
Dividends received from associate	\$ -	\$ -

3. Sum of book value of the Group's individual non-significant associates and shares of results of their operations are summarized as follows:

At the end of 2019 and at the end of 2018, total carrying values of the Group's non-significant associates was 141,385 and 138,900 NTD (thousand) respectively.

	<u>Jan. 1st to Dec. 31st,2019</u>	<u>Jan. 1st to Dec. 31st,2018</u>
Net profit of continuing operations in the current period	\$ 17,667	\$ 15,453
Income(loss) on discontinued operations	-	-
Other comprehensive profit and loss(net after tax)	<u>-</u>	<u>-</u>
Total comprehensive profit and loss in the current period	<u>\$ 17,667</u>	<u>\$ 15,453</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

(9) Property, plants and equipment

Jan. 1 st to Dec. 31 st , 2019						
	Opening balance	Added amount	Amount of disposition	Trading of the year	Effect of exchange rate changes	End balance
Cost of house and buildings	\$ 3,602,696	\$ 45,760	(\$ 762)	\$ 56,228	(\$ 131,435)	\$ 3,572,487
Machinery equipment	6,395,583	763,741	(26,906)	541,656	(270,847)	7,403,227
Transport equipment	79,074	10,515	(10,864)	-	(2,883)	75,842
Office equipment	424,370	83,524	(19,231)	35,755	(18,010)	506,408
Mold equipment	842,241	315,513	(11,214)	142,065	(45,928)	1,242,677
Rental equipment	290,295	-	-	(290,295)	-	-
Unfinished works and equipment to be inspected	792,048	769,352	(4,193)	(417,839)	(44,629)	1,094,739
Cost subtotal	<u>\$ 12,426,307</u>	<u>\$ 1,988,405</u>	<u>(\$ 73,170)</u>	<u>\$ 67,570</u>	<u>(\$ 513,732)</u>	<u>\$ 13,895,380</u>
Accumulated depreciation						
House and building	(\$ 711,976)	(\$ 174,808)	\$ 357	(\$ 4,843)	\$ 31,679	(\$ 859,591)
Machinery equipment	(2,104,344)	(641,834)	18,969	(154,131)	101,658	(2,779,682)
Transport equipment	(49,760)	(8,979)	7,406	-	1,860	(49,473)
Office equipment	(227,266)	(76,219)	16,565	(2,931)	10,368	(279,483)
Mold equipment	(324,045)	(174,801)	3,300	2,931	17,585	(475,030)
Rental equipment	(124,473)	-	-	124,473	-	-
Accumulated depreciation subtotal	<u>(\$ 3,541,864)</u>	<u>(\$ 1,076,641)</u>	<u>\$ 46,597</u>	<u>(\$ 34,501)</u>	<u>\$ 163,150</u>	<u>(\$ 4,443,259)</u>
Accumulated impairment						
House and building	(\$ 67,297)	\$ -	\$ -	\$ -	\$ 2,409	(\$ 64,888)
Machinery equipment	(8,344)	-	-	-	299	(8,045)
Transport equipment	(5)	-	-	-	-	(5)
Office equipment	(23)	-	-	-	1	(22)
Accumulated impairment subtotal	<u>(\$ 75,669)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,709</u>	<u>(\$ 72,960)</u>
Total	<u>\$ 8,808,774</u>					<u>\$ 9,379,161</u>

The Group adopted an amendment retrospective adjustment to IFRS 16 to transfer leased equipment belonging to the lessee of 165,822 NTD (thousand) to the right-of-use asset on January 1st, 2019.

Jan. 1st to Dec. 31st, 2018

	Opening balance	Added	Amount of disposition	Trading of the year	Effect of exchange rate	Ending balance
Cost of						
House and building	\$ 2,850,168	\$ 23,500	\$ -	\$ 807,084	(\$ 78,056)	\$ 3,602,696
Machinery equipment	4,394,555	280,079	(30,319)	1,896,218	(144,950)	6,395,583
Transport equipment	80,670	9,924	(9,710)	(226)	(1,584)	79,074
Office equipment	348,526	90,532	(11,722)	5,965	(8,931)	424,370
Mold equipment	664,388	123,036	(8,399)	81,629	(18,413)	842,241
Rental equipment	866,490	910	-	(569,364)	(7,741)	290,295
Unfinished works and equipment to be inspected	<u>2,150,642</u>	<u>1,434,031</u>	<u>(15,606)</u>	<u>(2,754,780)</u>	<u>(22,239)</u>	<u>792,048</u>
Subtotal	<u>\$ 11,355,439</u>	<u>\$ 1,962,012</u>	<u>(\$ 75,756)</u>	<u>(\$ 533,474)</u>	<u>(\$ 281,914)</u>	<u>\$ 12,426,307</u>
Accumulated depreciation						
House and building	(\$ 572,946)	(\$ 141,740)	\$ -	(\$ 12,746)	\$ 15,456	(\$ 711,976)
Machinery equipment	(1,598,896)	(474,418)	23,916	(100,336)	45,390	(2,104,344)
Transport equipment	(46,761)	(11,591)	7,341	527	724	(49,760)
Office equipment	(181,861)	(61,117)	10,650	239	4,823	(227,266)
Mold equipment	(221,283)	(104,527)	3,919	(9,164)	7,010	(324,045)
Rental equipment	<u>(153,591)</u>	<u>(94,954)</u>	<u>-</u>	<u>121,230</u>	<u>2,842</u>	<u>(124,473)</u>
Accumulated depreciation subtotal	<u>(\$ 2,775,338)</u>	<u>(\$ 888,347)</u>	<u>\$ 45,826</u>	<u>(\$ 250)</u>	<u>\$ 76,245</u>	<u>(\$ 3,541,864)</u>
Accumulated impairment						
House and building	\$ -	\$ -	\$ -	(\$ 68,652)	\$ 1,355	(\$ 67,297)
Machinery equipment	-	(8,512)	-	-	168	(8,344)
Transport equipment	-	(5)	-	-	-	(5)
Office equipment	-	(23)	-	-	-	(23)
Unfinished works and equipment to be inspected	<u>(68,803)</u>	<u>-</u>	<u>-</u>	<u>68,652</u>	<u>151</u>	<u>-</u>
Accumulated impairment subtotal=	<u>(\$ 68,803)</u>	<u>(\$ 8,540)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,674</u>	<u>(\$ 75,669)</u>
Subtotal	<u>\$ 8,511,298</u>					<u>\$ 8,808,774</u>

Note: Unfinished works of the year can be put into use, and were transferred to houses and buildings in the period.

1. Property, plants and equipment loading cost and capital ratios and interest rates

	<u>Jan. 1st to Dec. 31st, 2019</u>	<u>Jan. 1st to Dec. 31st, 2018</u>
Capitalized amount	<u>\$ 37,864</u>	<u>\$ 60,182</u>
Capitalized interest rate interval	<u>1.25%~9.36%</u>	<u>1.30%~9.36%</u>

2. For information on immovable property, plants premises and equipment, please refer note 8.

3. For the impairment loss of property, plant and equipment, please refer to Note 6 (13) for details.

(10) Lease transaction-lessee

Applicable for 2019

1. The underlying assets of the Group's tenders include land, buildings, transport equipment and office equipment. The lease contract period usually ranges from 2 to 47 years. The lease contract is negotiated on individual basis and contains various terms and conditions, except that the assets of the lease may not be used as collateral for borrowing, there are no other restrictions.

2. Information on the book value of the right-to-use assets and the recognized depreciation expense is as follows:

	<u>December 31st, 2019</u>	
	<u>Amount value</u>	<u>Depreciation expense</u>
Land	<u>\$ 953,203</u>	<u>\$ 26,958</u>
House and building	<u>341,513</u>	<u>87,194</u>
Machinery equipment	<u>-</u>	<u>29,659</u>
Transport equipment	<u>36,685</u>	<u>25,995</u>
Office equipment	<u>815</u>	<u>826</u>
	<u>\$ 1,332,216</u>	<u>\$ 170,632</u>

3. Information regarding the profit and loss related to the lease is as follows:

	<u>Jan. 1st to Dec. 31st, 2019</u>
Items affecting current profit and loss	
Lease liabilities interest expenses	<u>\$ 20,952</u>
Short term lease expenses	<u>20,463</u>
Low value assets lease expenses	<u>215</u>

4. The increase in the right-of use assets of the Group from January 1 to December 31, 2019 was 95,707 NTD (thousand). °

5. The cash outflow from the Group's leasing from January 1st to December 31st, 2019 was 186,987 NTD thousand.

(11) Intangible assets

		Jan. 1st to Dec. 31st,2019						
		Opening balance	Cost acquired	Decrease in this period	Current transfer	Effect of exchange rate	Ending balance	
Cost								
Computer software		\$ 43,959	\$ 67,491	(\$ 7,551)	\$36,551	(\$ 22,285)	\$ 518,165	
Exclusive technology		649,892	-	-	-	(23,259)	626,633	
Goodwill		645,199	-	-	-	(28,445)	616,754	
		\$ 1,739,050	\$ 67,491	(\$ 7,551)	\$36,551	(\$ 73,989)	\$ 1,761,552	
Accumulated amortization								
Computer software		(\$ 93,584)	(\$ 49,428)	\$ 7,427	\$ -	\$ 5,179	(\$ 130,406)	
Exclusive technology		(176,076)	(70,618)	-	-	8,196	(238,498)	
		(\$ 269,660)	(\$ 120,046)	\$ 7,427	\$ -	\$ 13,375	(\$ 368,904)	
Accumulated loss								
Goodwill		\$ -	(\$ 11,338)	\$ -	\$ -	\$ 406	(\$ 10,932)	
		\$ -	(\$ 11,338)	\$ -	\$ -	\$ 406	(\$ 10,932)	
		\$ 1,469,390					\$ 1,381,716	

		Jan. 1st to Dec. 31st,2018						
		Opening balance	Cost acquired	Decrease in this period	Current transfer	Effect of exchange rate	Ending balance	
Cost								
Computer software		\$ 397,600	\$ 66,399	\$ -	\$ -	(\$ 20,040)	\$ 443,959	
Exclusive technology		664,434	-	-	-	(14,542)	649,892	
Goodwill		653,304	-	-	-	(8,105)	645,199	
		\$ 1,715,338	\$ 66,399	\$ -	\$ -	(\$ 42,687)	\$ 1,739,050	
Accumulated amortization								
Computer software		(\$ 67,482)	(\$ 41,439)	\$ -	\$ -	\$ 15,337	(\$ 93,584)	
Exclusive technology		(107,820)	(72,040)	-	-	3,784	(176,076)	
		(\$ 175,302)	(\$ 113,479)	\$ -	\$ -	\$ 19,121	(\$ 269,660)	
		\$ 1,540,036					\$ 1,469,390	

1. The above amortization expenses are recognized under manufacturing expenses and operating expenses in the comprehensive profit and loss statement. °
2. Goodwill is distributed to the cash generating units of the Group:

		December 31 st .2019			
		Acquired from first time merge	Current decrease	Effect of exchange rate	Balance, at end of the year
Goodwill:					
Netherlands K Company		\$ 458,200	\$ -	\$ 16,393	\$ 474,593
Ningbo Maoxiang		38,992	(11,338)	(2,216)	25,438
Linde+Engley (Tianjin)		121,991	-	(16,200)	105,791
		<u>\$ 619,183</u>	<u>(\$ 11,338)</u>	<u>(\$ 2,023)</u>	<u>\$ 605,822</u>

December 31 st , 2018				
	Acquired from first time merge	Current decrease	Effect of exchange rate	Balance, at end of the year
Goodwill :				
Netherlands K Company	\$ 458,200	\$ -	\$ 39,561	\$ 497,761
Ningbo Maoxiang	38,992	-	(1,272)	37,720
Linde+Engley (Tianjin)	121,991	-	(12,273)	109,718
	<u>\$ 619,183</u>	<u>\$ -</u>	<u>\$ 26,016</u>	<u>\$ 645,199</u>

Corporation merges and acquisitions are recognized as goodwill by purchase price in addition to purchase prices as direct costs of the relevant purchases; or by deducting differences of fair values of acquired identifiable net assets from fair value calculated by evaluation of the acquired company's rights and interests by evaluation method on date of acquisition for completed business merges with control acquired.

3. As of December 31st, 2019, the Group's goodwill generated by business merges and acquisitions was 605,822 NTD (thousand), which mainly comprises operating income increases and benefits of potential customer relationships from expected business merges and acquisitions. According to IAS 36, impairment tests should be carried out on goodwill acquired by business merges at least once every year. Impairment tests of goodwill distribute goodwill to cash-generating units that are expected to benefit from said consolidations. Each company is a cash-generating unit that produces a unique cash flow. Therefore, impairment of goodwill is based on the calculation of the companies' use value and net asset value of valuation to assess whether which shall be provided as impairment. The use of value is based on the estimated cash flows from the five-year financial budget approved by the management, and more than five years of cash flows are calculated using the estimated growth rates described below. The main assumptions used to calculate the value of use are as follows:

	<u>December 31st, 2019</u>	<u>December 31st, 2019</u>
Netherlands K Company		
Discount rate	18.96%	19.51%
Growth rate	2.81%	3.00%
Ningbo Maoxiang		
Discount rate	16.10%	13.00%
Growth rate	3.00%	3.00%
Linde+Engley (Tianjin)		
Discount rate	15.02%	13.00%
Growth rate	3.00%	3.00%

As recoverable amount calculated based on value of the use by the Group is less than the carrying value, thus a goodwill impairment loss of 11,338 NTD (thousand) was recognized in 2019. Calculation of use value mainly considers operating net profit rate, growth rate and discount rate. The management level determines the operating net profit rate based on previous performances and its expected progress on market development. Average growth rate of weighting used is consistent with forecasts of the industry report, and the discount rate used is the pre-tax ratio and reflects the specific risks associated with the relevant operating departments.

(12) Other non-current assets

	<u>End of 2019</u>	<u>End of 2018</u>
Use of land (Long-term prepaid rent)	\$ -	\$ 1,015,546
Prepayable to equipment	1,252,559	1,515,244
Refundable deposits	240,667	263,241
Other non-current assets	<u>161,905</u>	<u>121,568</u>
	<u>\$ 1,655,131</u>	<u>\$ 2,915,599</u>

1. The long-term prepaid rent is the use-right of land contract obtained by the Company from December 2006 to July 2016. The lease term is 50 years and has been paid in full at the time of signing the lease. The rental expense recognized from January 1 to December 31, 2018 were 27,000 NTD (thousand).
2. Please note the nature of the refund deposit and please refer to Note 8 of the financial report.

(13) Non-financial impairment loss

1. As of December 31st 2019 and December 31st 2018, the cumulative impairment recognized by the Group is determined to be less than the recoverable amount of the subsidiary, Ningbo Maoxiang, and the subsidiary, Liaoning Engley, adjusted the carrying amount of its real estate, plant and equipment according to the evaluation results as follows:

	<u>End of 2019</u>	<u>End of 2018</u>
Accumulated impairment-House and building	\$ 64,888	\$ 67,297
Accumulated impairment –Machinery equipment	8,045	8,344
Accumulated impairment–Transport equipment	5	5
Accumulated impairment–Office equipment	22	23
Accumulated impairment–Goodwill	<u>10,932</u>	<u>-</u>
	<u>\$ 83,892</u>	<u>\$ 75,669</u>

2. The current profit and loss recognized by the Company in 2019 and 2018 are calculated as 8,540 and 67,899 TWD (in thousands), respectively. The details are as follows:

	<u>Jan. 1st to Dec. 31st, 2019</u>	<u>Jan. 1st to Dec. 31st, 2018</u>
	<u>Recognized as the current profit and loss</u>	<u>Recognized as the current profit and loss</u>
Impairment loss–Goodwill	\$ 11,338	\$ -
Impairment loss–Machinery equipment	-	8,512
Impairment loss–Transport equipment	-	5
Impairment loss–Office equipment	-	23
	<u>\$ 11,338</u>	<u>\$ 8,540</u>

3.The above description of the loss is disclosed by the department as follows:

	Jan. 1 st to Dec. 31 st ,2019	Jan. 1 st to Dec. 31 st ,2018
	Recognized as the current profit and loss	Recognized as the current profit and loss
Subsidiary –Ningbo Maoxiang \$	11,338	\$ -
Subsidiary–Liaoning Engley	-	8,540
	<u>\$ 11,338</u>	<u>\$ 8,540</u>

4. The Company's property and plant, equipment and equipment were depreciated as a result of the unfinished engineering evaluation of the building and construction, machinery, transportation and office equipment of the company's Liaoning Engley in 2018. The Company has reduced its carrying amount to the recoverable amount. Adjustments and recognition of impairment loss was 8,540 NTD (thousand). The recoverable amount is the fair value of the asset, which is based on the reset method. The fair value is the third grade.

5. For the impairment of intangible assets, please refer to Note 6 (11) for details.

(14) Short-term loans

	<u>Dec. 31st, 2019</u>	<u>Dec. 31st, 2018</u>
Credit loan	\$ 2,617,997	\$ 2,113,860
Secured loan	86,246	223,500
	<u>\$ 2,704,243</u>	<u>\$ 2,337,360</u>
Interest rate range	<u>0.92%~5.44%</u>	<u>1.05%~5.48%</u>
Please refer to the detailed financial statement Note 8 for the warranty of the loan.		

(15) Other payables

	<u>Dec. 31st, 2019</u>	<u>Dec. 31st, 2018</u>
Payable equipment	\$ 366,567	\$ 552,218
Payroll payable	244,763	287,734
Payable to social security and provident fund	76,082	107,649
Interbank/shareholder loan	44,696	56,068
Compensation to employees and directors	11,277	32,943
Acquisition of subsidiary agreement liabilities	-	457,600
Other payables	<u>501,543</u>	<u>421,888</u>
Total	<u>\$ 1,244,928</u>	<u>\$ 1,916,100</u>

1.The social security expenses and housing provident funds of the China subsidiaries of the Group are paid at a certain rate in accordance with the Social Security Law of the People's Republic of China and the Housing Provident Fund Regulations of the People's Republic of China, which are based on the monthly salary of the employees, and the social security expenses and housing provident funds which should be listed in the annual financial statements for the actual

salary of the employees.

2. The interest rate of interbank borrowings on December 31, 2019 and December 31, 2018 was 4.35 %.
3. The acquisition of the subsidiary's agreement liability was due to the Group's transfer of a 60.5% stake in Engley Precision Industry BV 6 and the acquisition of Kranendonk Beheersmaatschappij BV (K Company), obtained its 75% stake. The Group's comprehensive shareholding ratio for K is 36.3%. In the equity investment agreement, it is given to the shareholders of the non-controlling rights. The two parties agree that the non-controlling rights shareholder will transfer the 39.5% of the shares held by the Group during the scheduled period. Therefore, the obligation to purchase its own equity in cash should be recognized as financial liabilities by the present value of the redemption amount, and the related equity should be adjusted. As of December 31, 2018, the Group had implemented the above agreement to obtain non-controlling interests and pay related redemption liabilities of 448,196 NTD (thousand), and adjust related equity accounts.

(16) Bonds payable

	<u>End of 2019</u>	<u>End of 2018</u>
First-time unsecured convertible corporate debt in China	\$ 476,400	\$ 1,100,000
Second-time unsecured convertible corporate debt in China	400,000	400,000
Deduct : Discount on corporate debt	<u>(6,882)</u>	<u>(28,140)</u>
Sub-total	869,518	1,471,860
Deduct: Corporate debt due within one year or one business cycle	<u>(476,400)</u>	<u>(1,083,642)</u>
Total	<u>\$ 393,118</u>	<u>\$ 388,218</u>

1. On the 8th of November 2016, the Company in the Republic of China, the company's board of directors for the first time issued a non-guaranteed convertible corporate bond, as follows:

- (1) The conditions for the first time releasing company's domestic non-guaranteed conversion of corporate bonds are as follows:
 - A. The company has been approved by the authorities to issue the first non-guaranteed transfer of corporate bonds locally, with a total amount of 1,100,000 NTD (thousand), and a coupon rate of 0% for three years. The circulation period is from January 10, 2017 to January 10, 2020. The convertible bonds will be paid in cash at the face of the bond upon maturity. This convertible corporate bond was listed on the Taipei Exchange on January 10, 2017.
 - B. The holder of this conversion company bond shall, from the day after the expiration of three months after the date of issuance of the bond, to the expiration date, at any time, except for the suspension of the transfer period as required by the method or the decree, may request the Company to convert to the ordinary Shares, the rights and obligations of the converted ordinary shares are the same as the original issued ordinary shares.
 - C. The price of the company's conversion bonds at the time of issuance is set

at 181 NTD per share. The conversion price of the converted corporate bonds is determined by the pricing model stipulated in the conversion method. In the future, if there is any adjustment of the conversion price in accordance with the conversion method, it will be adjusted according to the pricing model specified in the conversion method. As of December 31, 2019, the conversion price of the converted corporate bonds has been adjusted to 162.40 NTD per share.

- D. The holder of a bond may, within 40 days before the maturity of the two-year conversion, request the company to buy back its converted corporate bonds at the rate of 100% of the face value of the bond.
 - E. From the date of the three-month issue of the conversion of the company's bonds to the 40th day before the expiration of the issue period, if the company's common stock closing price exceeds 30% of the current conversion price for 30 consecutive business days, the company will within 30 business days thereafter, the creditors are notified and the bonds outstanding in cash are recovered in cash in denominations on the base date of the recovery. When the conversion of the company's bond issuance expires on the 30th day after the expiration of the issue period and the 40th day before the expiration of the issue period, if the outstanding balance of the converted corporate bond is less than 10% of the original issue, at any later time, recover all its bonds in cash at the face of the bond
 - F. According to the conversion method, all the Company's recovered (including those bought by the securities firm's business office), repaid, or converted, the converted corporate bonds will be cancelled, not sold or issued, and the conversion rights attached to them will be eliminated.
- (2) In the issuance of convertible corporate bonds, the Group separates the equity-type conversion rights from the components of each liability in accordance with IAS 32 "Financial Instruments: Expression", and accounts for "Capital Reserves – Options" of 44,895 NTD (thousand). The embedded buyback right and sellback right, in accordance with the provisions of IAS 39 "Financial Instruments: Recognition and Measurement", it is not closely related to the economic characteristics and risks of the main contract debt commodity and is therefore treated separately and the net amount of "financial assets or liabilities measured at fair value through profit or loss." The effective interest rate on principal contract debts after separation is 1.53%.
2. The second unsecured convertible corporate bonds in the Republic of China, issued by the Board of Directors of the Company on April 11, 2018, the Republic of China, are as follows:
- (1) The second time company's in-domestic non-guarantee conversion of the company's debt is as follows:
 - A. The company has been approved to raise and issue the second unsecured convertible bonds by the competent authorities locally, with a total amount of 400,000 NTD (thousand) and a coupon rate of 0% for three years. The period of circulation is from June 22, 2018 to June 22, 2021. The principal amount of the convertible bonds will be paid in cash upon maturity. The converted corporate bonds were listed and traded at the Taipei Exchange on June 22, 2018.

- B. Within three months after the maturity of the issue date and to the maturity date, the holders of the convertible bond may at any time request to the Group for the conversion of the ordinary shares of the company, except for the transfer period required to be suspended according to the regulations or by the laws. The rights and obligations of the ordinary shares after the conversion are the same as those originally issued.
 - C. This conversion company debt at the time of issue conversion price is set at 177 NTD per share, the conversion price of this conversion company debt is determined according to the pricing model stipulated in the conversion method. After the continuation of the conversion price adjustment in line with the conversion method, will be adjusted according to the pricing model stipulated in the conversion method. As at December 31, 2018, the conversion price of this conversion company debt has been adjusted to 163.40NTD per share.
 - D. The bondholders may, upon the expiry of the issuance period of the conversion corporate bonds, request the company to buy back the convertible corporate debt held by the bond at 100% of its denomination. °
 - E. When the closing price of the ordinary shares of the company exceeds 30% of the current conversion price 40 days after the maturity of the three-month conversion bond issue for 30 consecutive business days, the creditors will be notified within the next 30 business days and recover the negotiable bonds in cash at the denomination of the bonds on the basis of the base date. When the conversion corporate bond issuance is three months from the next day to the forty days before the expiration of the issuance period, and when the outstanding balance of this convertible debenture is less than 10% of the total original issue, the company may, at any later time, recover all its bonds in cash at the face of the bond.
 - F. According to the provisions of the conversion method, all the company's bonds (including by the securities merchants' business premises), repayment, or converted shall be written off, not will not be sold or issued, its attached conversion rights shall be eliminated.
- (2) In the issuance of convertible corporate bonds, the Group separates the equity-type conversion rights from the components of each liability in accordance with IAS 32 "Financial Instruments: Expression", and accounts for "Capital Reserves – Options" of 13,352 NTD (thousand). The embedded buyback right and sellback right, in accordance with the provisions of IAS 39 "Financial Instruments: Recognition and Measurement", it is not closely related to the economic characteristics and risks of the main contract debt commodity and is therefore treated separately and the net amount of "financial assets or liabilities measured at fair value through profit or loss." The effective interest rate on principal contract debts after separation is 1.25%.

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(17) Long-term loans

<u>Nature of loan</u>	<u>Duration and repayment method</u>	<u>Interest rate</u>	<u>Warranty</u>	<u>End of 2019</u>
Syndicated credit loan	From Oct.30,2019 to Oct.30,2022, monthly interest payments	1.55%	None	\$ 1,444,370
Credit loan	From Apr. 20,2017 to Sept.4,2022, monthly and quarterly interest payments	4.65%~4.75%	None	1,379,200
Credit loan	From Jun. 2,2017 to Jun.1,2020, monthly and quarterly interest payments	1.30%~5.70%	None	177,632
Credit loan	From Feb.13,2017 to Apr.17,2022, monthly interest payments	3.90%~5.70%	None	242,006
Credit loan	From Sept.25,2017 to Oct.21,2021, monthly, every 2 months, and quarterly interest payments	1.30%~5.46%	None	359,292
Credit loan	From Sept.25,2017 to Jul.7,2021, quarterly interest payments	3.21%~3.64%	None	334,682
Credit loan	From Nov. 23,2017 to Nov.23,2020, quarterly interest payments	3.17%	None	76,122
Credit loan	From Nov.30,2018 to Nov.30,2021, monthly interest payments	4.60%	None	52,784
Credit loan	From Jul. 25,2019 to Jul. 24,2021, quarterly interest payments	1.25%	None	60,633
Leasing loan	From Jul. 11,2018 to May 11, 2022, quarterly interest payments	9.36%	Machinery equipment	392,856
Leasing loan	From Jun.8,2018 to Mar.8,2022, quarterly interest payment.	7.11%	Machinery Equipment	137,677
Leasing loan	From Jun.8,2018 to Mar.8,2022, quarterly interest payments	6.51%	Machinery equipment	50,786
Leasing loan	From May 21, 2019 to May20, 2022, quarterly interest payments	6.00%	Machinery equipment	90,751
Leasing loan	From Dec.20,2017 to Sept20,2021, quarterly interest payments	6.69%	Machinery equipment	106,076
Leasing loan	From Apr.12,2018 to Jan. 12,2022, quarterly interest payments	5.62%	Machinery equipment	24,755
Leasing loan	From Jun.8,2018 to Mar.8,2022, quarterly interest payments	6.51%	Machinery equipment	51,508
Leasing loan	From Jun.8,2018 to Mar.8,2022, quarterly interest payments	6.51%	Machinery equipment	79,429
				<u>\$ 5,060,559</u>
Deduct : Syndicated loan bank expense				(11,649)
Deduct : Long-term borrowing due within one year or one business cycle				<u>(1,735,253)</u>
				<u>\$ 3,313,657</u>

<u>Nature of loan</u>	<u>Duration and repayment method</u>	<u>Interest rate</u>	<u>Warranty</u>	<u>End of 2018</u>
Credit loan	From May 24,2016 to Oct.26, 2020, monthly interest payments	4.75%	None	\$ 1,564,500
Credit loan	From Jun.2,2017 to Jun.1,2020, monthly and quarterly interest payments	1.3%~5.11%	None	252,926
Credit loan	From Feb.13,2017 to Dec.15,2022, monthly and quarterly interest payments	3.19%~5.70%	None	326,877
Credit loan	From Sept.20,2017 to Oct.21, 2021, every two months and quarterly interest payments	1.30%~3.75%	None	549,941
Credit loan	From Sept.25,2017 to Apr.9,2021,	3.87%~3.88%	None	337,798

<u>Nature of loan</u>	<u>Duration and repayment method</u>	<u>Interest rate</u>	<u>Warranty</u>	<u>End of 2018</u>
Credit loan	quarterly interest payments From Nov.23,2017 to Nov.23,2020,	3.56%	None	88,393
Credit loan	quarterly interest payments From Nov.30,2018 to Nov.30, 2021,	4.60%	None	85,486
Credit loan	monthly interest payments From Jul.11, 2018 to May 11,2022,	9.36%	Machinery equipment	563,889
Leasing loan	quarterly interest payments From Sept.5, 2016 to Mar.8, 2022,	5.07%~7.11%	Machinery equipment	219,220
Leasing loan	monthly and quarterly interest payments From Jun.8,2018 to Mar.8,2022,	6.51%	Machinery equipment	74,172
Leasing loan	quarterly interest payments From Dec.20,2017 to Sept. 20,2021,	6.69%	Machinery equipment	191,154
Leasing loan	quarterly interest payments From Apr.12,2018 to Jan.12,2022,	5.62%	Machinery equipment	37,569
Leasing loan	quarterly interest payments From Ju.8,2018 to Mar.8,2022, quarterly	6.51%	Machinery equipment	77,551
Leasing loan	interest payments From Jun.8,2018 to Mar.8,2022,		Machinery equipment	
	quarterly interest payments	6.51%	equipment	119,588
				<u>\$ 4,489,064</u>
Less : Long-term borrowing due within one year or one business cycle				<u>(1,586,201)</u>
				<u>\$ 2,902,863</u>

1. The Company signed a joint credit contract at a total of 70,000 USD (thousand) with Taishin Bank and Far Eastern International Bank on October 8, 2019. Taishin Bank acted as the management bank to support the repayment of loans from financial institutions and to enrich medium-term working capital. As of 31 December 31, 2019, the amount of the funds transferred was US\$47,657 USD (thousand) and the amount not transferred was 22,343 USD (thousand).

In addition to other relevant provisions, the above syndicated loan contract also includes the following restrictions: During the credit period, the following financial ratios shall be maintained, and shall be subject to the annual consolidated financial report verified by the accountant and the second quarter consolidated financial report reviewed by the accountant, and the audit shall be carried out every six months. :

- (1) Current ratio : Not less than 100%.
- (2) Liability ratio : Not more than 150%.
- (3) Interest coverage ratio : Should not be less than 500%.
- (4) Total equity : Not less than NT \$ 100 million (inclusive).

2. In accordance with the provisions of the loan credit contract, during the duration of the contract, the company must comply with specific financial ratios at the end of the year and half of the year, such as current ratio, liability ratio, interest coverage ratio and total equity. As of December 31, 2019, the company has not violated the above restrictions. °

(18) Other current liabilities and other non-current liabilities

<u>Item</u>	End of 2019	End of 2018
Current :		
Long-term loans due within one year	\$ 1,735,253	\$ 1,586,201
Corporate bonds due within one year	476,400	1,083,642
Due lease payments -current	-	42,776
Other	4,091	-
Total	<u>\$ 2,215,744</u>	<u>\$ 2,712,619</u>

<u>Item</u>	End of 2019	End of 2018
Non-current:		
Deferred government subsidy income	\$ 218,290	\$ 231,620
Other non-current liability-Other	556	576
Total	<u>\$ 218,846</u>	<u>\$ 232,196</u>

1. The Company's subsidiaries, Liaoning Engley Auto Parts Co., Ltd., Foshan Engley Auto Parts Co., Ltd., Tianjin Engley Mold Manufacturing Co., Ltd., Changsha Engley Auto Parts Co., Ltd. Changchun Engley Automobile Industry Co., Ltd. have obtained development incentive subsidies from the Economic Development Zone Management Committees of various regions which sums up to 256,750 NTD (thousand), and revenues are recognized year by year based on 50 years. The Group recognized other income of 5,226 NTD (thousand) and 6,247NTD (thousands) from January 1 to December 31, 2019 and from January 1 to December 31, 2018 respectively. The Group recognises other income of RMB 5,226 thousand and RMB 6,247 thousand from January 1 to December 31, 108 and January 1 to December 31, 107, respectively.
2. The Group has leased machinery and equipment under financial lease for a period of three to five years. The total future minimum lease payment and its present value for the Group as of December 31, 2018 are as follows: :

	End of 2018		
	Total finance lease liabilities	Future financial expense	Present value of financial lease liabilities
<u>Current</u>			
Within 1 year	\$ 45,830	(\$ 3,054)	\$ 42,776
<u>Non-current</u>			
1-5 years	-	-	-
	<u>\$ 45,830</u>	<u>(\$ 3,054)</u>	<u>\$ 42,776</u>

The full guarantee responsibility of the above mentioned financial leasing contract is borne by the chairman of Changchun Hongyun Cloud Computing Technology (formerly known as Changchun Hongyun Hardware Products Co. Ltd.), Lin Chi Pin and the general manager of its subsidiary, Lin Shang Wei.

(19) Pension

1. Since July 1, 2005, Engley Automobile Industry Co., Ltd., a subsidiary of the

Group, has established a certain retirement policy based on the Labor Pension Act, which is applicable to employees of their nationality. The company and its domestic subsidiaries choose to apply the part of the labor pension system stipulated in the "Labor Pension Act", and pays labor pension of 6% of the employee's salary monthly to the employee's personal account with the Bureau of Labor Insurance. The individual employee pension account and the amount of accumulated income can be paid monthly or at one time to the employee upon retirement.

2. Engley Precision Industry B.V and Kranendonk Beheersmaatschappij B.V., subsidiaries of the Group, are based on the retirement method stipulated by the local government, and provide pension insurance or retirement benefits according to the salary of local employees. The company has no further obligations except for the annual allocation.
3. All mainland subsidiaries of the Group shall receive pension funds at a fixed rate of 13-20% per month in accordance with the pension insurance system provided by the Government of the People's Republic of China. The pension for each employee is arranged by the Government Management Co-ordinated. The Group does not have any further obligations except to make monthly transfer. The pension plan for the period from 1 January 1 to December 31, 2019, and from January 1 to December 31, 2018 are 121,283 NTD (thousand) and 137,473 NTD (thousand) respectively.

(20) Share capital

1. As of December 31, 2019, the company has a capital of 3,000,000 NTD(thousand) which is divided into 300,000, 000 shares. The net capital is 1,180,070 NTD (thousand) with a denomination of NT\$10 per share.
2. The company's common stock period and the end of the circulation of the number of external shares adjusted as follows:

	Year 2019	Year 2018
	Shares (thousand shares)	Shares(thousand shares)
January 1 st	118,317	110,000
Cash replenishment	-	9,000
Reclaim shares	(310)	(683)
December 31 st	<u>118,007</u>	<u>118,317</u>

3. In June 2018 the board of directors of the Company passed a resolution of a capital increase in the issuance of 9000 thousand new shares. The issue price was 147 NTD per share, and the total amount of funds raised was 1,323,000 NTD(thousand). The capital increase base date was the completion of the capital increase plan on August 7, 2018.

4. Treasury shares

(1) Reasons and number of share recovery:

Name of company holding the shares	Reason for recovery	Item	Year 2019	
			Share (thousand shares)	Accounting amount
The Company	To safeguard the company's credit and shareholders' equity	Jan. 1	683	\$ 80,438
The Company	To safeguard the company's credit and shareholders' equity	Recover this period	310	36,872
		Current elimination	(993)	(117,310)
		Dec.31	<u>-</u>	<u>\$ -</u>

Name of company holding the shares	Reason for recovery	Item	Year 2018	
			Shares (thousand shares)	Accounting amount
The Company	Safeguard the company's credit and shareholders' equity	Recover this period	683	\$ 80,438

- (2) The Securities and Exchange Act stipulates that the proportion of a company to buy back an outstanding share shall not exceed 10% of the total number of shares issued by the company; The total amount of shares bought back shall not exceed the reserve surplus plus the premium of issued shares and the amount of capital reserve realized.
- (3) The Treasury shares held by the Company shall not be pledged under the provisions of the Securities and Exchange Act and shall not enjoy the rights of shareholders until they have been transferred.
- (4) In accordance with the provisions of the Securities and Exchange Act, the shares purchased by the employee for the transfer of shares shall be transferred within three years from the date of purchase, and those who are overdue are deemed not to have issued shares of the Company and shall handle the change registration and sale of the shares. In order to maintain the Company's credit and shareholders' rights and interests, the shares bought back should be changed and cancelled within six months from the date of change registration and sales of shares.
- (5) To safeguard the Company's credit and the rights of the shareholders, the Company continuously bought back 310 thousand (accounting value of 36,872 NTD thousand) of the Company's shares (treasury shares) in January 2019. On February 20, 2019, the board of directors approved the cancellation of the total amount of 9,930,000 yuan (993,000 shares) of the shares purchased by the Company from November 14, 2018 to January 7, 2019 which was approved by the competent authorities on January 17, 2019 and the capital change registration was completed.

(21) Capital reserves

In accordance with the provisions of the company law, the excess of the proceeds from the issuance of shares in excess of the par value and the capital reserve from the gift received, in addition to making up for losses, when the company does not accumulate losses, in proportion to the original shares of shareholders issued to new shares or cash. In addition, in accordance with the relevant provisions of the Securities and Exchange Act, when the above capital reserve is allocated for capital replenishment, the total amount shall not exceed 10% of the paid-in capital annually. The Company may not supplement the capital surplus unless the surplus fund is still insufficient to fill the capital deficit.

	Year 2019		
	Issue premium	Other	Total
Jan. 1 st	\$ 7,767,094	\$ 202,417	\$ 7,969,511
Changes in related companies and joint ventures recognized using the equity method	-	8,789	8,789
Treasury stock cancellation	(64,813)	-	(64,813)
Agreement to acquire additional equity of subsidiaries (Note)	457,600	-	457,600
Dec.31 st	<u>\$ 8,159,881</u>	<u>\$ 211,206</u>	<u>\$ 8,371,087</u>
	Year 2018		
	Issue premium	Other	Total
Jan.1 st	\$ 6,991,694	\$ 61,842	\$ 7,053,536
Cash replenishment	1,233,000	-	1,233,000
Number of recognition of all equity changes to subsidiaries	-	110,668	110,668
Changes in related enterprises and joint ventures recognized by the Equity Act	-	16,555	16,555
Constituent items arising from the issuance of convertible corporate debt	-	13,352	13,352
Additional equity agreement(note)	(457,600)	-	(457,600)
Dec.31 st	<u>\$ 7,767,094</u>	<u>\$ 202,417</u>	<u>\$ 7,969,511</u>

Note: For information on additional equity agreements for the acquisition of subsidiaries, please refer to Notes 6 and (15).

(22) Retained surplus

1. The Company is in the growth stage. Based on capital expenditure, business expansion and sound financial planning for sustainable development, the company's dividend policy will be based on the Company's future capital expenditure budget and capital demand, with cash dividends and / or stock dividends allocated to the shareholders of the Company.
2. According to the current stipulations of the Company, if the company has a surplus after each year's final settlement, it will be assigned according to the following order:
 - (1) Pay taxes in accordance with the law.
 - (2) To compensate for the accumulated losses in the previous year.

- (3) A 10% of the statutory surplus is allocated, but not to the extent that the statutory surplus has reached the actual paid-in capital received by the Company.
 - (4) A special surplus reserve that must be deposited in accordance with regulations.
 - (5) Add up the accumulated unallocated surplus in the previous year to the amount of the current year's surplus after deducting the preceding items (1) to (4) aforementioned, and the available surplus may be proposed by the Board of Directors and submitted to the shareholders' general meeting for approval in accordance with the resolutions of the listing laws. Dividend distribution can be distributed in the form of cash dividends and / or stock dividends and, without contravening British Cayman Islands law, the dividend amount should be at least ten per cent (10 per cent) of the surplus of the current year, and the cash dividend allotment should not be less than ten per cent (10 per cent) of the total shareholders' dividends, subject to a ceiling of 100 per cent.
3. The statutory surplus reserve shall not be used except to make up for the losses of the Company and to issue new shares or cash in proportion to the original shares of the shareholders, provided that the portion of the reserve exceeds 25 per cent of the paid-in capital.
4. When the Company distributes the surplus, according to the statutory provisions, the debit balance of the other equity item on the balance sheet of the year is required to be listed before the credit balance of the year is allocated, and when the debit balance of the other equity item is rolled back, the reverse amount shall be included in the available surplus.
5. At the time of allocation, in accordance with the letter from Jinguangzhengshen Zi No. 101001285, dated April 6, 2012, the total amount of special surplus for the accounts of other shareholders in the current year that occurred is not allowed to be allocated; however, the company has already applied the IFRS for the first time and the difference between the amount already mentioned and the net amount of other equity deductions should be added to the special surplus reserve.

6. On June 24, 2019 and May 29, 2018, the Company adopted the resolutions of the shareholders' meeting for the distribution of profits for 2018 and 2017 respectively:

	Year 2018		Year 2017	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Statutory surplus reserve	\$ 112,340		\$ 133,987	
Special surplus reserve	281,227		91,000	
Cash dividend	531,032	\$ 4.50	429,000	\$ 3.90

7. On March 27, 2020 n March 27 after the resolution of the board of directors, the resolution for the 2019 surplus distribution was as follows:

	Year 2019	
	Amount	Dividends per share
Statutory surplus reserve	\$ 39,230	
Special surplus reserve	467,691	
Cash dividend	295,018	\$ 2.5

8. For information on employee's remuneration and directors' remuneration, please refer Note 6 (29). °

(23) Non-controlling equity

	Year of 2019		Year of 2018	
Balance beginning of the year	\$	2,412,728	\$	1,813,574
Share attributable to non-controlling interests				
Net profit		323,827		327,927
Cash dividend	(	155,267)	(	144,370)
Exchange difference for conversion of financial statements of foreign operating institutions	(	81,434)	(	27,260)
Increase Non-control interests (Note 2)	(	268,655)		-
Balance, end of the year	\$	2,231,623	\$	2,412,728

(Note 1) From January 1 to December 31, 2018, the increase in non-controlling interests was mainly due to the capital increase of Changchun Engley Automobile Industry Co., Ltd. on December 27, 2018 and the part of the share rights were subscribed by external shareholders. From January 1 to December 31, 2019, the increase in non-controlling interests was mainly due to the capital increase of Honley Auto. Parts Co., Ltd. on August 23, 2019 and Changchun Engley Automobile Industry Co., Ltd. did not subscribe.

(Note 2) The reduction of non-controlling interests from January 1 to December 31, 2019, was the execution of an agreement to acquire additional equity in subsidiaries. For related information, please refer to Note 6 (15) and Note 6 (32).

(24) Operation revenue

	Year of 2019	Year of 2018
Customer contract revenue	\$ 22,239,873	\$ 21,855,386

1. Details of Customer contract revenue

The revenue of the Group is derived from the provision of goods and services to be transferred over time and at a certain point in time. The revenue may be subdivided into the following geographical areas:

	Year of 2019		
	China	Other regions	Total
Contract revenue	\$ 26,300,599	\$ 699,289	\$ 26,999,888
Internal department transaction revenue	(4,750,803)	(9,212)	(4,760,015)
Revenue from external customer contract	<u>\$ 21,549,796</u>	<u>\$ 690,077</u>	<u>\$ 22,239,873</u>
Income recognized at a certain point in time	\$ 21,549,796	\$ 64,260	\$ 21,614,056
Gradually recognized income over time	<u>-</u>	<u>625,817</u>	<u>625,817</u>
	<u>\$ 21,549,796</u>	<u>\$ 690,077</u>	<u>\$ 22,239,873</u>

	Year of 2018		
	China	Other regions	Total
Contract revenue	\$ 26,973,695	\$ 552,884	\$ 27,526,579
Internal department transaction revenue	(5,659,839)	(11,354)	(5,671,193)
External customer contract	<u>\$ 21,313,856</u>	<u>\$ 541,530</u>	<u>\$ 21,855,386</u>
Income recognized at a certain point in time	\$ 21,313,856	\$ 56,124	\$ 21,369,980
Gradually recognized income over time	<u>-</u>	<u>485,406</u>	<u>485,406</u>
	<u>\$ 21,313,856</u>	<u>\$ 541,530</u>	<u>\$ 21,855,386</u>

The reporting department information provided by the Group to major decision-makers belongs to China.

2. Contract liabilities

(1) The Group recognizes the contract liabilities related to customer contract revenue as follows::

	<u>Dec. 31st, 2019</u>	<u>Dec. 31st, 2018</u>	<u>Jan.1st, 2018</u>
Contract liabilities:			
Contract liabilities			
-Advance payment	<u>\$ 265,348</u>	<u>\$ 522,570</u>	<u>\$ 574,459</u>

(2) Recognized revenue of contract liabilities at the beginning of the current period

	<u>Jan.1st to Dec.31st, 2019</u>	<u>Jan.1st to Dec.31st, 2018</u>
Initial balance of contract liabilities		
Recognized income for the current period		
Revenue from mold	<u>\$ 445,461</u>	<u>\$ 184,082</u>

(25) Other benefits and losses

	<u>Jan.1st to Dec.31st, 2019</u>	<u>Jan.1st to Dec.31st, 2018</u>
Loss incurred from disposal of property, plant and equipment	(\$ 4,726)	(\$ 8,175)
Net foreign currency exchange loss (	13,570)	(83,497)
Net profit of financial assets measured at fair value through profit or loss	19,691	12,741
Property, plant and equipment impairment loss	-	(8,540)
Goodwill impairment loss	(11,338)	-
Other expenses	(30,624)	(1,547)
	<u>(\$ 40,567)</u>	<u>(\$ 89,018)</u>

(26) Other income

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Bank deposit interest	\$ 7,777	\$ 16,030
Government grants	70,788	41,491
Other income — other	36,092	58,816
	<u>\$ 114,657</u>	<u>\$ 116,337</u>

(27) Financial costs

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Interest expense		
Interest of loans	\$ 329,374	\$ 294,458
Lease liabilities	20,952	-
Convertible corporate bond	12,784	19,284
Amortization of the hosting fee of syndication	685	-
Finance lease	-	6,239
	<u>363,795</u>	<u>319,881</u>
Less: the capitalization amount of the eligible item	(<u>37,864</u>)	(<u>60,182</u>)
	<u>\$ 325,931</u>	<u>\$ 259,699</u>

(28) Additional information on expense

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Employees' benefits	\$ 2,339,691	\$ 2,166,960
Depreciation of property, plant and equipment	1,076,641	888,347
Right-of-use asset depreciation expense	170,632	-
Amortization expenses of intangible assets	<u>120,046</u>	<u>113,479</u>
	<u>\$ 3,707,010</u>	<u>\$ 3,168,786</u>

(29) Employee welfare expenses

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Salary	\$ 1,892,215	\$ 1,751,499
Labor and health insurance	71,694	69,573
Pension	121,283	137,473
Other employment expenses	<u>254,499</u>	<u>208,415</u>
	<u>\$ 2,339,691</u>	<u>\$ 2,166,960</u>

1. According to the articles of association, if the company makes a profit in the year, it shall allocate a minimum pre-tax employee remuneration of 0.5% and a maximum of 8%, for the directors' remuneration, also a minimum of 0.5% and a maximum of 3%.

2. The remuneration of the employees and the directors' compensation are as follows:

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Employee remuneration	\$ 3,277	\$ 15,379
Directors' compensation	8,000	17,564
	<u>\$ 11,277</u>	<u>\$ 32,943</u>

The aforementioned amounts are included in the payroll accounts, from January 1 to December 31, 2019 and January 1 to December 31, 2018, based on the profitability as of the current period and estimated according to the company's articles of association.

In accordance with the resolution of the Board of Directors on March 25, 2019, the actual amount of remuneration received by the employees and the directors in 2018, was consistent with the amount recognized in the financial report.

In accordance with the resolution of the shareholders' meeting, the actual amount of remuneration of the employee and compensation of the director paid from January 1 to December 31, 2018, was consistent with the amount recognized in the financial report.

Information regarding the employee compensation and director compensation approved by the board of directors of the company can be found at the public information website.

(30) Income tax

1. Tax expense

Components of tax expense:

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Current tax :		
Current income tax	\$ 254,227	\$ 393,037
Overestimation of income tax in previous years	(16,957)	(12,135)
Total current income tax	237,270	380,902
Deferred income tax:		
Original generation and revision of temporary differences	(72,255)	(91,324)
Income tax expense	<u>\$ 165,015</u>	<u>\$ 289,578</u>

2. Relationship between income tax expense and accounting profit:

	Jan. 1 st to Dec.31 st , 2019	Jan. 1 st to Dec.31 st , 2018
Net income before tax at the statutory tax rate	\$ 204,125	\$ 331,009
Income tax impacts as revised by the tax law	-	9,664
Tax-free income in accordance with tax law	(31,321)	(52,216)
Taxation loss unrecognized deferred income		
Tax assets	9,168	13,256
Overestimation of income tax in previous years	(16,957)	(12,135)
Income tax expense	<u>\$ 165,015</u>	<u>\$ 289,578</u>

3. The amount of deferred taxable assets or liabilities arising from temporary differences, tax losses and investment write-downs are as follows:

	Jan. 1 st to Dec.31 st , 2019			
	Opening balance	Recognized in profit and loss	Business merge	Ending balance
Temporary difference:				
-Deferred tax assets:				
Allowance for bad debts	\$ 9,615	\$ 9,277	\$ -	\$ 18,892
Income from unrealized land grants	24,831	(558)	-	24,273
Sluggish inventory and price loss	33,104	20,029	-	53,133
Payable social security expenses and provident fund	21,508	(12,516)	-	8,992
Tax loss	90,347	77,407	-	167,754
Other	52,899	(11,140)	-	41,759
Subtotal	<u>\$ 232,304</u>	<u>\$ 82,499</u>	<u>\$ -</u>	<u>\$ 314,803</u>
- Deferred income tax liabilities:				
Foreign long-term investment income	(\$ 300,524)	\$ -	\$ -	(\$ 300,524)
Land use-of-right tax difference	(38,242)	-	2,480	(35,762)
Intangible asset tax difference	(76,550)	-	15,177	(61,373)
Tax difference of property, plant and equipment	(14,706)	-	1,462	(13,244)
Other	(24,137)	(10,244)	-	(34,381)
Subtotal	<u>(\$ 454,159)</u>	<u>(\$ 10,244)</u>	<u>\$ 19,119</u>	<u>(\$ 445,284)</u>
Total		<u>\$ 72,255</u>	<u>\$ 19,119</u>	

Jan. 1 st to Dec.31 st , 2018				
	Opening balance	Recognized in profit and loss	Business combination	Ending balance
Temporary difference :				
- Deferred tax assets:				
Allowance for bad debts	\$ 16,516	(\$ 6,901)	\$ -	\$ 9,615
Income from unrealized land grants	33,647	(8,816)	-	24,831
Sluggish inventory and price loss	42,278	(9,174)	-	33,104
Payable social security expenses and provident fund	11,281	10,227	-	21,508
Tax loss	-	90,347	-	90,347
Other	37,450	15,449	-	52,899
Subtotal	<u>\$ 141,172</u>	<u>\$ 91,132</u>	<u>\$ -</u>	<u>\$ 232,304</u>
- Deferred income tax liabilities:				
Foreign long-term investment income	(\$ 300,524)	\$ -	\$ -	(\$ 300,524)
Land use-of-right tax difference	(40,276)	-	2,034	(38,242)
Intangible asset tax difference	(91,451)	-	14,901	(76,550)
Tax difference of property, plant and equipment	(16,028)	-	1,322	(14,706)
Other	(24,330)	193	-	(24,137)
Subtotal	<u>(\$ 472,609)</u>	<u>\$ 193</u>	<u>\$ 18,257</u>	<u>(\$ 454,159)</u>
Total		<u>\$ 91,325</u>	<u>\$ 18,257</u>	

4. The effective period of the tax loss that has not been used by the Group and the amount of unrecognized deferred taxable assets are as follows:

December 31 st , 2019				
Year of occurrence	Number of declarations / approved numbers	Amount not yet deducted	Unrecognized deferred income tax assets	Final deduction year
2015	\$ 31,755	\$ 31,755	\$ 26,332	2020
2016	143,103	73,473	38,496	2021
2017	137,175	137,175	71,634	2022
2018	304,637	304,637	32,826	2023
2019	488,596	488,596	36,671	2024
	<u>\$ 1,105,266</u>	<u>\$ 1,035,636</u>	<u>\$ 205,959</u>	

December 31 st , 2018					
<u>Year of occurrence</u>	<u>Number of declarations / approved numbers</u>	<u>Amount not yet deducted</u>	<u>Unrecognized deferred income tax assets</u>	<u>Final deduction year</u>	
2014	\$ 10,610	\$ 10,610	\$ 10,677	2019	
2015	31,755	31,755	26,332	2020	
2016	143,103	73,473	38,496	2021	
2017	137,175	137,175	71,634	2022	
2018	304,637	304,637	32,826	2023	
	<u>\$ 627,280</u>	<u>\$ 557,650</u>	<u>\$ 179,965</u>		

5. Tax rate of subsidiaries in China:

<u>Reinvestment company</u>	<u>Applicable tax condition and applicable tax rate</u>
Chengdu Engley Auto part Co.,	Applicable tax rate: 15%; Western Development Offer for 8 consecutive years since 2013
Changchun Engley Automobile Industry Co., Ltd.	Applicable tax rate: 15%; Applying a preferential tax rate high-tech project from 2018
Tianjin Engley Manufacturing Co., Ltd.	Applicable tax rate: 15%; Applying a preferential tax rate high-tech project from 2018
Linde+Engley (Tianjin) Auto Parts Co., Ltd.	Applicable tax rate: 15%; Applying a preferential tax rate high-tech project from 2019
Suzhou Engley Auto Part Co., Ltd.	Applicable tax rate: 15%; Applying a preferential tax rate high-tech project from 2018
The other subsidiaries in China and Netherlands	Applicable tax rate: 25%

6. The Company has not recognized the deferred income tax liabilities for the taxable temporary differences related to the investment of certain subsidiaries, and the temporary differences in deferred income tax liabilities that were not recognized as at December 31, 2019 and December 31, 2018 were 3,233,448 NTD (thousand) and 2,538,757 NTD (thousand) respectively.

(31) Earnings per share

Jan. 1 st to Dec.31 st , 2019			
	<u>After tax amount</u>	<u>Weighted average number of shares in circulation (thousand shares)</u>	<u>Earning per share (NTD)</u>
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent company	<u>\$ 644,193</u>	<u>118,010</u>	<u>\$ 5.46</u>
<u>Diluted earning per share</u>			
Net profit attributable to ordinary shareholders of the parent company	644,193	118,010	
Effect of dilution on ordinary shares			
Convertible corporate debt	12,784	5,381	
Employee compensation	<u>-</u>	<u>62</u>	
Impact of net profit plus potential common stock attributable to the common shareholders of the parent company	<u>\$ 656,977</u>	<u>123,453</u>	<u>\$ 5.32</u>

Jan. 1 st to Dec.31 st , 2018			
	After tax amount	Weighted average number of shares in circulation (thousand shares)	Earning per share (NTD)
<u>Basic earnings per share</u>			
Net profit for current attributable to the common shareholders of the parent company	<u>\$ 1,123,400</u>	<u>113,559</u>	<u>\$ 9.89</u>
<u>Diluted surplus per share</u>			
Net profit for current attributable to the common shareholders of the parent company	1,123,400	113,559	
The effect of diluting potential ordinary shares			
Convertible Corporate	19,284	7,690	
Debt Employee dividend	-	122	
Impact of net profit plus potential common stock attributable to the common shareholders of the parent company	<u>\$ 1,142,684</u>	<u>121,371</u>	<u>\$ 9.41</u>

(32) Transactions with non-controlling interests

1. Acquisition of additional interests in subsidiaries

The Group granted Engley Precision Industry B.V. non-controlling shareholders with the option to implement the equity investment agreement in November 2019. Please refer to Note 6(15) for details of the equity acquisition agreement for this subsidiary. The transaction reduced the non-controlling interests by 268,655 NTD (thousand) and the retained earnings by 209,321 NTD (thousand) respectively.

	Jan. 1 st to Dec.31 st , 2019
Non-control interests purchased	\$ 268,655
Prepayment of additional equity deposit for the acquisition of subsidiaries at the beginning of the period	(122,675)
Appraisal of the exchange of liabilities for the acquisition of subsidiaries at the beginning of the period	(9,404)
The consideration of payment to a non-controlling interest	(<u>345,897</u>)
Actual acquisition of the difference between the equity price and the account of the non-controlling interests of	(<u>\$ 209,321</u>)
The reduction in retained surpluses is attributable to: :	
Parent company equity	(<u>\$ 209,321</u>)

2. Subsidiary increased capital in cash, the group did not subscribe according to the shareholding ratio

Changchun Engley Automobile Industry Co., Ltd., a subsidiary of our group, issued new shares in cash in December 2018. As it did not subscribe in accordance with its shareholding ratio, its equity was reduced by 3.42%. The transaction increased non-controlling interests by 442,857 NTD (thousand),

and the equity attributable to the owners of the parent company increased by 110,668 NTD (thousand). The effect of the change in the equity of Changchun Engley Automobile Industry Co., Ltd. on the owners of the parent company is as follows:

	<u>Jan. 1st to Dec.31st, 2018</u>
Cash capital increase	\$ 553,525
Increase in non-controlling equity carrying amount	(442,857)
Capital reserve-recognition of changes in all equity of subsidiaries	<u>\$ 110,668</u>

(33) Operating lease

Applicable for 2018

Subsidiaries of the Group have entered into leases for business premises and machinery and equipment. The estimated future rent payable by lease is as follows: :

	<u>Dec.31st, 2018</u>
Not more than 1 year	\$ 120,131
More than 1 year but not more than 5 years	235,016
More than 5 years	<u>236,425</u>
	<u>\$ 591,572</u>

(34) Information of cash flow supplement

1.Investment activities with only partial cash payment:

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Purchase of real estate, plant and equipment	\$ 1,988,405	\$ 1,962,012
Plus : Beginning payment of equipment	552,218	490,012
Less: Ending payment of equipment	(366,567)	(552,218)
Less : Beginning prepayment of equipment	(1,515,244)	(741,130)
Plus : Ending prepayment of equipment	1,252,559	1,515,244
Less : prepaid equipment classification	-	(354,423)
Cash payment	<u>\$ 1,911,371</u>	<u>\$ 2,319,497</u>

2.Investment activities that do not affect cash flows:

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Cash dividends	<u>\$ 9,578</u>	<u>\$ 62,928</u>

(35) Changes in liabilities from financing activities

	Short term loan	Other loan	Bonds payable	Dividend payable	Long term loan	Lease liability	Total liabilities from financing activities
Jan.1 st , 2019	\$ 2,337,360	\$ 56,068	\$ 1,471,860	\$ -	\$ 4,489,064	\$ -	\$ 8,354,352
Changes in financing cash flow	430,381	(9,713)	(623,600)	(531,032)	736,345	(145,357)	(142,976)
Current increase	-	-	-	531,032	-	-	531,032
Effect of exchange rate	(63,498)	(1,659)	-	-	(164,850)	80,618	(49,389)
Change in bond discount	-	-	21,258	-	-	-	21,258
Syndicate loans organizing fees	-	-	-	-	(12,334)	-	(12,334)
Other non-cash changes	-	-	-	-	685	454,777	455,462
Dec.31 st , 2019	<u>\$ 2,704,243</u>	<u>\$ 44,696</u>	<u>\$ 869,518</u>	<u>\$ -</u>	<u>\$ 5,048,910</u>	<u>\$ 390,038</u>	<u>\$ 9,057,405</u>

	Short term loan	Other loan	Bonds payable	Dividend payable	Long term loan	Lease liability	Total liabilities from financing activities
Jan.1 st 2017	\$ 1,668,176	\$ 153,696	\$ 1,067,186	\$ -	\$ 2,575,233	\$ 480,548	\$ 5,944,839
Changes in financing cash flow	694,617	(96,162)	400,000	(429,000)	1,639,207	(100,071)	2,108,591
Current increase	-	--	-	429,000	-	-	429,000
Effect of exchange rate	(25,433)	(1,466)	-	-	(63,077)	-	(89,976)
Change in bond discount	-	-	4,674	-	-	-	4,674
After sale revolving into loan	-	-	-	-	337,701	(337,701)	-
Dec.31 st , 2018	<u>\$ 2,337,360</u>	<u>\$ 56,068</u>	<u>\$ 1,471,860</u>	<u>\$ -</u>	<u>\$ 4,489,064</u>	<u>\$ 42,776</u>	<u>\$ 8,397,128</u>

7. Related party transactions

(1) Ultimate controller

The ultimate controller of the Group is Lin Chi Pin.

(2) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Jilin Jinli Auto part Co., Ltd.	Associates
Chengdu Youli Auto part Co., Ltd.	Associates
Honley Auto. Parts Co.,Ltd.	Associates
Constellium Engley (Changchun) Automotive Structures Co., Ltd.	Associates
LINDE+WIEMANN GmbH KG	Other relationship
Changchun CECK Auto. Parts Co.,Ltd.	Associates
Chongqing HC&C Auto Parts Co., Ltd.	Associates
Tianjin Chinli Auto Parts Industrial Co., Ltd.	Associates
Qingdao Youli Auto Parts Industrial Co, Ltd.	Associates
Zhejiang Sanse Mold Technology Co., Ltd	Associates
Yuyuan Investment Co., Ltd.	Other relationship(Not related since Jun 3 rd , 2019)

(3) Major transactions with related persons

1. Sales

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Merchandise sale:		
— Associates	<u>\$ 15,189</u>	<u>\$ 3,099</u>

There is no significant difference between the transaction price and the terms of payment for the goods sold and the non-related person.

2. Purchase

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2018</u>
Goods purchase:		
— Associates	<u>\$ 1,170,379</u>	<u>\$ 1,176,320</u>
— Other related	<u>139,145</u>	<u>285,199</u>
	<u>\$ 1,309,524</u>	<u>\$ 1,461,519</u>

Commodities are purchased from associated enterprises on general commercial terms and conditions. There is no significant difference between the transaction price and the terms of payment from the general supplier, and the general manufacturer pays within 30 to 90 days of the monthly settlement.

3. Accounts receivable

	<u>December 31st, 2019</u>	<u>December 31st, 2018</u>
Accounts receivable to related		
— Associates	<u>\$ 2,279</u>	<u>\$ 2,655</u>

The sales and purchases of related parties are written off in the form of offsetting receivables and payables.

4. Other receivables

	<u>December 31st, 2019</u>	<u>December 31st, 2018</u>
Receivables to related:		
— Associates	<u>\$ 16,569</u>	<u>\$ 65,619</u>
— Other related parties	<u>111</u>	<u>116</u>
	<u>\$ 16,680</u>	<u>\$ 65,735</u>

Other accounts receivable from these associated enterprises are due to the receivables and dividend receivables generated from the lease of plant between the Group and related parties.

5. Notes payable

	<u>December 31st, 2019</u>	<u>December 31st, 2018</u>
Notes payable to related:		
— Associates	<u>\$ 101,579</u>	<u>\$ 114,506</u>

6. Accounts payables

	<u>December 31st, 2019</u>	<u>December 31st, 2018</u>
Accounts due to related:		
— Associates	\$ 351,049	\$ 571,976
— Other related parties	30,260	24,081
	<u>\$ 381,309</u>	<u>\$ 596,057</u>

7. Other payables

	<u>December 31st, 2019</u>	<u>December 31st, 2018</u>
Payables to related:		
— Associates	<u>\$ 7,289</u>	<u>\$ 3,921</u>

8. Prepayment

	<u>December 31st, 2019</u>	<u>December 31st, 2018</u>
Prepayment to related		
— Associates	<u>\$ 26,953</u>	<u>\$ 7,241</u>

The advance payment of the party concerned is due to the advance payment made by the Group and the associated enterprise.

9. Operating expense/other payables

	<u>Jan. 1st to Dec. 31st, 2019</u>		<u>Jan. 1st to Dec. 31st, 2018</u>	
	<u>Operating expenses</u>	<u>Ending other Payables</u>	<u>Operating expenses</u>	<u>Ending other Payables</u>
Associates				
— Associates	\$ 12	\$ -	\$ 964	\$ 32
— Other related parties	39,817	-	67,550	1,754
	<u>\$ 39,829</u>	<u>\$ -</u>	<u>\$ 68,514</u>	<u>\$ 2,486</u>

Operating expenses are mainly related to the salary expenses of related technical services and production management instructors.

10. Rental expenses

<u>Jan. 1st to Dec. 31st, 2018</u>				
<u>Lessor</u>	<u>Object</u>	<u>Rent expense</u>	<u>Other payables</u>	<u>Payment method</u>
Associates	Plant and office	<u>\$ 13,362</u>	<u>\$ 1,318</u>	Monthly payment

For information on the above leases, please refer to Note 6 (33) for the calculation of the rent of the subject matter is determined by reference to the rental price of the adjacent area and the area to be let at the time of the lease.

11. Lease transaction-lessee

(1) The Group undertakes lease holdings from Jilin Jinli Auto Parts Co., Ltd. for a period of 16 years. Rent is prepaid quarterly.

(2) Acquisition of right-of-use assets

Due to the application of IFRS16, the Group increased its right-of-use assets on January 1st, 2019 by 204,728 NTD(thousand).

(3) Lease liability

A. Ending balance:

	December 31st, 2019
Associates	\$ 158,679

B. Interest expense:

	Jan. 1st to Dec. 31st, 2019
Associates	\$ 7,991

12. Lease transactions

Lessor	Object	Subject	Ending amount	Payment method
Other related party	Machinery equipment	Lease payment	\$ 7,728	Monthly payment

The Company provides the relevant persons with financial leases for the rental of machinery and equipment, please refer point 2 under note 6 (16).

13. Acquired financial assets

	<u>Number of shares traded</u>	<u>Object of transaction</u>	<u>Jan. 1st to Dec. 31st, 2019</u> <u>Acquired proceeds</u>
Associates —			
Other related parties	5,379,400	Shares	\$ 106,271

The Group purchased the shares of Chi Rui (Cayman) Holding Limited, a total of 5,379 thousand shares, from the related party Yiyuan Investment Co., Ltd., and the purchase price was USD 3,500 thousand. The change of the register of shareholders was completed on April 19, 2019. It is a strategic investment of the Group. Please refer to the explanation in Note 6 (3).

(4) Salary information of key management

	<u>Jan. 1st to Dec. 31st, 2019</u>	<u>Jan. 1st to Dec. 31st, 2018</u>
Salary and benefits of short term employees	\$ 40,406	\$ 59,986

8. Pledged assets

The details of the guarantee for our assets are as follows:

<u>Assets</u>	<u>Carrying value</u>		<u>Guaranteed purpose</u>
	<u>December 31st,2019</u>	<u>December 31st,2018</u>	
Refundable deposit (List other current assets)	\$ 861,221	\$ 902,595	Acceptance deposit and margin of agreement to acquire subsidiary
Refundable deposit (List other non-current assets)	240,667	263,241	Lease loan
Property, plant and equipment	1,007,567	1,152,514	Short term loan and lease loan
Notes receivable	640,750	696,427	Acceptance deposit
Accounts receivable	431,000	447,000	Short term loan
	<u>\$ 3,181,205</u>	<u>\$ 3,461,777</u>	

9. Significant contingent liabilities and unrecognized contractual commitments

1. Capital expenditures that have been signed but not yet incurred:

	<u>December 31st,2019</u>	<u>December 31st,2018</u>
Property, plant and equipment	<u>\$ 1,770,975</u>	<u>\$ 2,077,394</u>

2. Please refer to Note 6 (33) for the Business Lease Agreement and the Note 6 (18) for the Capital Lease Agreement.

10. Major disaster losses

None.

11. Important post term matters

1. Due to the impact of the outbreak of the new coronavirus pneumonia, the production plant of the Group in China postponed the resumption of work after the Spring Festival in accordance with local regulations. It resumed work on February 10, 2020. As the epidemic situation continues to change, the Group has prudently adjusted its resources, manpower and supply chain to minimize the impact on its operations.

2. Changchun Engley Automobile Industry Co., Ltd., a subsidiary of the Group, passed the proposal of re-investing in Changchun Jieke Auto Parts Co., Ltd. on January 9, 2020, with an investment amount of USD 4.4 million.

12. Others

(1) Capital management

The objective of capital management of the Group is to ensure that the Group continues its operation, maintains the optimum capital structure to reduce the cost of capital and to provide remuneration to shareholders. To maintain or adjust the capital structure, the Group may adjust the dividend paid to shareholders, return the capital to shareholders, issue new shares, or sell assets to reduce debts. The Group monitors its capital using the debt-to-capital ratio, which is calculated as net debt divided by total capital.

The net debt is calculated as total borrowings (including "current and non-current borrowings" as stated in the consolidated balance sheet) less cash and cash equivalents. The calculation of total capital is calculated as "equity" listed on the consolidated balance sheet plus the net amount of debt.

As of December 31, 2019 and December 31, 2018, the debt to capital ratio of the Group was as follows: :

	<u>December 31st,2019</u>	<u>December 31st,2018</u>
Total loan	\$ 8,679,016	\$ 8,397,128
Less : Cash and cash equivalents	(3,175,493)	(3,241,253)
Net debt	5,503,523	5,155,875
Total equity	<u>13,084,034</u>	<u>13,399,473</u>
Total capital	<u>\$ 18,587,557</u>	<u>\$ 18,555,348</u>
Debt to capital ratio	<u>29.61%</u>	<u>27.79%</u>

(2) Financial instruments

1. Types of financial instruments

	<u>December 31st,2019</u>	<u>December 31st,2018</u>
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets that are measured at fair value through profit or loss	\$ -	\$ 1,320
Financial assets measured at fair value through other comprehensive income		
Select the specific equity instrument investment	108,439	-
Financial assets measured by amortized cost		
Cash and cash equivalents	3,175,493	3,241,253
Notes receivable	1,411,697	1,113,140
Accounts receivable(including related parties)	3,631,683	4,075,118
Other accounts receivable(including related parties)	73,544	121,925
Refundable deposits	<u>1,101,888</u>	<u>1,165,836</u>
	<u>\$ 9,502,744</u>	<u>\$ 9,718,592</u>

Financial liabilities

Financial liabilities measured by amortized cost

Short term loan	\$	2,704,243	\$	2,337,360
Notes payable(including related parties)		1,804,164		1,701,443
Accounts payable(including related parties)		4,017,938		4,322,926
Other accounts payable(including related parties)		1,252,217		1,923,825
Corporate debt payable(including those parts which are due within one year)		869,518		1,471,860
Lease payable(including those parts which are due within one year)		-		42,776
Long term loan (including those parts which are due within one year)		5,048,910		4,489,064
	\$	15,696,990	\$	16,289,254
Lease liability(including those parts which are due within one year)	\$	390,038	\$	-

2. Risk management policy

The daily operations of the Group are affected by a number of financial risks, including market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk. The overall risk management policy of the Group focuses on unpredictable events in the financial market and seeks to reduce the potential adverse impact on the financial position and financial performance of the Group.

3. The nature and extent of significant financial risks

(1) Market risk

Currency risk

- A. The Group is a transnational operation and therefore is subject to exchange rate risk arising from exchanges that are different from the functional currencies of our company and subsidiaries, mainly in CNY, USD and Euro. The relevant exchange rate risk arises from future business transactions and recognized assets and liabilities. °
- B. The Group's business involves a number of non-functional currencies (the functional currency of our company and some subsidiaries is the New Taiwan dollar and the functional currency of some subsidiaries is Euro and CNY). Therefore, the Group is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

December 31 st ,2019			
(Foreign currency:functional currency)	Foreign currency (in thousand)	Exchange rate	Carrying amount(NTD)
<u>Financial assets</u>			
<u>Currency</u>			
USD : NTD	\$	23,711	29.98 \$ 710,856
Euro : NTD		9,837	33.59 330,425
<u>Financial liabilities</u>			
<u>Currency</u>			
USD : CNY	\$	22,269	6.89 \$ 667,625
Euro : NTD		72,585	33.59 2,438,130
Euro : CNY		19,461	7.79 653,695

December 31 st , 2018			
	Foreign currency (in thousand)	Exchange rate	Carrying amount(NTD)
(Currency:functional currency)			
<u>Financial asset</u>			
<u>Currency</u>			
CNY : NTD	\$ 20,444	4.47	\$ 91,385
USD : NTD	1,247	30.72	38,308
USD : CNY	13,947	6.87	95,816
<u>Financail liabilities</u>			
<u>Currency</u>			
USD : CNY	\$ 29,093	6.87	\$ 893,737
Euro : NTD	15,985	35.20	562,672
Euro : CNY	17,927	7.87	631,030

C.All exchange benefits and losses were recognized as losses by the Group's monetary projects from January 1 to December 31, 2019 and from January 1 to December 31, 2018 due to exchange rate fluctuations (including realized and unrealized). The total amount of losses was 13,570 NTD (thousand) and 83,497 NTD(thousand) respectively.

D.The analysis of foreign currency market risks of the Group arising from significant exchange rate fluctuations is as follows:

Jan. 1 st to Dec.31 st , 2019			
Sensitivity analysis			
	Amplitude of fluctuation	Impact profit and loss	Affect other comprehensive profit and loss
(Currency:functional currency)			
<u>Financial assets</u>			
<u>Currency</u>			
USD : NTD	1%	\$ 7,109	-
Euro : NTD	1%	3,304	-
<u>Financial liabilities</u>			
<u>Currency</u>			
USD : CNY	1%	\$ 6,676	-
Euro : NTD	1%	24,381	-
Euro : CNY	1%	6,537	-

Jan. 1 st to Dec.31 st , 2018				
Sensitivity analysis				
	Amplitude of fluctuation	Impact profit and loss	Affect other comprehensive profit and loss	
(Currency:functionalcurrency)				
Financial assets				
Currency				
CNY: NTD	1%	\$	914	-
USD : NTD	1%		383	-
USD : CNY	1%		958	-
Financial liabilities				
Currency				
USD: CNY	1%	\$	8,937	-
Euro : NTD	1%		5,627	-
Euro : CNY	1%		6,310	-

Price risk

- A. The equity instruments in which the Group is exposed to price risk are those held for financial assets measured at fair value through profit or loss and those measured at fair value through other comprehensive income. In order to manage the price risk of equity instruments, the Group diversifies its investment portfolio according to the limits set by the Group.
- B. The Group invests mainly in equity instruments issued by domestic companies, which are subject to uncertainty about the future value of the investment target. If the price of such equity instruments rises or falls by 1%, and all other factors remain unchanged, the other comprehensive profit and loss due to January 1 to December 31, 2019 is classified as an increase or decrease of 1,084 NTD thousand in the profit or loss of equity investment measured at fair value through other comprehensive profit and loss, respectively.

Cash flow and fair value interest rate risk

- A. The interest rate risk of the Group stems mainly from short-term and long-term borrowings issued at floating interest rates, which expose the Group to cash flow rate risk. The Group's borrowings are mainly fixed and floating interest rates. From January 1 to December 31, 2019 and from January 1 to December 31, 2018, the Group's borrowings at floating rates are denominated in US dollars and Euros.
- B. When the interest rate on borrowing rises or falls by 1%, and all other factors remain unchanged, the net (loss) after tax (loss) on January 1 to December 31, 2019 and January 1 to December 31, 2018 will be reduced or increased by 58,236 NTD (thousand) and 51,198 NTD (thousand) respectively, mainly due to changes in interest charges arising from floating rates.

(2) Credit risk

- A. The credit risk of the Group is the risk of financial loss arising from the inability of the counterparty of the customers or the financial instrument to meet the contractual obligations of the Group, mainly from the inability of the counterparty to settle accounts receivable paid according to the terms of collection and the contractual cash flows classified as investments in debt instruments measured at fair value through profit or loss.
- B. In accordance with the internal and explicit credit policy, each operating entities within the Group shall conduct management and credit risk analysis for each new customer before setting the terms and conditions for payment and delivery. The internal risk control system assesses the credit quality of the customer by taking into account its financial position, past experience and other factors. The limits of individual risks are set by the Board of Directors according to internal or

external ratings, and the use of credit limits is regularly monitored. The main credit risk comes from cash and cash equivalents and deposits with banks and financial institutions. It also comes from customers' credit risks and includes outstanding receivables. For banks and financial institutions, only good credit rating agencies will be accepted as trading counterparts.

C. The Group uses IFRS 9 to provide the following assumptions as a basis for determining whether there has been a significant increase in credit risk for financial instruments since the initial recognition:

When the contractual payments are overdue for more than 30 days in accordance with the agreed terms of payment, credit risk has increased significantly since the initial recognition of the financial asset.

D. When setting a two series of investment targets for independent rating, the Company determines that the subject matter of the investment is a significant increase in credit risk.

E. The Company uses IFRS 9 to provide the premise that a breach is deemed to have occurred when the contract amount is more than one year overdue under the agreed terms of payment.

F. The Company will use a simplified approach to customer accounts receivable to estimate expected credit losses on the basis of the loss rate method.

G. The Company incorporates a loss rate based on the historical and current information of a given period to estimate future forward-looking considerations to assess the loss of allowance for accounts receivable, the loss rate method for January 1 to December 31, 2019 and January 1 to December 31, 2018 is as follows:

	<u>Not overdue</u>	<u>Within 90 days</u>	<u>91-180 days</u>	<u>More than 181 days</u>	<u>Total</u>
<u>December 31st, 2019</u>					
Expected loss rate	0%	0.83%	45.85%	50.50%	
Total carrying value	<u>\$3,051,624</u>	<u>\$ 495,297</u>	<u>\$ 37,612</u>	<u>\$ 33,791</u>	<u>\$ 3,718,324</u>
Allowance loss	<u>\$ -</u>	<u>(\$ 4,111)</u>	<u>(\$ 17,245)</u>	<u>(\$ 67,564)</u>	<u>(\$ 88,920)</u>
<u>December 31st, 2018</u>					
Expected loss rate	0%	5%	10%	49%	
Total carrying value	<u>\$3,669,936</u>	<u>\$ 303,159</u>	<u>\$ 76,216</u>	<u>\$ 89,649</u>	<u>\$4,138,960</u>
Allowance loss	<u>\$ -</u>	<u>(\$ 15,158)</u>	<u>(\$ 7,622)</u>	<u>(\$ 43,718)</u>	<u>(\$ 66,497)</u>

H. The Company's statement of changes in the allowance for receivables from the adoption of simplified practices is as follows:

	2019		
	Accounts receivable	Other accounts receivable	Total
January 1 st	\$ 66,497	\$ 3,205	\$69,702
Impairment loss (reversal)	26,072	(1,769)	24,303
Effect of exchange rate	(3,649)	(50)	(3,699)
December 31 st	<u>\$ 88,920</u>	<u>\$ 1,386</u>	<u>\$90,306</u>

	2018		
	Accounts receivable	Other accounts receivable	Total
January 1 st IAS 39	\$ 72,162	\$ 21	\$ 72,183
Applicable new standard adjustment	-	-	-
January 1 st IAS 9	72,162	21	72,183
Impairment loss(reversal)	(4,168)	3,248	(920)
Effect of exchange rate	(1,497)	(64)	(1,561)
December 31 st	<u>\$ 66,497</u>	<u>\$ 3,205</u>	<u>\$ 69,702</u>

(3) Liquidity risk

- A. Cash flow forecast is executed by individual operating entities within the Group and is summarized by the Finance Department of the Group. The Group Finance Department monitors the liquidity needs of the Group to ensure that it has sufficient funds to meet operational needs and maintains sufficient outstanding loan commitments at all times to prevent the Group from breaching the relevant borrowing limits or terms. The forecasting considers the company's debt financing plan, compliance with debt terms, compliance with internal balance sheet financial ratio targets, and external regulatory requirements.
- B. The Group Finance Department invests the remaining funds in demand deposits with interest rates, money market deposits, and the instruments chosen are appropriately maturing or sufficient liquid to meet the above forecasts to provide adequate adjustments.
- C. The amount of outstanding loans of the Group as of December 31, 2019 and December 31, 2018 were 553,978 NTD (thousand) and 4,651,829 NTD (thousand) respectively.
- D. The following table is a list of non-derivative financial liabilities of the Group and is grouped by the relevant maturities. Non-derivative financial liabilities are analyzed on the basis of the balance sheet to the remaining period from the contractual maturity date. The amount of contractual cash flow disclosed in the following table is undiscounted amount.

Non-derivative financial liabilities:

Dec.31 st , 2019	1 year or less	1-2 years	2-3 years	3-5 years	5 years or more	Total
Short term loan	\$2,748,495	\$ -	\$ -	\$ -	\$ -	\$ 2,748,495
Notes payable	1,702,585	-	-	-	-	1,702,585
Notes payable-related party	101,579	-	-	-	-	101,579
Accounts payable	3,636,629	-	-	-	-	3,636,629
Accounts payable-related party	381,309	-	-	-	-	381,309
Other payables	1,244,928	-	-	-	-	1,244,928
Other payables –related party	7,289	-	-	-	-	7,289
Lease liability (including part due within one year)	109,841	75,439	49,406	63,174	178,313	476,173
Corporate bonds payable (including part due within one year)	476,400	400,000	-	-	-	876,400
Long term loan (including part due within one year)	1,960,877	1,181,185	2,348,115	-	-	5,490,177

Non-derivative financial liabilities:

Dec.31 st , 2018	<u>1 year or less</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-5 years</u>	<u>5years or more</u>	<u>Total</u>
Short term loan	\$2,359,009	\$ -	\$ -	\$ -	\$ -	\$2,359,009
Notes payable	1,586,937	-	-	-	-	1,586,937
Notes payable-related party	114,506	-	-	-	-	114,506
Accounts payable	3,726,869	-	-	-	-	3,726,869
Accounts payable-related party	596,057	-	-	-	-	596,057
Other payables	1,916,100	-	-	-	-	1,916,100
Other payables-related party	7,725	-	-	-	-	7,725
Lease payment	45,830	-	-	-	-	45,830
Corporate bonds payable (including part due within one year)	1,100,000	400,000	-	-	-	1,500,000
Long-term loans (including the part due within one year)	1,872,236	2,012,836	843,221	193,707	-	4,922,000

(3) Fair value information

1. The various levels of valuation techniques used to measure the fair value of financial and non-finished tools are defined as follows:

The first level : the price of the same assets or liabilities that the enterprise can obtain in the active market (without adjustment). The active market refers to a market with sufficient frequency and quantity of assets or liabilities to provide pricing information on a continuous basis.

The second level : Observable inputs that are directly or indirectly connected to assets or liabilities, except those included in the first level.

The third level : Unobservable input value of assets or liabilities.

2. Financial instruments not measured by fair value

- (1) Except for those listed in the table below, the financial instruments of the Group that are not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, accounts receivable - related parties, other receivables, short-term loans, the carrying amount of notes payable, accounts payable, accounts payable - related parties, other payables, other payables - related parties and long-term borrowings (including the portion due within one year) is a reasonable approximation of fair value.

Financial liabilities:

	<u>Jan.1st to Dec. 31st, 2019</u>	
	<u>Book value</u>	<u>Fair value</u>
		<u>The third level</u>
Corporate bonds payable (including due within one year)	<u>\$ 869,518</u>	<u>\$ 867,747</u>
	<u>Jan.1st to Dec. 31st, 2018</u>	
	<u>Book value</u>	<u>Fair value</u>
		<u>The third level</u>
Corporate bonds payable (including due within one year)	<u>\$ 1,471,860</u>	<u>\$ 1,466,962</u>

- (2) The methods and assumptions used by the Group to measure the fair value and the assumptions are as follows:

Convertible bonds: The convertible bonds issued by the Company, whose coupon rate

and market interest rate are approximated, so the fair value of their expected cash flow is estimated to be about its book value.

3. Financial and non-financial instruments measured at fair value are classified by the Group on the basis of the nature, characteristics and risks of assets and liabilities and the basis for the fair value hierarchy and the relevant information is as follows:

<u>December 31st, 2019</u>	<u>The 1st level</u>	<u>The 2nd level</u>	<u>The 3rd level</u>	<u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through other comprehensive income				
- Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,439</u>	<u>\$ 108,439</u>
 <u>December 31st, 2018</u>	 <u>The 1st level</u>	 <u>The 2nd level</u>	 <u>The 3rd level</u>	 <u>Total</u>
Assets				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through other comprehensive income				
- Corporate debt redemption	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,320</u>	<u>\$ 1,320</u>

4. The methods and assumptions used by the Group to measure fair value are described below:

(1) Fair value of financial instruments without an active market is obtained by evaluating technology or by reference to counterparty quotes. The fair value obtained through the evaluation technique may be derived by reference to the present fair value, cash flow discount or other valuation techniques of other financial instruments with substantially similar conditions and characteristics.

(2) The Group incorporates credit risk assessment adjustments into the calculation of fair value of financial instruments and non-financial instruments to reflect the counterparty credit risk and the credit quality of the Group.

5. There was no transfer between the first level and the second level from January 1 to December 31, 2019 and from January 1 to December 31, 2018. °

6. The following table shows the changes in the third level from January 1 to December 31, 2019 and January 1 to December 31, 2018:

	<u>Jan.1st to Dec.31st, 2019</u>	<u>Jan.1st to Dec.31st, 2018</u>
Opening balance	\$ 1,320	\$ 2,530
Current addition	107,939	159
Recognized as loss in profit or loss for the period (Note 1)	(1,320)	(1,369)
Benefits recognized in other comprehensive income (Note 2)	3,262	-
Impact of exchange rate	(2,762)	-
Ending balance	<u>\$ 108,439</u>	<u>\$ 1,320</u>

Note 1: Recognized as business benefits and losses.

Note 2: The unrealized valuation of gains and losses on equity instrument investments measured at fair value through other comprehensive income.

7. Within year of 2019 and year of 2018, there was no transferring from

the third grade.

8. The evaluation process of fair value classified in Level 3 is carried out by the finance department responsible for the independent fair value verification of financial instrument, which enables the evaluation result to be close to the market state and periodically reviewed to ensure that the evaluation result is reasonable.
9. Quantitative information about the significant unobservable input value of the evaluation model used in the third level fair value measurement project and the sensitivity analysis of the significant unobservable input value change are explained below:

	December 31 st ,2019 Fair value	Evaluated technology	Major unobservable Input value	Range (Weighted average)	Relationship between input value and fair value
Equity securities	\$ 108,439	Discounted cash flow method	Long term revenue growth rate	0%~5%	The higher the long term revenue growth rate and long term pre-tax business net profit, the higher the fair value.
Corporate debt redemption right	\$ 1,320	Binary tree evaluation model	Volatility	28.91%	The higher the volatility, the higher the fair value

10. The evaluation model and evaluation parameters used by the Group have been carefully evaluated, but the use of different evaluation models or evaluation parameters may result in different evaluation results. For financial assets and financial liabilities classified as the third level, if the parameter changes are assessed, the effect on the current period profit or loss or other comprehensive income is as follows:

		December 31 st ,2019					
		Recognized as profit and loss			Recognized in other comprehensive income		
		Unfavorable		Unfavorable		Unfavorable	
	Input value	Change	Favorable change	change	Favorable change	change	change
Financial assets							
Equity securities	Cash flow	±1%	\$ -	\$ -	\$ 1,084	(\$ 1,084)	
		December 31 st ,2018					
		Recognized as profit and loss			Recognized in other comprehensive income		
		Unfavorable		Unfavorable		Unfavorable	
	Input value	Change	Favorable change	change	Favorable change	change	change
Financial assets							
Corporate bond redemption right	Volatility	±1%	\$ 40	(\$ 50)	\$ -	\$ -	

13. Notes for disclosure

(1) Information regarding major transactions

1. For money loan to others : Please refer to schedule 1.
2. Endorsement for others : Please refer to schedule 2.
3. The situation of holding securities at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture control): please refer to schedule 3.
4. For the amount of accumulated purchase or sale of the same securities amounts to 300 million NTD or more than 20% of the amount of capital received: please refer on schedule 4.
5. The amount of immovable property obtained amounts to NT \$300 million or the amount of capital received is more than 20%: please refer schedule 5.
6. The amount of disposition of real estate amounts to 300 million NTD or more than 20% of the paid-in capital: none.
7. The amount of the person entering or sold with the relationship up to 100 million NTD or the capital received is more than 20%: Please refer schedule 6.
8. The amount of the receivable is up to 100 million NTD or the amount of capital received is more than 20%: Please elaborate on schedule 7.
9. Engage in derivatives trading : none.
10. Business relations and important transaction transactions and amounts between the parent company and its subsidiaries and between subsidiaries: Please refer schedule 8.

(2) Information of re-investment

The name of the invested company, the region and other relevant information (excluding mainland invested companies): Please refer schedule 9.

(3) Information of China investment

1. Basic information : Please refer to schedule 10.
2. Major transactions arising directly or indirectly from the investment companies of the mainland through the cause and transfer of the third region: Please refer schedule 10.

14. Information of operation departments

(1) General information

The management of the Group has identified the reporting departments on the basis of the reporting information applicable to the formulation of decisions by the main operating decision makers, and has divided the business organizations into Changchun Engley Automobile Industry Co., Ltd. according to the nature of the company Changchun Engley Auto Parts Co., Ltd., Chengdu Engley Auto part Co., Linde+Engley (Tianjin) Auto Parts Co., Ltd. and Suzhou Engley Auto Part Co., Ltd., while the Group's revenue mainly produces and sells auto parts,

stamping products, hot pressing molding products and so on.

(2) Measurement of departmental information

The profit and loss of the operating department of the Group is measured by pre-tax profit and loss and is used as the basis for performance evaluation. The accounting policies of the operating departments are the same as the summary of important accounting policies described in Note 4.

(3) Departmental profit and loss and assets information

Provided to key operational decision makers from January 1, 2018 to December 31 and 2017, From 1st to December 31, the department's information should be reported as follows:

	Jan. 1 st to Dec. 31 st , 2019						
	Changchun Engley Industrial	Changchun Engley auto parts	Chengdu Engley	Linde+Engley (Tianjin)	Suzhou Engley Auto	Tsingtao Engley	Total
Income							
Revenue from customers outside the enterprise	\$ 4,962,279	\$ 813,092	\$ 2,407,630	\$ 4,753,436	\$ 2,434,035	\$ 1,527,481	\$ 16,897,953
Income from other sectors within the enterprise	497,536	1,437,315	80,343	18,820	37,695	9,069	2,080,778
Total income	<u>\$ 5,459,815</u>	<u>\$ 2,250,407</u>	<u>\$ 2,487,973</u>	<u>\$ 4,772,256</u>	<u>\$ 2,471,730</u>	<u>\$ 1,536,550</u>	<u>\$ 18,978,731</u>
Departmental profit and loss	<u>\$ 801,697</u>	<u>\$ 112,514</u>	<u>\$ 347,805</u>	<u>\$ 897,734</u>	<u>\$ 85,670</u>	<u>(\$ 98,828)</u>	<u>\$ 2,146,592</u>

	Jan. 1 st to Dec. 31 st , 2019						
	Changchun Engley Industrial	Changchun Engley auto parts	Chengdu Engley	Linde+Engley (Tianjin)	Suzhou Engley Auto	Tsingtao Engley	Total
Income							
Customers from revenue from customers,							
Income from customers	\$ 5,155,490	\$ 1,083,584	\$ 3,715,418	\$ 4,213,592	\$ 2,672,838	\$ 458,746	\$ 17,299,668
Income from other sectors within the enterprise	652,472	2,077,121	414,203	-	40,202	71	3,184,069
Total income	<u>\$ 5,807,962</u>	<u>\$ 3,160,705</u>	<u>\$ 4,129,621</u>	<u>\$ 4,213,592</u>	<u>\$ 2,713,040</u>	<u>\$ 458,817</u>	<u>\$ 20,483,737</u>
Departmental profit and loss	<u>\$ 1,241,873</u>	<u>\$ 203,803</u>	<u>\$ 763,147</u>	<u>\$ 807,281</u>	<u>\$ 49,798</u>	<u>(\$ 159,958)</u>	<u>\$ 2,905,944</u>

(4) Adjustment information of department revenue and profit and loss

1. The adjusted total income of this period and the total income of the continuing business department are adjusted as follows:

	Jan. 1 st to Dec. 31 st , 2019	Jan. 1 st to Dec. 31 st , 2018
The operating department's adjusted income should be reported	\$ 18,978,731	\$ 20,483,737
Adjusted income of other operating departments	8,021,156	7,042,841
Total operating departments	26,999,887	27,526,578
Eliminate interdepartmental income	(4,760,014)	(5,671,192)
Total consolidated operating income	<u>\$ 22,239,873</u>	<u>\$ 21,855,386</u>

2. A reconciliation of income before tax and continuing segments revenue before tax:

	Jan. 1 st to Dec. 31 st , 2019	Jan. 1 st to Dec. 31 st , 2018
The adjustment of pre-tax gains and losses by the operating segments should be reported	\$ 2,146,592	\$ 2,905,944
Adjustment of post-tax gains and losses by other operating segments	555,836	276,677
Total operating departments	2,702,428	3,182,621
Eliminate inter-departmental gains and losses	(1,569,393)	(1,441,716)
Continued business sector pre-tax gains and losses	<u>\$ 1,133,035</u>	<u>\$ 1,740,905</u>

(5) Information regarding products and labor

External customer revenue mainly comes from the production of automotive parts, stamping products, hot pressing molding products, mold design, manufacturing and related technical advisory services and other business.

The detail of income balance is as follows:

	<u>Jan. 1st to Dec.31st, 2019</u>	<u>Jan. 1st to Dec.31st, 2019</u>
Commodity sales revenue	\$ 18,988,165	\$ 19,977,257
Income from molding and others	<u>3,251,708</u>	<u>1,878,129</u>
Total	<u>\$ 22,239,873</u>	<u>\$ 21,855,386</u>

(6) Regional information

Regional information of the Group as of January 1st to December 31st, 2019 and from January 1st to December 31st, 2018 is as follows:

	<u>Jan.1st to Dec.31st, 2019</u>		<u>Jan.1st to Dec.31st, 2018</u>	
	<u>Income</u>	<u>Non-current assets</u>	<u>Income</u>	<u>Non-current assets</u>
China	\$21,549,796	\$12,581,212	\$21,313,856	\$12,009,950
Other regions	<u>690,077</u>	<u>764,440</u>	<u>541,530</u>	<u>799,004</u>
	<u>\$22,239,873</u>	<u>\$13,345,652</u>	<u>\$21,855,386</u>	<u>\$12,808,954</u>

The regional income system of the Group is calculated based on the country of sale. Non-current assets refer to property, plant and equipment, right-to-use assets, intangible assets, prepaid equipment payments (other non-current assets on the books) and land-use rights (other non-current assets on the books), but excluding financial instruments and deferred income tax assets.

(7) Information of major customers

The information of major customers of the Company in 2019 and 2018 is listed below:

	<u>Jan.1st to Dec.31st, 2019</u>		<u>Jan.1st to Dec.31st, 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Company A	\$ 10,269,822	46%	\$ 11,558,049	53%
Company B	3,917,242	18%	3,348,776	15%

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CAYMAN ENGLEIGH INDUSTRIAL CO., LTD. and Its Subsidiaries

Capital Loan to Others

From January 1 to December 31, 2019

Schedule I

Unit: NT\$ 1,000

Number	Company Providing the Loan	Loan Object	Transaction Items	A Related Party or Not	Current Highest Amount	Ending Balance	Actual Dealing Amount	Interest Rate Collars	Capital Loan & Nature	Business Transaction Amount	Reasons for the Need of Short-Term Financing	Itemized Allowance Amount for Bad Debts	Collaterals	Capital Loan and Quota to Each Individual	Capital Loan and Total Quota	Note
(Note 1)						(Note 4)			(Note 5)				Name Value	(Note 2)	(Note 3)	
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Kranendonk Beheersmaatschappij B.V.	Other Receivables	Yes	\$ 167,950	\$ 83,975	\$ 50,385	4.60%	2	\$ -	Operating Turnover	None	None	\$ 4,340,964	\$ 4,340,964	
1	Changchun Engley Automobile Industry CO.,Ltd	Suzhou Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	344,800	344,800	107,750	4.35%	2	-	Operating Turnover	None	None	1,332,160	5,328,640	
1	Changchun Engley Automobile Industry CO.,Ltd	Ningbo Maoxiang Metal Co., Ltd.	Other Receivables	Yes	150,850	107,750	86,200	5.80%	2	-	Operating Turnover	None	None	1,332,160	5,328,640	
1	Changchun Engley Automobile Industry CO.,Ltd	Changchun Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	862,000	-	-	-	2	-	Operating Turnover	None	None	1,332,160	5,328,640	
1	Changchun Engley Automobile Industry CO.,Ltd	Foshan Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	431,000	301,700	51,720	4.35%	2	-	Operating Turnover	None	None	1,332,160	5,328,640	
1	Changchun Engley Automobile Industry CO.,Ltd	Changchun CECK Auto.Parts Co., Ltd.	Other Receivables	Yes	90,510	-	-	-	1	269,333	N/A	None	None	269,333	5,328,640	
1	Changchun Engley Automobile Industry CO.,Ltd	Qingdao Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	68,960	68,960	-	-	2	-	Operating Turnover	None	None	1,332,160	5,328,640	
1	Changchun Engley Automobile Industry CO.,Ltd	Tianjin Engley Mold Manufacturing CO.,Ltd	Other Receivables	Yes	258,600	258,600	-	-	2	-	Operating Turnover	None	None	1,332,160	5,328,640	
1	Changchun Engley Automobile Industry CO.,Ltd	Changsha Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	86,200	86,200	-	-	2	-	Operating Turnover	None	None	1,332,160	5,328,640	
1	Changchun Engley Automobile Industry CO.,Ltd	Ningbo Engley Automobile Industry CO.,Ltd	Other Receivables	Yes	8,620	8,620	5,603	4.35%	2	-	Operating Turnover	None	None	1,332,160	5,328,640	
2	Changchun Engley Automobile Parts CO.,Ltd	Suzhou Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	64,650	-	-	-	2	-	Operating Turnover	None	None	208,993	835,972	
2	Changchun Engley Automobile Parts CO.,Ltd	Ningbo Maoxiang Metal Co., Ltd.	Other Receivables	Yes	43,100	-	-	-	2	-	Operating Turnover	None	None	208,993	835,972	
2	Changchun Engley Automobile Parts CO.,Ltd	Changsha Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	189,640	137,920	116,370	4.35%	2	-	Operating Turnover	None	None	208,993	835,972	
2	Changchun Engley Automobile Parts CO.,Ltd	Qingdao Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	198,260	155,160	129,300	4.35%	2	-	Operating Turnover	None	None	208,993	835,972	
2	Changchun Engley Automobile Parts CO.,Ltd	Tianjin Engley Mold Manufacturing CO.,Ltd	Other Receivables	Yes	129,300	129,300	-	-	2	-	Operating Turnover	None	None	208,993	835,972	
3	Chengdu Engley Automobile Parts CO.,Ltd	Changsha Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	366,350	150,850	150,850	4.35%	2	-	Operating Turnover	None	None	187,162	748,648	
3	Chengdu Engley Automobile Parts CO.,Ltd	Suzhou Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	146,540	86,200	-	-	2	-	Operating Turnover	None	None	187,162	748,648	
3	Chengdu Engley Automobile Parts CO.,Ltd	Taizhou Maoqi Metal Co., Ltd.	Other Receivables	Yes	198,260	77,580	34,480	5.80%	2	-	Operating Turnover	None	None	187,162	748,648	
3	Chengdu Engley Automobile Parts CO.,Ltd	Qingdao Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	168,090	150,850	146,540	4.35%	2	-	Operating Turnover	None	None	187,162	748,648	
3	Chengdu Engley Automobile Parts CO.,Ltd	Tianjin Engley Mold Manufacturing CO.,Ltd	Other Receivables	Yes	116,370	116,370	116,370	4.35%	2	-	Operating Turnover	None	None	187,162	748,648	
4	Foshan Engley Automobile Parts CO.,Ltd	Changsha Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	51,720	51,720	-	-	2	-	Operating Turnover	None	None	107,880	431,519	
5	Suzhou Engley Automobile Parts CO.,Ltd	Qingdao Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	34,480	-	-	-	2	-	Operating Turnover	None	None	92,771	371,083	

CAYMAN ENGLEIGH INDUSTRIAL CO., LTD. and Its Subsidiaries

Capital Loan to Others

From January 1 to December 31, 2019

Schedule I

Unit: NT\$ 1,000

Number	Company Providing the Loan	Loan Object	Transaction Items	A Related Party or Not	Current Highest Amount	Ending Balance	Actual Dealing Amount	Interest Rate Collars	Capital Loan & Nature	Business Transaction Amount	Reasons for the Need of Short-Term Financing	Itemized Allowance Amount for Bad Debts	Collaterals	Capital Loan and Quota to Each Individual	Capital Loan and Total Quota	Note
(Note 1)						(Note 4)			(Note 5)				Name Value	(Note 2)	(Note 3)	
5	Suzhou Engley Automobile Parts CO.,Ltd	Changchun Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	43,100	-	-	-	2	-	Operating Turnover	None	None None	92,771	371,083	
5	Suzhou Engley Automobile Parts CO.,Ltd	Chengdu Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	\$ 43,100	\$ 43,100	\$ -	-	2	\$ -	Operating Turnover	None	None None	\$ 92,771	\$ 371,083	
6	Liaoning Engley Automobile Parts CO.,Ltd	Qingdao Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	34,480	-	-	-	2	-	Operating Turnover	None	None None	14,877	59,508	Note 6
6	Liaoning Engley Automobile Parts CO.,Ltd	Changsha Engley Automobile Parts CO.,Ltd	Other Receivables	Yes	12,930	12,930	12,930	4.35%	2	-	Operating Turnover	None	None None	14,877	59,508	
7	Linde Engley (Tianjin) Automobile Parts CO.,Ltd	Linde Engley (Changchun) Automobile Parts CO.,Ltd	Other Receivables	Yes	258,600	129,300	-	-	2	-	Operating Turnover	None	None None	828,768	828,768	
8	Linde Engley (Changchun) Automobile Parts CO.,Ltd	Linde Engley (Tianjin) Automobile Parts CO.,Ltd	Other Receivables	Yes	43,100	-	-	-	2	-	Operating Turnover	None	None None	81,590	81,590	
9	Ningbo Maoxiang Metal Co., Ltd.	Taizhou Maoqi Metal Co., Ltd.	Other Receivables	Yes	43,100	43,100	-	-	2	-	Operating Turnover	None	None None	87,927	351,709	

Note 1: The instructions in the numbered column are as follows:

(1). The issuer puts in 0. (2). The investees shall be numbered in numerical order starting from Arabic numeral 1.

Note 2: The single limit of Linde Engley (Changchun) Automobile Parts CO.,Ltd, Linde Engley (Tianjin) Automobile Parts CO.,Ltd, and the Company's capital loan and others shall not exceed 40% of the company's net worth. For other companies, the limit shall not exceed 10% of the net enterprise value of the company.

In case of capital loan to a company or business, the single limit shall be no more than 10% of the paid-in capital of the company and up to the amount of goods bought and sold in nearly one year.

Note 3: The total amount of capital loaned by the company and its subsidiaries to others shall not exceed 40% of the company's net enterprise value.

Note 4: The ending balance shall be the same as the amount of capital loaned and approved by the board of directors.

Note 5: 1. Who has business dealings.

2. Who must have short-term financing capital.

Note 6: The maximum balance of the current period is for the capital loan period of 8 January 2018 to 7 January 2019.

CAYMAN ENGLEIGH INDUSTRIAL CO., LTD. and Its Subsidiaries

Endorsement for Others
From January 1 to December 31, 2019

Schedule II

Unit: NT\$ 1,000

Number	Name of the Endorser	Subject of Endorsement		Endorsement Limit for a Single Enterprise	Current Maximum Endorsement Balance	Ending Endorsement Balance	Actual Dealing Amount	Endorsement Amount Guaranteed by Property	Ratio of the Cumulative Endorsement Amount to the Net Value of the Most Recent Financial	Maximum Limit of Endorsement	Parent Company Who Endorses Its Subsidiaries	Subsidiaries Who Endorse Their Parent Company	Who Endorses Mainland China	Note
(Note 1)		Company Name	Relationship (Note 3)											
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Tianjin Engleigh Mold Manufacturing CO.,Ltd	2	\$ 2,170,482	\$ 1,206,740	\$ 777,640	\$ 295,167	\$ -	7.17%	\$ 5,426,206	Y	N	Y	Note 2
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Linde Engleigh (Tianjin) Automobile Parts CO.,Ltd	2	2,170,482	201,540	201,540	134,360	-	1.86%	5,426,206	Y	N	Y	Note 2
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Qingdao Engleigh Automobile Parts CO.,Ltd	2	2,170,482	293,080	293,080	39,077	-	2.70%	5,426,206	Y	N	Y	Note 2
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Ningbo Maoxiang Metal Co., Ltd.	2	2,170,482	741,260	621,340	358,320	-	5.73%	5,426,206	Y	N	Y	Note 2
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Taizhou Maoqi Metal Co., Ltd.	2	2,170,482	875,060	655,820	459,364	-	6.04%	5,426,206	Y	N	Y	Note 2
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Suzhou Engleigh Automobile Parts CO.,Ltd	2	2,170,482	638,960	509,660	60,462	-	4.70%	5,426,206	Y	N	Y	Note 2
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Changsha Engleigh Automobile Parts CO.,Ltd	2	2,170,482	209,860	209,860	80,946	-	1.93%	5,426,206	Y	N	Y	Note 2
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Engleigh Holding (Samoa) Limited	2	2,170,482	335,900	335,900	-	-	3.10%	5,426,206	Y	N	N	註2
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Kranendonk Production Systems B.V.	2	2,170,482	100,770	100,770	100,770	-	0.93%	5,426,206	Y	N	N	註2
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Chengdu Engleigh Automobile Parts CO.,Ltd	2	2,170,482	215,500	215,500	-	-	1.99%	5,426,206	Y	N	Y	Note 2
0	CAYMAN ENGLEIGH INDUSTRIAL CO., LTD.	Foshan Engleigh Automobile Parts CO.,Ltd	2	2,170,482	215,500	-	-	-	-	5,426,206	Y	N	Y	Note 2
1	Changchun Engleigh Automobile Industry CO.,Ltd	Tianjin Engleigh Mold Manufacturing CO.,Ltd	2	2,664,320	1,446,788	1,285,175	275,526	-	9.65%	6,660,800	Y	N	Y	Note 2
1	Changchun Engleigh Automobile Industry CO.,Ltd	Suzhou Engleigh Automobile Parts CO.,Ltd	2	2,664,320	1,163,700	1,034,400	434,627	-	7.76%	6,660,800	Y	N	Y	Note 2
1	Changchun Engleigh Automobile Industry CO.,Ltd	Foshan Engleigh Automobile Parts CO.,Ltd	2	2,664,320	1,551,600	1,293,000	142,334	-	9.71%	6,660,800	Y	N	Y	Note 2
1	Changchun Engleigh Automobile Industry CO.,Ltd	Qingdao Engleigh Automobile Parts CO.,Ltd	2	2,664,320	1,038,710	586,160	304,130	-	4.40%	6,660,800	Y	N	Y	Note 2
1	Changchun Engleigh Automobile Industry CO.,Ltd	Changsha Engleigh Automobile Parts CO.,Ltd	2	2,664,320	215,500	215,500	26,666	-	1.62%	6,660,800	Y	N	Y	Note 2
1	Changchun Engleigh Automobile Industry CO.,Ltd	Linde Engleigh (Tianjin) Automobile Parts CO.,Ltd	2	2,664,320	830,963	399,963	328,204	-	3.00%	6,660,800	Y	N	Y	Note 2
1	Changchun Engleigh Automobile Industry CO.,Ltd	Linde Engleigh (Changchun) Automobile Parts CO.,Ltd	2	2,664,320	150,850	150,850	-	-	1.13%	6,660,800	Y	N	Y	Note 2
1	Changchun Engleigh Automobile Industry CO.,Ltd	Ningbo Maoxiang Metal Co., Ltd.	2	2,664,320	43,100	-	-	-	-	6,660,800	Y	N	Y	Note 2
1	Changchun Engleigh Automobile Industry CO.,Ltd	Chengdu Engleigh Automobile Parts CO.,Ltd	2	2,664,320	654,258	115,508	-	-	0.87%	6,660,800	Y	N	Y	Note 2
2	Changchun Engleigh Automobile Parts CO.,Ltd	Tianjin Engleigh Mold Manufacturing CO.,Ltd	4	208,993	11,713	-	-	-	-	1,044,965	N	N	Y	Note 2

CAYMAN ENGLEIGH INDUSTRIAL CO., LTD. and Its Subsidiaries

Endorsement for Others
From January 1 to December 31, 2019

Schedule II

Unit: NT\$ 1,000

Number	Name of the Endorser	Subject of Endorsement		Endorsement Limit for a Single Enterprise	Current Maximum Endorsement Balance	Ending Endorsement Balance	Actual Dealing Amount	Endorsement Amount Guaranteed by Property	Ratio of the Cumulative Endorsement Amount to the Net Value of the Most Recent Financial	Maximum Limit of Endorsement	Parent Company Who Endorses Its Subsidiaries	Subsidiaries Who Endorse Their Parent Company	Who Endorses Mainland China	Note
(Note 1)		Company Name	Relationship (Note 3)											
2	Changchun Engley Automobile Parts CO.,Ltd	Changchun Engley Automobile Industry CO.,Ltd	3	\$ 417,986	\$ 344,800	\$ 344,800	\$ 301,700	\$ -	16.50%	\$ 1,044,965	N	Y	Y	Note 2
3	Linde Engley (Tianjin) Automobile Parts CO.,Ltd	Linde Engley (Changchun) Automobile Parts CO.,Ltd	3	414,384	166,637	166,637	133,085	-	8.04%	1,035,959	N	N	Y	Note 2, Note 4

Note 1: The instructions in the numbered column are as follows:

(1) The issuer puts in 0.

(2) The investees shall be numbered in numerical order starting from Arabic numeral 1.

Note 2: (1) The total amount of the Company's endorsement for companies holding more than 50% of the voting rights directly or indirectly shall not exceed 20% of the net value of the Company's endorsement. The cumulative amount of endorsement shall not exceed 50% of the net value of the Company.

(2) The total amount of a subsidiary's endorsement for companies holding more than 50% of the voting rights directly or indirectly shall not exceed 20% of the net value of the endorsement. The cumulative amount of endorsement shall not exceed 50% of the net value.

In the case of a parent-subsidiary company, or of a company under 100% shareholding control of the same parent company, the limit shall be no more than five times the net value as endorsed by the subsidiary. The cumulative endorsement shall not exceed five times the net value of the subsidiary.

Note 3: The seven types of relationship between the endorser and the subject of endorsement are as follows:

1. A company with which it does business with.

2. A company in which more than 50% of the company's voting shares are held directly or indirectly.

3. A company in which more than 50% of the voting shares are held directly or indirectly.

4. A company that directly or indirectly hold more than 90 percent of the voting shares.

5. A company or co-constructor that guarantees each other in accordance with the contract based on the needs of contracting projects.

6. A company that has been endorsed by all capital contribution shareholders in accordance with their shareholding ratio due to co-investment relationship.

7. Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 4: Linde Engley (Tianjin) Automobile Parts CO.,Ltd intends to change the endorsement guarantee of Linde Engley (Changchun) Automobile Parts CO.,Ltd to be guaranteed by Changchun Engley Automobile Industry CO.,Ltd.

CAYMAN ENGLEY INDUSTRIAL CO., LTD. and Its Subsidiaries

Marketable securities held at the ending (excluding the controls of investment subsidiaries, affiliated enterprises and joint ventures).

December 31, 2019

Schedule III

Unit: NT\$ 1,000

(unless otherwise specified)

Holding Company	Type and Name of Marketable Securities (Note)	Relationship with the Marketable Securities Issuer	Accounting Subjects	Ending				
				Shares	Carrying Amount	Shareholding Ratio	Fair Value	Note
Changchun Engley Automobile Industry CO., Ltd	Chi Rui (Cayman) Holding Limited	-	Financial Assets Measured at Fair Value	5,379,400	\$ 107,939	12.17%	<u>\$ 108,439</u>	
			Through Other Comprehensive Income - Non-					
			Current					
			Valuation Adjustment					
			Number of Exchange Rate Effects		(2,762)			
					<u>\$ 108,439</u>			

Note: The term "securities" as used in this schedule refers to the marketable securities derived from stocks, bonds, beneficiary certificates and the above items which fall within the scope of IFRS No. 9 "Financial Instruments".

CAYMAN ENGLEY INDUSTRIAL CO., LTD. and Its Subsidiaries

Accumulated amount of NT\$ 300 million or paid-in capital of more than 20% in the purchase or sale of the same marketable securities.

From January 1 to December 31, 2019

Schedule IV

Unit: NT\$ 1,000

(unless otherwise specified)

Purchase/Sale Companies	Type and Name of Marketable Securities (Note)	Accounting Subjects	Transaction Object	Relationship	Beginning		Purchase		Sale				Ending	
					Shares	Amount	Shares	Amount	Shares	Selling Price	Book Cost	Profit/Loss Disposal	Shares	Amount
Changchun Engley Automobile Industry CO., Ltd	Qian Yuan - Daily & Monthly (by Day) Open Financial Products	Financial Assets Measured at Fair Value Through Profit and	China Construction	-	-	-	-	\$ 3,060,100	-	\$ 3,065,531	\$ 3,060,100	\$ 5,431	-	\$ -
Changchun Engley Automobile Industry CO., Ltd	Non-Fixed & Ultra-Short Term RMB Financial Products	Financial Assets measured at Fair Value Through Profit and	Industrial and Commercial	-	-	-	-	429,966	-	431,028	429,966	1,062	-	-
Changchun Engley Automobile Industry CO., Ltd	Capital Preservation, Legal Person, 35-Day Stable RMB Financial Products	Financial Assets measured at Fair Value Through Profit and	Industrial and Commercial	-	-	-	-	517,200	-	518,769	517,200	1,569	-	-
Changchun Engley Automobile Industry CO., Ltd	Daily Financial Planning of China Merchants Bank	Financial Assets measured at Fair Value Through Profit and	China Merchants Bank	-	-	-	-	323,250	-	324,391	323,250	1,141	-	-
Changchun Engley Automobile Parts CO., Ltd	Qian Yuan - Daily & Monthly (by Day) Open Financial Products	Financial Assets measured at Fair Value Through Profit and	China Construction	-	-	-	-	836,140	-	837,219	836,140	1,079	-	-
Changchun Engley Automobile Parts CO., Ltd	Daily Financial Planning of China Merchants Bank	Financial Assets measured at Fair Value Through Profit and	China Merchants Bank	-	-	-	-	430,996	-	431,406	430,996	410	-	-
Chengdu Engley Automobile Parts CO., Ltd	Qian Yuan - Daily & Monthly (by Day) Open Financial Products	Financial Assets measured at Fair Value Through Profit and	China Construction	-	-	-	-	1,455,487	-	1,459,614	1,455,487	4,127	-	-
Foshan Engley Automobile Parts CO., Ltd	Qian Yuan - Daily & Monthly (by Day) Open Financial Products	Financial Assets measured at Fair Value Through Profit and	China Construction	-	-	-	-	1,264,123	-	1,266,576	1,264,123	2,453	-	-
Tianjin Engley Mold Manufacturing CO., Ltd	Qian Yuan - Daily & Monthly (by Day) Open Financial Products	Financial Assets measured at Fair Value Through Profit and	China Construction	-	-	-	-	412,898	-	413,203	412,898	305	-	-
Qingdao Engley Automobile Parts CO., Ltd	Qian Yuan - Daily & Monthly (by Day) Open Financial Products	Financial Assets measured at Fair Value Through Profit and	China Construction	-	-	-	-	323,250	-	323,338	323,250	88	-	-
CAYMAN ENGLEY INDUSTRIAL CO., LTD. (Note 2)	Stock - Honley Auto. Parts Co., Ltd.	Investments Using Equity Method	Honley Auto. Parts Co., Ltd.	-	86,000	594,047	-	-	86,000	579,443	-	-	-	-
Changchun Engley Automobile Industry CO., Ltd (Note 2)	Stock - Honley Auto. Parts Co., Ltd.	Investments Using Equity Method	Honley Auto. Parts Co., Ltd.	-	-	-	86,000	579,443	-	-	-	-	86,000	480,856

Note 1: The term "securities" as used in this schedule refers to the marketable securities derived from stocks, bonds, beneficiary certificates and the above items.

Note 2: The Group has been approved by the board of directors to adjust the group structure for operational management.

CAYMAN ENGLEIGH INDUSTRIAL CO., LTD. and Its Subsidiaries

5. Amount of real estate acquired up to NT\$ 300 million or more than 20% of the paid-in capital.

December 31, 2019

Schedule V

Unit: NT\$ 1,000

(unless otherwise specified)

Companies Who Acquire Real Estate	Estate Name	Occurrence Date	Transaction Amount	Payment of Price	Transaction Object	Relations hip	is a Related Party				Reference for Price Determination	Acquisition Purpose & Usage	Other Agreed Items
							Owner	Relationship with the Issuer	Transfer Date	Amount			
Qingdao Engley Automobile Parts Co., Ltd.	Plant	August 1, 2016	\$ 342,982	\$ 335,282	Changchun Construction Co., Ltd.	-	-	-	-	\$ -	Market Price	Production of Auto Parts	-
Changchun Engley Automobile Parts Co., Ltd.	Plant	December 19, 2018	369,086	351,010	Changchun Hongyuan Construction Co., Ltd.	-	-	-	-	-	Market Price	Production of Auto Parts	-

Note 1: The appraisal results shall be indicated in the column of "Price Determination Reference" if the appraisal results are required in accordance with the regulations for the acquired assets.

Note 2: Paid-in capital means the paid-in capital of the parent company. Where there is no face value of the issuer's shares or the face value of each share is not NT\$ 10, the transaction amount of 20% of the paid-in capital shall be calculated as 10% of the equity of balance sheet vested in the owner of the parent company.

Note 3: Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors' resolutions, or other dates that can confirm the trade counterpart and monetary amount of the transaction, whichever date is earlier.

Note 4: The plant acquired by Qingdao Engley Automobile Parts CO.,Ltd has been transferred to "real estate, plant and equipment" in 2018, and only balance payment as agreed in the contract has not been paid up to now.

CAYMAN ENGLEY INDUSTRIAL CO., LTD. and Its Subsidiaries
The amount of purchase and sale with related parties up to NT\$ 100 million or more than 20% of the paid-in capital.
From January 1 to December 31, 2019

Schedule VI

Unit: NT\$ 1,000
(unless otherwise specified)

			Transaction Status		Status and Reasons Why Trading Terms Are Different from Ordinary Trading Terms (Note 1)			Bills and Accounts Receivable (Payable)		Note	
Purchase (Sale) Companies	交易對象名稱	Relationship	Purchase (Sale) of Goods	Amount	Ratio of Total Purchase (Sale)	Credit Period	Unit Price	Credit Period	Balance	Ratio of Bills and Accounts Receivable (Payable)	(Note 2)
Changchun Engley Automobile Indust	Changchun CECK Auto.Parts Co., Ltd.	Affiliated Enterprises	Purchase	\$ 292,869	2.00	Monthly	Same	Same	(\$ 29,595)	0.51	
Changchun Engley Automobile Indust	Jilin Jinli Auto. Parts Co., Ltd.	Affiliated Enterprises	Purchase	175,653	1.20	Monthly	Same	Same	(73,102)	1.26	
Changchun Engley Automobile Indust	Linde Engley (Changchun) Automobile I	Same Ultimate Parent Compar	(Sale)	154,356	0.69	Monthly	Same	Same	31,533	0.63	Note 4
Changchun Engley Automobile Parts	Changchun Engley Automobile Industry	Same Ultimate Parent Compar	(Sale)	1,195,165	5.37	Monthly	Same	Same	463,778	9.20	Note 4
Changchun Engley Automobile Parts	HC&C AUTO PARTS CO., LTD.	Affiliated Enterprises	Purchase	125,038	0.85	Monthly	Same	Same	(51,210)	0.88	
Chengdu Engley Automobile Parts CC	Chengdu Youley Automobile Parts CO.,I	Affiliated Enterprises	Purchase	250,166	1.71	Monthly	Same	Same	(117,176)	2.01	
Changchun Lightweight Technology C	Changchun Engley Automobile Parts CO.	Same Ultimate Parent Compar	(Sale)	443,662	1.99	Monthly	Same	Same	130,102	2.58	Note 4
Yizheng Engley Auto Parts Manufact	Suzhou Engley Automobile Parts CO.,Li	Same Ultimate Parent Compar	(Sale)	295,255	1.33	Monthly	Same	Same	294,666	5.84	Note 4
Qingdao Engley Automobile Parts CC	Qingdao Youley Automobile Parts CO.,I	Affiliated Enterprises	Purchase	200,405	1.37	Monthly	Same	Same	(125,457)	2.15	
Linde Engley (Tianjin) Automobile	LINDE+WIEMANN GmbH KG	Affiliated Enterprises	Purchase	139,145	0.95	Monthly	Same	Same	(29,548)	0.51	
Tianjin Engley Mold Manufacturing	Linde Engley (Tianjin) Automobile Pa	Same Ultimate Parent Compar	(Sale)	1,603,753	7.21	Monthly	Same	Same	284,384	5.64	Note 4
Tianjin Engley Mold Manufacturing	Changchun Engley Automobile Parts CO.	Same Ultimate Parent Compar	(Sale)	100,975	0.45	Monthly	Same	Same	(22,820)	0.39	Note 4

Note 1: If the transaction conditions of the related party are different from the general transaction conditions, the status and reasons of the differences shall be stated in the columns of unit price and credit period.

Note 2: If there is a case of advance receipt (payment), the reasons, terms of the contract, amount and differences from the general transaction type should be stated in the notes column.

Note: 3 Paid-in capital means the paid-in capital of the parent company. Where there is no face value of the issuer's shares or the face value of each share is not NT\$ 10, the transaction amount of 20% of the paid-in capital shall be calculated as 10% of the equity of balance sheet vested in the owner of the parent company.

Note 4: Written off in consolidated statement.

CAYMAN ENGLEY INDUSTRIAL CO., LTD. and Its Subsidiaries
Receivables from affiliates of NT\$ 100 million or more than 20% of the paid-in capital.
December 31, 2019

Schedule VII

Unit: NT\$ 1,000
(unless otherwise specified)

			Parties						
Companies That Account for Receivables	Name of Transaction Object	Relationship	Balance of Receivables from Related Parties	Turnover Rate	Amount	Handling Method	Amount to Be Collected After the Period of Receivables From Related Parties	Itemized Allowance Amount for Bad Debts	Note
							(Note 1)		
Changchun Engley Automobile Industry	Suzhou Engley Automobile Parts CO.,Ltd	Same Ultimate	\$ 107,750	Note 4	\$ -	-	\$ -	\$ -	Note 3
Changchun Engley Automobile Parts	Changchun Engley Automobile Industry	Same Ultimate	463,778	1.87	-	-	110,867	-	Note 3
Changchun Engley Automobile Parts	Changsha Engley Automobile Parts	Same Ultimate	116,370	Note 4	-	-	-	-	Note 3
Changchun Engley Automobile Parts	Qingdao Engley Automobile Parts CO.,Ltd	Same Ultimate	129,300	Note 4	-	-	-	-	Note 3
Chengdu Engley Automobile Parts	Changsha Engley Automobile Parts	Same Ultimate	150,850	Note 4	-	-	-	-	Note 3
Chengdu Engley Automobile Parts	Qingdao Engley Automobile Parts CO.,Ltd	Same Ultimate	146,540	Note 4	-	-	-	-	Note 3
Chengdu Engley Automobile Parts	Tianjin Engley Mold Manufacturing	Same Ultimate	116,370	Note 4	-	-	-	-	Note 3
Changchun Lightweight Technology Co., Ltd	Changchun Engley Automobile Parts	Same Ultimate	130,102	2.23	-	-	85,616	-	Note 3
Yizheng Engley Auto Parts Manufacturing CO., LTD	Suzhou Engley Automobile Parts CO.,Ltd	Same Ultimate	294,666	1.05	-	-	29,856	-	Note 3
Tianjin Engley Mold Manufacturing CO., Ltd	Linde Engley (Tianjin) Automobile Parts CO., Ltd	Same Ultimate	284,384	6.28	-	-	284,384	-	Note 3

Note 1: As of March 5, 2020, the amount of receivables received after the period of receivables from related parties.

Note 2: Paid-in capital means the paid-in capital of the parent company. Where there is no face value of the issuer's shares or the face value of each share is not NT\$ 10, the transaction amount of 20% of the paid-in capital shall be calculated as 10% of the equity of balance sheet vested in the owner of the parent company.

Note 3: Written off in consolidated statement.

Note 4: Since the amount is composed of other receivables, the turnover rate is not intended to be calculated.

CAYMAN ENGLE INDUSTRIAL CO., LTD. and Its Subsidiaries

Business relationship and important transactions between parent and subsidiary companies and between subsidiaries and their amounts.

From January 1 to December 31, 2019

Schedule VIII

Unit: NT\$ 1,000

(unless otherwise specified)

Number (Note 1)	Transactor Name	Transacting Objects	Relation with Transactor	Transacting Status		Transacting Condition	Ratio to Consolidated Total Revenue or Total Assets (Note 3)
				Account	Amount		
0	CAYMAN ENGLE INDUSTRIAL CO., LTD.	Kranendonk Beheersmaatschappij B.V.	1	Other Receivables	\$ 50,385	-	0.00
1	Changchun Engle Automobile Industry CO.,Ltd	Suzhou Engle Automobile Parts CO.,Ltd	1	Accounts Receivable	86,572	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
1	Changchun Engle Automobile Industry CO.,Ltd	Suzhou Engle Automobile Parts CO.,Ltd	1	Other Receivables	107,750	-	0.00
1	Changchun Engle Automobile Industry CO.,Ltd	Foshan Engle Automobile Parts CO.,Ltd	1	Sale	38,009	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
1	Changchun Engle Automobile Industry CO.,Ltd	Foshan Engle Automobile Parts CO.,Ltd	1	Other Receivables	51,720	-	0.00
1	Changchun Engle Automobile Industry CO.,Ltd	Linde Engle (Changchun) Automobile Parts CO.,Ltd	1	Accounts Receivable	31,533	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
1	Changchun Engle Automobile Industry CO.,Ltd	Linde Engle (Changchun) Automobile Parts CO.,Ltd	1	Sale	154,356	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.01
1	Changchun Engle Automobile Industry CO.,Ltd	Tianjin Engle Mold Manufacturing CO.,Ltd	1	Accounts Receivable	59,226	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
1	Changchun Engle Automobile Industry CO.,Ltd	Ningbo Maoxiang Metal Co., Ltd.	1	Other Receivables	86,200	-	0.00
2	Changchun Engle Automobile Parts CO.,Ltd	Changchun Engle Automobile Industry CO.,Ltd	2	Accounts Receivable	463,778	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.02
2	Changchun Engle Automobile Parts CO.,Ltd	Changchun Engle Automobile Industry CO.,Ltd	2	Sale	1,195,165	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.05
2	Changchun Engle Automobile Parts CO.,Ltd	Changsha Engle Automobile Parts CO.,Ltd	3	Other Receivables	116,370	-	0.00
2	Changchun Engle Automobile Parts CO.,Ltd	Qingdao Engle Automobile Parts CO.,Ltd	3	Other Receivables	129,300	-	0.00
2	Changchun Engle Automobile Parts CO.,Ltd	Tianjin Engle Mold Manufacturing CO.,Ltd	3	Accounts Receivable	49,378	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
2	Changchun Engle Automobile Parts CO.,Ltd	Tianjin Engle Mold Manufacturing CO.,Ltd	3	Sale of Fixed Assets	33,102	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
3	Chengdu Engle Automobile Parts CO.,Ltd	Suzhou Engle Automobile Parts CO.,Ltd	3	Accounts Receivable	81,705	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
3	Chengdu Engle Automobile Parts CO.,Ltd	Suzhou Engle Automobile Parts CO.,Ltd	3	Sale	58,316	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
3	Chengdu Engle Automobile Parts CO.,Ltd	Changsha Engle Automobile Parts CO.,Ltd	3	Other Receivables	150,850	-	0.00
3	Chengdu Engle Automobile Parts CO.,Ltd	Qingdao Engle Automobile Parts CO.,Ltd	3	Sale of Fixed Assets	31,248	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
3	Chengdu Engle Automobile Parts CO.,Ltd	Qingdao Engle Automobile Parts CO.,Ltd	3	Other Receivables	146,540	-	0.00
3	Chengdu Engle Automobile Parts CO.,Ltd	Tianjin Engle Mold Manufacturing CO.,Ltd	3	Other Receivables	116,370	-	0.00
3	Chengdu Engle Automobile Parts CO.,Ltd	Taizhou Maoqi Metal Co., Ltd.	3	Other Receivables	34,480	-	0.00

CAYMAN ENGLE INDUSTRIAL CO., LTD. and Its Subsidiaries

Business relationship and important transactions between parent and subsidiary companies and between subsidiaries and their amounts.

From January 1 to December 31, 2019

Schedule VIII

Unit: NT\$ 1,000

(unless otherwise specified)

Number (Note 1)	Transactor Name	Transacting Objects	Relation with Transactor	Account	Amount	Transacting Status	Ratio to Consolidated Total Revenue or Total Assets (Note 3)
						Transacting Condition	
5	Changchun Lightweight Technology Co., Ltd.	Changchun Engley Automobile Parts CO.,Ltd	3	Accounts Receivable	130,102	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
5	Changchun Lightweight Technology Co., Ltd.	Changchun Engley Automobile Parts CO.,Ltd	3	Sale	\$ 443,662	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.02
5	Changchun Lightweight Technology Co., Ltd.	Suzhou Engley Automobile Parts CO.,Ltd	3	Sale	50,667	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
5	Changchun Lightweight Technology Co., Ltd.	Qingdao Engley Automobile Parts CO.,Ltd	3	Sale	56,599	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
6	Changsha Engley Automobile Parts CO.,Ltd	Suzhou Engley Automobile Parts CO.,Ltd	3	Sale	52,050	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
8	Yizheng Engley Automobile Parts CO.,Ltd	Suzhou Engley Automobile Parts CO.,Ltd	3	Accounts Receivable	294,666	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.01
8	Yizheng Engley Automobile Parts CO.,Ltd	Suzhou Engley Automobile Parts CO.,Ltd	3	Sale	295,255	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.01
10	Tianjin Engley Mold Manufacturing CO.,Ltd	Linde Engley (Tianjin) Automobile Parts CO.,Ltd	3	Accounts Receivable	284,384	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.01
10	Tianjin Engley Mold Manufacturing CO.,Ltd	Linde Engley (Tianjin) Automobile Parts CO.,Ltd	3	Sale	1,603,753	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.07
10	Tianjin Engley Mold Manufacturing CO.,Ltd	Changchun Engley Automobile Parts CO.,Ltd	3	Sale	100,975	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
10	Tianjin Engley Mold Manufacturing CO.,Ltd	Suzhou Engley Automobile Parts CO.,Ltd	3	Sale	43,628	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
11	Ningbo Maoxiang Metal Co., Ltd.	Changchun Engley Automobile Industry CO.,Ltd	2	Sale	44,197	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00
11	Ningbo Maoxiang Metal Co., Ltd.	Taizhou Maoqi Metal Co., Ltd.	3	Sale	35,940	Handled like general customers, collect payment 30-90 days after monthly settlement.	0.00

Note 1: Information about the business transactions between the parent company and the subsidiary company shall be indicated in the number column respectively. The number shall be entered as follows:

(1). Enter 0 for parent company.

(2). The subsidiaries shall be numbered in numerical order starting from the Arabic numeral 1.

Note 2: There are three types of relationships with a trader, just mark the category. (if it is the same transaction between the parent company and the subsidiaries or between the subsidiaries, there is no need to repeat the disclosure. For example, if the parent company has disclosed the transaction between the subsidiary company and the parent company, the subsidiary part does not need to be disclosed repeatedly.

A transaction between a subsidiary and its subsidiaries, if one has been disclosed, is no longer required for another):

(1). Parent company vs subsidiary company.

(2). Subsidiary company vs parent company.

(3). Subsidiary company vs subsidiary company

Note 3: The ratio of the transaction amount to the consolidated total revenue or total assets, if it is an item of assets and liabilities, shall be calculated by the ratio of the ending balance to the consolidated total assets. In the case of profit and loss items, the cumulative amount shall be calculated as a proportion of the consolidated total revenue.

Note 4: Whose transaction amount is NT\$ 30 million or more.

CAYMAN ENGLEY INDUSTRIAL CO., LTD. and Its Subsidiaries
Name of investee, location and other relevant information (excluding mainland Chinese investees).
December 31, 2019

Schedule IX

Unit: NT\$ 1,000
(unless otherwise specified)

Name of Investment Company	Name of Investees	Location	Main Business Items	Original Investment Amount		Held at the End of the Period			Investee's Current Profit and Loss	Recognized Current Investment Profit and Loss	Note
				End of Current Period	End of Last Year	Shares	Ratios	Carrying Amount			
CAYMAN ENGLEY INDUSTRIAL CO., LTD.	Honley Auto. Parts Co., Ltd.	Taiwan	Production of Auto Parts, Stamping Products, Hot Processing Products	\$ -	\$ 860,000	-	-	\$ -	\$ -	\$ -	
CAYMAN ENGLEY INDUSTRIAL CO., LTD.	Engley Industry CO.,Ltd	Taiwan	Wholesale and Sales of Various Auto Parts	6,000	6,000	600	100.00%	348 (	1,239) (	1,239)	
CAYMAN ENGLEY INDUSTRIAL CO., LTD.	Engley Holding (Samoa) Limited	Samoa	General Investment	268,432	281,298	-	80.00%	326,114	25,157	20,126	
CAYMAN ENGLEY INDUSTRIAL CO., LTD.	Engley Precision Industry B.V.	Netherlands	General Investment	468,572	-	-	39.50%	268,655	41,581	-	
Changchun Engley Automobile Industry CO., Ltd	Wiser Decision Holding Company Limited	Samoa	General Investment	104,930	-	-	100.00%	107,576	4,345	4,345	Note 1
Changchun Engley Automobile Industry CO., Ltd	Honley Auto. Parts Co., Ltd.	Taiwan	Production of Auto Parts, Stamping Products, Hot Processing Products	860,000	-	86,000	36.63%	480,856 (	341,000) (	124,908)	
Engley Holding (Samoa) Limited	Engley Precision Industry B.V.	Netherlands	General Investment	335,836	351,933	-	60.50%	411,484	41,581	25,157	
Engley Precision Industry B.V	Kranendonk Beheersmaatschappij B.V.	Netherlands	Robot Software, Hardware	555,873	582,517	-	75.00%	192,110	55,441	41,581	

Note 1: Wiser Decision Holding Company Limited was established by the Group on October 23, 2018 with a registered capital of US\$ 3,500,000. An investment of US\$ 3,500,000 has been remitted on September 11, 2019.

CAYMAN ENGLEIGH INDUSTRIAL CO., LTD. and Its Subsidiaries
Mainland China Investment Information - Basic
From January 1 to December 31, 2019

Schedule X

Unit: NT\$ 1,000
(unless otherwise specified)

Name of Investees in Mainland China	Main Business Items	Paid-Up Capital	Investment Method	Remit the Accumulated Investment Amount from Taiwan at the Beginning of Current Period	Remit or Recover the Investment Amount During Current Period		Remit the Accumulated Investment Amount from Taiwan at the End of Current Period	Investee's Current Profit and Loss	Shareholding Ratio of the Company's Direct or Indirect Investments	Investment Profit and Loss Recognized in Current Period	Carrying Amount of Ending Investment	Repatriated at	Note
					Remitted	Recovered							
			(Note 1)										
Changchun Engley Automobile Industry CO., Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	\$ 5,796,208	2	\$ -	\$ -	\$ -	\$ -	\$ 694,691	96.57	\$ 670,863	\$ 12,864,669	\$ -	Note 6
Changchun Engley Automobile Parts CO., Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	266,574	2	-	-	-	-	103,794	100.00	103,794	2,089,930	-	Note 6
Suzhou Engley Automobile Parts CO., Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	430,483	2	-	-	-	-	78,937	100.00	78,937	927,708	-	Note 6
Chengdu Engley Automobile Parts CO., Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	144,040	2	-	-	-	-	294,995	100.00	294,995	1,871,619	-	Note 6
Yizheng Engley Auto Parts Manufacturing CO LTD	Production of Auto Parts, Stamping Products, Hot Pressing Products	215,500	2	-	-	-	-	19,392	100.00	19,392	366,480	-	Note 2/6
Liaoning Engley Automobile Parts CO., Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	271,530	2	-	-	-	(8,730)	100.00	(8,730)		148,770	-	Note 6
Foshan Engley Automobile Parts CO., Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	1,012,850	2	-	-	-	-	45,523	100.00	45,523	1,078,797	-	Note 3/6
Tianjin Engley Mold Manufacturing CO., Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	927,210	2	-	-	-	(86,586)	100.00	(86,586)		922,090	-	Note 4/6
Changchun Lightweight Technology Co., Ltd.	Production of Auto Parts, Stamping Products, Hot Pressing Products	235,240	2	-	-	-	-	90,638	100.00	90,638	353,011	-	Note 6
Changsha Engley Automobile Parts CO., Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	163,780	2	-	-	-	(38,725)	100.00	(38,725)		87,840	-	Note 6
Qingdao Engley Automobile Parts CO., Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	735,976	2	-	-	-	(74,121)	100.00	(74,121)		508,294	-	Note 6
Ningbo Engley Automobile Industry CO., Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	64,650	2	-	-	-	(14,160)	100.00	(14,160)		50,997	-	Note 6

CAYMAN ENGLEIGH INDUSTRIAL CO., LTD. and Its Subsidiaries
Mainland China Investment Information - Basic
From January 1 to December 31, 2019

Schedule X

Unit: NT\$ 1,000
(unless otherwise specified)

Name of Investees in Mainland China	Main Business Items	Paid-Up Capital	Investment Method	Remit the Accumulated Investment Amount from Taiwan at the Beginning of Current Period	Remit or Recover the Investment Amount During Current Period		Remit the Accumulated Investment Amount from Taiwan at the End of Current Period	Investee's Current Profit and Loss	Shareholding Ratio of the Company's Direct or Indirect Investments	Investment Profit and Loss Recognized in Current Period	Carrying Amount of Ending Investment	Repatriated at	Note
				(Note 1)	Remitted	Recovered							
Linde Engley (Changchun) Automobile Parts CO.,Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	88,090	2	-	-	-	-	31,749	54.00	17,144	110,146	-	Note 6
Linde Engley (Tianjin) Automobile Parts CO.,Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	155,160	2	-	-	-	-	763,495	54.00	412,287	1,442,263	-	Note 6
Ningbo Maoxiang Metal Co., Ltd.	Production of Auto Parts, Stamping Products, Hot Pressing Products	565,002	2	-	-	-	-	(105,101)	51.00	(53,602)	525,108	-	Note 6
Taizhou Maoqi Metal Co., Ltd.	Production of Auto Parts, Stamping Products, Hot Pressing Products	603,400	2	-	-	-	-	(27,941)	51.00	(14,250)	229,792	-	Note 6
Jilin Jinli Auto. Parts Co., Ltd.	Production of Auto Parts, Stamping Products, Hot Pressing Products	86,200	2	-	-	-	-	13,289	23.00	3,056	23,337	-	
Chengdu Youley Automobile Parts CO.,Ltd	Production of Auto Parts, Stamping Products, Hot Pressing Products	128,801	2	-	-	-	-	73,051	20.00	14,610	118,048	2,580	
Constellium Engley (Changchun) Automotive Structures Co., Ltd.	Production of Auto Parts, Stamping Products, Hot Pressing Products	159,630	2	-	-	-	-	153,456	46.00	70,590	281,440	401,418	
Zhejiang Sanse Mould Plastic Technology Co.Ltd	Production of Automotive Interior and Exterior Decoration Products	166,146	2	-	-	-	-	(61,669)	20.00	(12,334)	316,526	-	
Changchun CECK Auto.Parts Co., Ltd.	Production of Auto Parts, Mold Design and Manufacturing	614,917	2	-	-	-	-	(191,938)	32.40	(62,188)	40,487		
HC&C AUTO PARTS CO., LTD.	Production of Auto Parts, Stamping Products, Hot Pressing Products	\$ 1,172,661	2	\$ -	\$ -	\$ -	\$ -	(\$ 22,021)	17.82	(\$ 3,924)	\$ 199,977	\$ -	

Note 1: Investment methods can be divided into the following three categories, simply mark the category:

(1). Directly invest in the mainland China. (2). Reinvest in mainland China through a third region company (please specify the investment company in that third region). (3). Other ways.

Note 2: Changchun Engley Automobile Industry CO.,Ltd. and Suzhou Engley Automobile Parts CO.,Ltd directly and indirectly own 90% and 10% equity of Yizheng Engley Auto Parts Manufacturing CO LTD.

Note 3: Changchun Engley Automobile Industry CO.,Ltd. and Suzhou Engley Automobile Parts CO.,Ltd directly and indirectly own 98.6% and 1.4% equity of Foshan Engley Automobile Parts CO.,Ltd.

Note 4: Changchun Engley Automobile Industry CO.,Ltd. and Suzhou Engley Automobile Parts CO.,Ltd directly and indirectly own 99.5% and 0.5% equity of Tianjin Engley Mold Manufacturing CO.,Ltd.

Note 5: The paid-up capital has been converted in accordance with the exchange rate of NT\$ to RMB at 4.31:1 as at December 31, 2019.

Note 6: The recognition basis for recognition of the current recognized investment profit/loss is the financial statements audited by the parent company's certified public accountants.

開曼英利工業股份有限公司
Cayman Engley Industrial Co., Ltd.

Representative : Lin, Chi-Pin