

Stock code:2243

HORNG SHIUE HOLDING Co., Ltd.



2019 Annual Report

On-line report: <http://mops.twse.com.tw>

Published on May 29, 2020

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 Title: Head for financial department
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2. Addresses and telephone numbers of the head office and branch office
 - (1) Head office

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 Tel: 0901102243
 - (2) Taiwan office

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 Tel: 0901102243
 - (3) Branch office

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Address: 3rd floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius
Name: ShangHaiHorngshiue Industrial Co., Ltd. Tel: (86) 21-57609158
Address: No. 100, Rongchang Road, Chedun Township, Songjiang District, Shanghai City.
Name: Zhejiang Horngshiue Intelligence Manufacturing Co., Ltd.
Address: No. 999, Huxun Boulevard, S. Xun District, Huzhou City, Zhejiang Province
Tel: (86) 21-57609158
3. Name, address and telephone number of the stock transfer agency

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 Address: 2F., No. 17, Xuchang Street, Taipei City.
 Website: [http : //www.fubon.com](http://www.fubon.com)
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4. CPAs certifying the latest financial statements

Name of CPAs: Lin, Yi-Fan, Lin, Jun-Yao
 Name of CPA firm: PwC Taiwan
 Address: 27th Floor, No. 333, Section 1, Keelung Road, Xinyi District, Taipei City
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5. Venue for trading the Company's listed overseas securities and inquiry method for such overseas securities: None.
6. Company website: <http://www.horngshiue.com>

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I.Letter to Shareholders

To Horng Shiue Shareholders, Laies and Gentlemen, Thank you all to join Horng Shiue 2020 shareholders' meeting. To understand 2019 Operating Performance, 2020 Operation Proposal Summary, the Company Future Development Strategy and External Environment Effect, please refer to the following report:

a、2019 Operating Performance

(a) the Result of Implement Operation Program

Due to the tax preference for purchasing vehicle dropping out in 2019. Besides, the company is influenced by factors, such as macroeconomics, US-China trade war and customer confidence, which mean it will still face more pressure within short time. Overviewing the Company operating revenue 1,767,065 thousands, it is less 14.28%, which the net after tax is 131,083 thousands, comparing to 2018. It is mainly affected by the relevant vehicle industries slowly increase in main China. The prospect of vehicle industry in China has come to the stage of high quality development since the market of car penetration still has a wide range to grow.

(b) The Status of Budget Implement

It is not applicable due to the Company did not disclose the financial forecast in 2019.

(c) Analysis of Financial Disbursement and Profitability

Unit : in Thousands of New Taiwan Dollars

Item			2019	2018	Increase and Decrease Ratio%
Financial Disbursement	Operating Revenue		1,767,065	2,061,361	(14.28)
	Gross Profit		137,250	252,786	(45.71)
	Net Profit		(131,083)	(34,117)	(284.22)
Profitability	Return on Assets (%)		(2.67)	0.16	(1,768.75)
	Return on Shareholders' equity (%)		(14.64)	(3.74)	(291.44)
	Paid-in capital rate(%)	Operation income on capital	(23.99)	5.47	(538.57)

Item			2019	2018	Increase and Decrease Ratio%
		Per-tax income to capital	(30.08)	(6.83)	(340.41)
	Net income to sales (%)		(7.42)	(1.66)	(346.99)
	Earning per shares (NT\$)		(3.03)	(0.82)	(269.51)

(d)Research and Development Result

2019 Research and Development Result

Result	Application	Sale
New headlining switching mechanism design	Headlining switching mold	Two type of headlining board for all kind of cars
Improving the skill of car fender side flange die	Car fender mold	For all type of fender parts
Rebound control technique for front and back door outside plate	Car door outside plate mold	For all type of door outside plate parts
Crimping control technique for front and back door inside plate corner	Car door outside plate mold	For all type of door outside plate parts
Improving the skill for car side flange die	Car side mold	For all type of car side parts
Flange die and forming technique for car back door outer part for bottom	Mold for car back door outer top and bottom parts	For all type of back door outer top and bottom parts

The Company holds the technique independent principle, and cooperates with foreign corporation who has advance technology, and insists improving and upgrading design technology and production research, and cultivates talents for research and development. In conform the needs of car factory, we persist develop strong and special material mold, and improve the technique to increase finished product yield and decrease production cost. In the future, we

will keep 3% of sale income in technique development and renovation investment in order to promote the product competitiveness.

b 、 2020 Operation Proposal Summary

(a)Operating Guideline

1. The Company continues promoting its competitiveness and market share through improvement of design techniques and manufacturing skills, and expects to be the leading professional car mold firm in China.
2. Enhancing high precision production equipment, inputing equipment and manufacture improvement, maintaining finish good yield and decreasing labor cost and operating cost.
3. Holding the principle of technique independent, corporating with foreign corporation with advance technology, and cultivating research and development talents, maintaining developing strong and special material mold to meet the clients' need, and improving technology and product precision.

(b) Sales prediction and reference

In accordance with the status of purchasing order, customer operating overview and market demand and development, the Company also considers the production to make the sales prediction. The Company upholds its core value of operating concept“Excellence, Integrating, Specialty, Inovation, Happiness”, and controls the market and adopts the changing situation in order to achieve the 2020 Operation goal.

c 、 the Company Future Devolopment Strategy

- (a)Improving mold product production and quality by adopting technology improvement and ability of market expand, development and cultivating subcontract cooperation system, and strengthening new product R&D and market expanding abilty to increasing the market share.
- (b) Enhancing establishment of technology team, improving external cooperation and exchange, depending on technology independent and innovation, strengthen scientific management, increasing efficiency of resource usage, shorten the period of mold supply.
- (c) Devlopingtowar high-class outer panel-beating mole, achieving the

contractor for the whole car's mold.

- (d) Expanding abroad market, implementing increase of mold export, becoming international mold supplier.
- (e) Subcontracting low efficiency operating process, avoiding low added value product, declining procurement price and unnecessary expense to promote the Company's profit.
- (f) through standard procedure, business process reengineering and informatization to improve the efficiency of production management, enhance company core competitiveness, reaching growth of product sales and profits.

d 、 Impact by External Competition, Law Restriction and the Whole Operating Environment

- (1) To external competition, the Company do not compete with low-end market. The competition in middle-end market has become more steadily. Toward high-end market, the Company has gradually endeavored to gain the opportunity of solid cooperation relationship with the international mainstream vehicle corporation.
- (2) The Company operates the production and sale procedure in accordance with law in the country of incorporation registration. In recent years, the domestic and foreign countries' policy and regulation modification have not influenced our finance and sales. In the future, we will pay attention and seize the latest status of policy development and regulation modification in order to adopt the appropriate strategy.
- (3) Recently in vehicle industry, the technology development and emphasis on safety and saving energy, the Company, with the vehicle corporation, seizes the developing trend to avoid great impact toward us by the whole operating environment. The Company management team thanks every shareholders' and directors' support and trust. We will keep engage in operating company to produce more profits for shareholders.

Best wishes to you all!

Chairman: Lin, Wei-Yuan



II. Company Profile

1. Establishment Date: Mar. 24, 2015

2. Company History

Year	Important Notes
2000	ShangHaiHornngshiue Industrial Co., Ltd. was officially established.
2002	First plant for ShangHaiHornngshiue Industrial Co., Ltd. was completed and began productions.
2003	1.ShangHaiHornngshiue is certified by ISO9001 certification. 2. Becomes the supplier for Saic Volkswagen and General Motors.
2004	1. Becomes the supplier of ChangAn Ford, GuangJong Auto Honda, GuangJong Auto Toyota, and DongFo Nissan. 2. Collaboration with Uchida Co. Ltd., for high strength automobile part molds until today.
2005	1. Starts the digitalization implementation, which launches ERP, PLM and Production Management System to become the earliest enterprise in the industry for complete realization of digitalization. 2. Second plant for ShangHaiHornngshiue completed 3. Inspection tool department established to account for inspection tool business, which completed the industry chain.
2006	Input the 3D realization design technology and manufacturing technology, digitalize measurement technology, synchronize engineering technology and car body matching technology to form two major business directors for the Company.
2007	1. Third plant for ShangHaiHornngshiue Industrial Co., Ltd. 2. Becomes the supplier of Ford.
2009	ShangHaiHornngshiue certified by ShangHai city high-tech enterprise certification.
2010	ShangHaiHornngshiue certified by ShangHai General Motors Excellent Suppliers
2011	1.ShangHaiHornngshiue has been certified by ShangHai General Motors Excellent Suppliers again. 2.ShangHaiHornngshiue recognized as “ShangHai City’s Automobile cover mould backbone enterprise”byShangHai Die&Mould Trade Association.
2012	Certified as Excellent Mould Supplier for Ford certification.
2013	1.ShangHaiHornngshiue becomes the strategic partner supplier for Great Wall Motor. 2.ShangHaiHornngshiue certified by “Key Die &Mould Backbone Enterprise”from Chinese Mould Association.
2015	1. Launched IPO Plan. 2.HORNG SHIUE HOLDING Co., Ltd. was established as the mainbody as the listed company in Taiwan and completed the structure reconstruction.
2016	1. HORNG SHIUE HOLDING completed the reconstruction of the board of directors as three independent directors were elected. 2. The audit committee is established to replace the supervisor’s function. 3.Compensation committee is established 4.Capital surplus for capital increase by NT\$225,000 thousand. 5. 6,977 thousand new stocks issued for raising US 12,000,440 dollars for capital increase by cash.
2017	1.Capital increase by cash amounts to 46,230 thousand and the paid in capital after capital increase becomes NT\$416,000 thousand. 2.The Company’s stock was listed in Taipei Stock Exchange.

Year	Important Notes
2018	1. Established “Zhejiang Horngshiue Intelligence Manufacturing Co., Ltd.” as Joint venture . 2.First-time issuing of the unsecured convertible bond for total amounts to NT\$ 0.4 billion dollars.
2019	Issuance of Restricted Stock

3. Mergers and Acquisitions to Other Companies in the Past Year and as of the Date of Publication of the Annual Report: None.

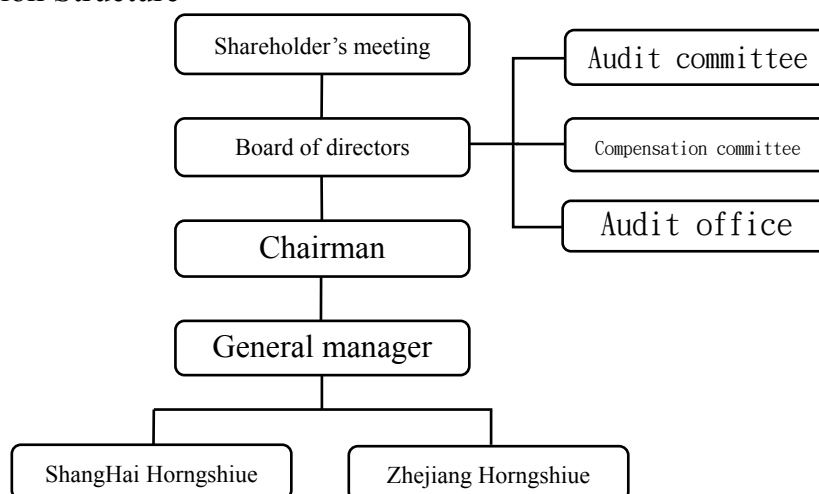
4. Particulars about Changes in Shareholding and Equity Pledge of Directors, Supervisors and Shareholders Holding More Than 10% of the Company’s Shares in the Past Year and as of the Date of Publication of the Annual Report: None.

5. Changes in Operation Rights, Operation Methods or Business Body and other Material Issues Probable of Affecting the Shareholder’s Rights and Their Influences on the Company in the Past Year and as of the Date of Publication of the Annual Report: None.

III. Corporate Governance Report

1.Organization Structure

(1)Organization Structure



(2) Businesses for each major department

Dept. Name		Businesses
Board of directors		Stipulate operation strategy and policy direction for the group business.
Audit committee		Supervise the effectiveness of the group's internal control, material financial behaviors, fair expression of financial statements and material items regulated by regulations or authorities.
Compensation committee		Stipulate and review regularly the directors' and managerial person's performance assessment and the compensation policy, system, standard and structure to establish compensation for directors and managerial persons.
Audit office		Evaluate and audit the robustness and effectiveness of internal control system and each management system to trace improvement results.
Chairman		Stipulate the operation objective and appoint each major managerial person for the respective business execution and promotion.
General manager		Execute the board of directors' resolution and manage all operations comprehensively.
Shang Hai Horng shiue, Zhe jian g Horng shiue	Technology committee	Organize, coordinate, plan and promote the solution for multi-departments technology related affairs.
	Business department	Market development, sales development, customer service and purchasing and supplier management.
	Project management department	Organize, plan, coordinate, promote and manage overall production process for the project development, customer communication and service, project distribution management, and promotion, quality assurance and inspection of the Company's quality system.
	Research and development center	Research and development, testing, input and promotion of new technology and patent, research and development and planning of the technology of product development, project quotation, feasibility analysis, engineering plan, structure design implementation and abnormal condition respond of product development.
	Manufacturing	Working, assembly, working procedure designs of products production, production dispatching and field management.

department	
Moulding department	Bench work, running-in and commissioning, quality improvement, busbar commissioning, after-service and field management.
Inspection tool department	Design, manufacturing, commission work and field management of inspection tool, loose tooling products development.
Management department	Human resource planning, compensation affair, training and education, administration and general affairs, security hygiene and conservation issue establishment and execution, maintenance of production facility and restaurant management.
Financial department	Financial, accounting, cashier, taxation affairs.
Operation department	Project budget management, company procedure system audit, performance assessment management, legal affairs, IT management, etc.

2.Directors, Supervisors, General Manager, Deputy General Manager, Associates, Departments and Branches Officer Information

(1) Directors and Supervisors

A. Names, experience and education, share holding status of directors and supervisors

Apr. 30, 2020; Units: Thousand shares;%

Title	Nationality	Name	Gender	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	British Virgin Is.	WEI YUANE INDUSTRIAL CO., LTD.	-	2019.06.27	3	2016.09.18	12,450	41.50	6,225	13.62	—	—	—	—	Hwa Hsia School of Industrial Technology, Department of Mechanical Engineering Fujinomiya Co., Ltd., Intern YUNG SHINE INDUSTRIAL CO., LTD., Deputy General Manager	Note 1	—	—	—	Note 6
	Republic of China	Representative LIN, WEI-YUAN	Male				—	—	3,663	8.01	2,250	4.92	6,225	13.62						
Director	British Virgin Is.	WEI YUANE INDUSTRIAL CO., LTD.	-	2019.06.27	3	2016.09.18	12,450	41.50	6,225	13.62	—	—	—	—	Hunan University, Mechanical Vehicle Engineering, Master Dongfeng Motor, Engineer Huda Haijie Manufacturing Technology Co., Ltd., Deputy General Manager ShangHaiHorn Shiue Industrial Co., Ltd., Sales Deputy General Manager	Note 2	—	—	—	—
	Republic of China	Representative XIAO, WEN-ZHOU	Male				—	—	—	—	—	—	—	—						—
Director	British Virgin Is.	Si Yuan Investment Co., Ltd.	-	2019.06.27	3	2016.09.18	10,500	35.00	6,000	13.12	—	—	—	—	Youde Senior High School, Department of Commerce	Note 3	Director	LIN, XIAN-PING	Sister and brother	—
	Republic of China	Representative LIN, MEI-YING	Female				—	—	1,388	3.04	—	—	6,000	13.12						—
Director	British Virgin Is.	Si Yuan Investment Co., Ltd.	-	2019.06.27	3	2016.09.18	10,500	35.00	6,000	13.12	—	—	—	—	Youde Senior High School, Department of Electrical Engineering	Note 4	Director	LIN, MEI-YING	Sister and brother	—
	Republic of China	Representative LIN, XIAN-PING	Male				—	—	943	2.06	1,500	3.28	1,500	3.28						—

Title	Nationality	Name	Gender	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	WANG,SHU-CAI	Male	2019.06.27	3	2016.09.18	—	—	—	—	—	—	—	—	Chinese Culture University, Department of Accounting BDO Taiwan Union & Co., auditor Bank SinoPac, Sales Manager	Note 5	—	—	—	—
Independent Director	Republic of China	CAI,JIN-LONG	Male	2019.06.27	3	2016.09.18	—	—	—	—	—	—	—	—	Hwa Hsia School of Industrial Technology, Department of Mechanical Engineering JIIN MING INDUSTRY CO., LTD., General Manager Ningpo ONE TEAM ELECTRIC CO., LTD., Deputy Chairman	—	—	—	—	—
Independent Director	Republic of China	CHEN,FU-CHENG	Male	2019.06.27	3	2016.09.18	—	—	—	—	—	—	—	—	National Central University, EMBA BES Engineering Corporation Construction Division, Associate	—	—	—	—	—

Note 1: Adjunct HORNG SHIUE INDUSTRIAL Co., Ltd. Chairman, ShangHaiHornngshiue Industrial Co., Ltd. Executive Director, Zhejiang Hornngshiue Intelligence Manufacturing Co., Ltd. Executive Director, ShangHaiDaShu Investment Consulting Co., Ltd. Chairman, WEI YUANE INDUSTRIAL CO., LTD. Director, Famous Season Limited Director.

Note 2: Adjunct ShangHaiHornngshiue Industrial Co., Ltd. General Manager, Zhejiang Hornngshiue Intelligence Manufacturing Co., Ltd. General Manager, ShangHaiAoHongNi Auto Technology Co., Ltd. Supervisor.

Note 3: JYH SHYANG INDUSTRIAL CO., LTD. Chief Financial Officer.

Note 4: Adjunct JYH SHYANG INDUSTRIAL CO., LTD. General Manager, GORDON AUTO BODY PARTS CO., LTD. Director.

Note 5: E-packing Holding Limited Director and Chief Financial Officer

Note 6 : Because the company needs the operation, the chairman and the general manager are the same person, and the number of independent directors has been increased to 3, and more than half of the directors have not served as employees or managers

:

B. Professional Qualifications and Independence Analysis of the Directors and Supervisors

Apr ,30, 2020

4	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
WEI YUANE INDUSTRIAL CO., LTD. Representative LIN,WEI-YUAN			✓	✓						✓	✓	✓	✓	✓	✓	-
WEI YUANE INDUSTRIAL CO., LTD. Representative XIAO,WEN-ZHOU			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Si Yuan Investment Co., Ltd. Representative LIN,MEI-YING			✓	✓	✓					✓	✓		✓	✓	✓	-
Si Yuan Investment Co., Ltd. Representative LIN,XIAN-PING			✓	✓	✓	✓			✓	✓	✓		✓	✓	✓	-
WANG,SHU-CAI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
CAI,JIN-LONG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
CHEN,FU-CHENG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

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

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
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 of one percent or more of the total number

- of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
 6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
 7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
 8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
 9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
 10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
 11. Not been a person of any conditions defined in Article 30 of the Company Law.
 12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

C. For Director or Supervisor who is a corporate shareholder, the corresponding major shareholder

- a. The name of shareholder of the corporate shareholder who has 10% of the share amounts or more or is top 10 in shareholding and the shareholding ratio

Apr, 30, 2020

Name of Institutional Shareholder	Major shareholder
WEI YUANE INDUSTRIAL CO., LTD.	LIN, WEI-YUAN (63.85%) DAI, YU-HUA (36.15%)
Si Yuan Investment Co., Ltd.	LIN, MEI-YING (100%)

- b. Major shareholders in the above table who are institutional shareholders: None.

(2) General Manager, Deputy General Manager, Associates, Departments and Branches Officer

Apr. 30, 2020; Units: Shares, %

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managerial person who are spouses or within two degrees of kinship			Acquisition status of employee stock option certificate by managerial persons	Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
General Manager	Republic of China	LIN, WEI-YUAN	M	2003.03.01	3,662,662	8.01	2,250,338	4.92	6,225,000	13.62	Hwa Hsia School of Industrial Technology, Department of Mechanical Engineering Fujinomiya Co., Ltd., Intern YUNG SHINE INDUSTRIAL CO., LTD., Deputy General Manager	Note 1	—	—	—	—	Note 4
Deputy General Manager	China	XIAO, WEN-ZHOU	M	2005.04.01	—	—	—	—	—	—	Hunan University, Mechanical Vehicle Engineering, Master Dongfeng Motor, Engineer Huda Haijie Manufacturing Technology Co., Ltd., Deputy General Manager ShangHaiHong Shiue Industrial Co., Ltd., Sales Deputy General Manager	Note 2	—	—	—	—	—
Plant Manager and the Research Center Director	Republic of China	CHEN, GUANG-RUI	M	2009.03.01	—	—	—	—	—	—	Nanya Institute of Technology, Mechanical Motor Group LIAN CHEN METAL MFG WORKS CO., LTD., Design Section Manager Wujiang Suzhou Kaishun Precision Mould Co., Ltd., Deputy General Manager	—	—	—	—	—	—
Operation Department Head	Republic of China	ZHANG, ZHE-FU	M	2015.02.01	—	—	—	—	—	—	National United University, Department of Electrical Engineering CHINESE AUTOMOBILE COMPANY, Design Section Manager WAFFER TECHNOLOGY CORP., Senior Engineer ShangHaiHong Shiue Research Center Director, Project Department, Head	—	—	—	—	—	—

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managerial person who are spouses or within two degrees of kinship			Acquisition status of employee stock option certificate by managerial persons	Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
Financial Manager	China	NING,SHENG-FEI	M	2012.02.01	—	—	—	—	—	—	Yunnan University of Finance and Economics, Master of Economics Shanghai Songjiang Township People's Government Rongcheng Asset Operation Co., ShangHaiBesttrust Asset Operation Co., Ltd., Investment Banking Department Project Manager Shanghai Jiading Industrial Zone Development (Group) Co., Ltd. Audit Office Supervisor ShangHaiHorng Shiue Industrial Co., Ltd., Head of Financial Department and Management Department	Note 3	—	—	—	—	—
Audit Manager	China	HE, YUN-BEI	F	2015.10.01	—	—	—	—	—	—	ShangHai Machinery Industry School, Department of Industrial Accounting SRIM, Accounting Staff Shanghai Casablanca Fashions Co., Ltd., Accounting Staff JuHeng Financial Consulting Co., Ltd. Project Supervisor ShangHaiHorng Shiue Industrial Co., Ltd., Financial Deputy Manager	—	—	—	—	—	—

Note 1: Adjunct HORNG SHIUE INDUSTRIAL Co., Ltd. Chairman, ShangHaiHorngshiue Industrial Co., Ltd. Chairman, ShangHaiDaShu Investment Consulting Co., Ltd. Chairman, WEI YUANE INDUSTRIAL CO., LTD. Director, Famous Season Limited Director.

Note 2: Adjunct ShangHaiHorngshiue Industrial Co., Ltd. General Manager, ShangHaiAoHongNi Auto Technology Co., Ltd. Supervisor.

Note 3: HORNG SHIUE INDUSTRIAL Co., Ltd. Financial Department Manager, ShangHaiHorngshiue Industrial Co., Ltd. Financial Department Director, ShangHaiDaShu Investment Consulting Co., Ltd. Supervisor.

Note 4: Because the company needs the operation, the chairman and the general manager are the same person, and the number of independent directors has been increased to 3, and more than half of the directors have not served as employees or managers.

3. Remuneration of the Directors, Supervisors, General Managers and Deputy General Managers of the Past Year.

(1) Directors Remuneration (including independent directors)

Unit: NT\$ Thousand; Thousand Shares

Title	Name	Director remuneration								The sum of A, B, C and D as a percentage of after-tax net profit		Remuneration from other jobs								The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit		Remuneration from re-invested businesses other than subsidiaries		
		Remuneration(A)		Retirement pension(B)		Director remuneration(C)		Business execution expenses(D)				Remuneration, bonus and special fees (E)		Retirement pension(F)		Employee remuneration(G)								
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Companies in the consolidated financial statements	The Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Companies in the consolidated financial statements	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock	The Company	Companies in the consolidated financial statements			
Chairman	WEI YUANE INDUSTRIAL CO., LTD. Representative LIN,WEI-YUAN	600	600					100	100	(0.53)%	(0.53)%		4,775									(0.53)	(4.18)	
Director	WEI YUANE INDUSTRIAL CO., LTD. Representative XIAO,WEN-ZHOU	600	600					100	100	(0.53)%	(0.53)%		4,146									(0.53)	(3.40)	
Director	Si Yuan Investment Co., Ltd. Representative LIN,MEI-YING	600	600					100	100	(0.53)%	(0.53)%											(0.53)	(0.53)	
Director	Si Yuan Investment Co., Ltd. Representative	600	600					100	100	(0.53)%	(0.53)%											(0.53)	(0.53)	

Title	Name	Director remuneration								The sum of A, B, C and D as a percentage of after-tax net profit		Remuneration from other jobs								The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit		Remuneration from re-invested businesses other than subsidiaries		
		Remuneration(A)		Retirement pension(B)		Director remuneration(C)		Business execution expenses(D)				Remuneration, bonus and special fees (E)		Retirement pension(F)		Employee remuneration(G)								
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock					
	LIN,XIAN-PING																							
Independent Director	WANG,SHU-CAI	600	600					100	100	(0.53)%	(0.53)%									(0.53)	(0.53)			
Independent Director	CAI,JIN-LONG	600	600					100	100	(0.53)%	(0.53)%									(0.53)	(0.53)			
Independent Director	CHEN,FU-CHENG	600	600					100	100	(0.53)%	(0.53)%									(0.53)	(0.53)			
1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount remuneration: The remuneration paid to the Directors should be stipulated with regard to their participation extent to the Company’s operation, the contributed value, the industry stand and other relevant factors as regulated in Article 70 of the Company’s article of incorporation. The Company has established the remuneration committee, and all independ directors are in charge of the committee members. The remuneration payment policy for directors and management team is in accordance with “Regulations of the remunera paid to directors” as approved by the shareholder’s meetings and the remuneration committee, and is resolved by the remuneration committee by reference to their participa extent to the Company’s operation, the contributed value, and the industry standards, and performance assessment and the remuneration payment policy, system, standard structure of director and management team are regularly reviewed, and the remuneration of director and management team are regularly evaluated and stipulated as well. 2.In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in most recent year to compensate directors for their services, such as being independent contractors:Nil.																								

(2)Remunerations of the Supervisors: The Company has established the audit committee, hence this item is not applicable.

(3)Remunerations of the general manager and deputy general manager

Title	Name	Remuneration(A)		Retirement pension (B)		Bonus and special fees, etc(C)		Employee remuneration(D)				The sum of A, B, C and D as a percentage of after-tax net profit(%)		Remuneration from re-invested businesses other than subsidiaries
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	LIN, WEI-YUAN		4,775										-3.64%	
Deputy General Manager	XIAO, WEN-ZHOU		4,146										-3.16%	

(4) Managerial officers with the top five highest remuneration amounts in a TWSE/TPEX-listed company

Title	Name	Remuneration(A)		Retirement pension (B)		Bonus and special fees, etc(C)		員工酬勞金額(D)				The sum of A, B, C and D as a percentage of after-tax net profit(%)		Remuneration from re-invested businesses other than subsidiaries
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements			
						Cash	Stock	Cash	Stock					
General Manager	LIN, WEI-YUAN		4,775										(3.64)%	-
Deputy General Manager	XIAO, WEI-N-ZHOU		4,146										(3.16)%	-
Factory Director and Director of R & D Center	Chen Guang-rui		2,064										(1.57)%	-
Minister of Management	Zhang Zhefu		1,348										(1.03)%	-
Financial Manager	NING, SHENG-FEI		1,802										(1.37)%	-

(5)Managers with Employee Remuneration Distribution

April 30, 2020;Units:Shares; NT\$ Thousand

	Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of Total Amount to Net Income (%)
Management team	General Manager	LIN,WEI-YUAN	Note	Note	Note	Note
	Deputy General Manager	XIAO,WEN-ZHOU				
	Plant Manager and Research Center Director	CHEN,GUANG-RUI				
	Operation Department Head	ZHANG,ZHE-FU				
	Financial Supervisor	NING,SHENG-FEI				
	Audit Supervisor	HE,YUN-BEI				

Note: On March 26,2020, the company's board of directors passed a resolution to distribute employees, directors, and supervisors for 2019 years, subject to the 2020 shareholders' meeting.

(6) Please implement the comparison and specification for the ratio of total remuneration (paid to the Directors, Supervisors, General Manager and Deputy General Managers of the Company by the Company and all the companies in the consolidated statements in the last two years) to net profit after tax and specify the correlation among the remuneration payment policy, standards and combinations, the procedures for setting the remuneration to the business performance:

A. Analysis of the ratio of total remuneration to net profit after tax

Unit: NT\$ Thousand

Year Title	Ratio of Total Remuneration to Net Profit after Tax(%)			
	2018		2019	
	Amount	%	Amount	%
Director	7,151	-	4,900	-
General Manager and Deputy General Managers	8,808	-	8,921	-

Note: After-tax losses in 2018~2019, the proportion is not calculated.

B. The remuneration payment policy, standards and combinations, the procedures for setting the remuneration and the business performance:

The remuneration paid to the Directors should be stipulated with regard to their participation extent to the Company's operation, the contributed value, the industry standard and other relevant factors as regulated in Article 70 of the Company's article of incorporation. The Company has established the remuneration committee, and all independent directors are in charge of the committee members. The remuneration payment policy for directors and management team is in accordance with "Regulations of the remuneration paid to directors" as approved by the shareholder's meetings and the remuneration committee, and is resolved by the remuneration committee by reference to their participation extent to the Company's operation, the contributed value, and the industry standards, and performance assessment and the remuneration payment policy, system, standard and structure of director and management team are regularly reviewed, and the remuneration of director and management team are regularly evaluated and stipulated as well. Besides, as for the remuneration of general manager and deputy general managers, the group's "Compensation and benefit system" is referred to and the above "Compensation and benefit system" was approved by the compensation committee on Nov. 3, 2016 and by the board of directors on Dec. 12, 2016.

4. Corporate Governance Status

(1) Operation of the board meeting

Until last year 2019, the Company's second board meeting member has been over three years, and the corresponding re-election was held at the shareholders' regular meeting on June, 27, 2019, and all members were re-elected. Until the recent year and the publication date of the annual report, the second board meeting had held twice, and the third board meeting had held six times, totaling A:8 times, the board member presence is as below :

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) [B/A]	Remarks
Chairman	WEI YUANE INDUSTRIAL CO., LTD. Representative LIN,WEI-YUAN	8	0	100%	
Director	WEI YUANE INDUSTRIAL CO., LTD. Representative XIAO,WEN-ZHOU	8	0	100%	
Director	Si Yuan Investment Co., Ltd. Representative LIN,MEI-YING	6	2	75%	
Director	Si Yuan Investment Co., Ltd. Representative LIN,XIAN-PING	8	0	100%	
Independent Director	WANG,SHU-CAI	8	0	100%	
Independent Director	CAI,JIN-LONG	8	0	100%	
Independent Director	CHEN,FU-CHENG	8	0	100%	

Other matters to be recorded:

1. If any of the following circumstances occurs in the operation of the board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the opinions of all independent directors and the Company's handling of the opinions of the Independent Directors

(1) Matters listed in Article 14-3 of the Securities Exchange Act.

Date	Communication Issues	Communication Results and Implementation Condition
2019.03.26	1.Specification for the 2018 financial and loss/profit status. 2.Revision of the Company's and consolidated	The CPA concerning the audit method and range, audit method of the

	subsidiaries' "Operation Procedures of Capital Loans to Others", "Operation Procedures of Endorsement and Guarantee" 3. Proposal of stipulation of "Standard Operation Procedures for Handling Proposed Request of Directors "	internal control, the materiality of this year, the CPA independency, key audit items for the 2018 annual financial report.
2019.05.09	Specification for the 2019 Q1 financial and loss/profit status.	The CPA discoveries concerning the review method, range for the 2019 Q1 annual financial report.
2019.06.27	1. Election of the Company's director. 2. Appointment of members of the second audit committee of the Company. 3. Appointment of members of the second remuneration committee of the Company.	Pass without objection
2019.6.27 (Extraordinary Board Meeting)	The Company acts as a guarantor for the credit of HORNG SHIUE INDUSTRIAL CO., LTD and BANK SINOPAC CO., LTD HONG KONG BRANCH.	Pass without objection
2019.8.8	The Company's second quarter financial report in 2019.	Pass without objection
2019.11.12	1. The Group's bonus payment amount for managers in the year-end of 2019. 2. Appointment of accounting firm in 2020 to provide professional services, and evaluation of its independence, suitability, and main remuneration and service content. 3. Approval of the Company's 2020 budget. 4. Preparation for the Company's 2020 audit plan. 5. Stipulation of the "Internal Control System" and "Administrative Measures for Internal Control System" of the Company's sub-subsidiary, Zhejiang HORNG SHIUE Intelligent Manufacturing Co., Ltd. 6. Plan setting for issue number of restricted stock awards and the base date for capital increase. 7. The Company intends to appoint Bank SinoPac as a custody bank for foreign employee collective investment account and authorize the chairman to sign a contract with Bank SinoPac. 8. The Group's 2019 distributed list and number of shares of restricted stock awards to managers. 9. Endorsement guarantee for the sub-subsidiary. 10 The Company's sub-subsidiary, Shanghai Horng Shiue Mold Industry Co., Ltd. provides endorsement guarantee for the Company's sub-subsidiary, Zhejiang Horng Shiue Intelligent Manufacturing Co., Ltd.	Pass without objection

2020.03.26	1. The operation report and financial statement for 2019. 2. The Company's annual profit and loss appropriation plan in 2019. 3. Planning for revision of the Company's partial provisions of "Organization memorandum and article of association". 4. "Evaluation of the effectiveness of the internal control system" and the issuing of the Company's "Statement of Internal Control System" in 2019. 5. Revision of the Company's "Organization regulations of audit committee" and "Organization regulations of remuneration committee". 6. Performance evaluation, policy, system, standard and structure of remuneration and the remuneration of the Company's director and manager. 7. Stipulation of the Company's date, place and meeting objectives for Shareholders' regular meeting in 2020. 8. The company obtained the extension of E.SUN BANK's credit contract.	Pass without objection
2020.05.13	1. The company changed its certified public accountants in the first quarter of 2020 due to internal organization adjustments of accountants. 2. Update for the Company's "Statement of Internal Control System" in 2019. 3. Revision of the Company's "Code of Practice for Corporate Social Responsibility" and "Corporate Governance Code". 4. Revision of "internal control system" of the Company's sub-subsidiary, Shanghai Horng Shiue Mold Industry Co., Ltd. and Zhejiang Horng Shiue Intelligent Manufacturing Co., Ltd., and update of the "internal control system" of Horng Shiue Holdings Co. Ltd. 5. Revision of Horng Shiue Group's "Approval of Authorization". 6. Raised for approval for the case of jointly providing of an endorsement guarantee to the sub-subsidiary company Zhejiang Horng Shiue Intelligent Manufacturing Co., Ltd. by the Company and the sub-subsidiary company Shanghai Horng Shiue Mold Industry Co., Ltd. 7. Modification of the meeting place of the Company's shareholders' regular meeting in 2020.	Pass without objection

(2)Other than the aforementioned matters, the board resolutions which Independent Directors

- object to or have reservations about, and there are records or written statements for them: Nil.
2. For the situation where a Director avoids a motion related to his/her own interests, please specify the director's names, the contents of the motion, the reasons for the avoidance of interests and the voting results:
- (1) In the discussion of the Company's "Regulations of the performance and remuneration of the management team" in the board meeting held on May 9, 2019, except of the director Mr. Lin, Wei-Yuan and Mr. Xiao, Wen-Zhou for avoidance of interests, all other attended directors had no discrete opinions and the proposal was approved through the inquiry by the deputy chairperson.
 - (2) In the discussion of the 2018 proposal of year-end bonus distribution of the management team in the board meeting held on Nov. 11, 2018, except of the director Mr. Lin, Wei-Yuan and Mr. Xiao, Wen-Zhou for avoidance of interests, all other attended directors had no discrete opinions and the proposal was approved through the inquiry by the deputy chairperson..
 - (3) On Nov. 12, 2019, the board of directors discussed and approved the list and the number of shares of the new stock managers whose employees' rights were restricted in 108 years. Except for the avoidance of the interests of director Mr. Xiao, Wen-Zhou, the chairman consulted the remaining directors who passed the proposal without objection..
 - (4) In the discussion of the performance assessment and the remuneration payment policy, system, standard and structure and the remuneration of the directors and management team in the board meeting held on Mar. 26, 2020, except of the director Mr. Lin, Wei-Yuan and Mr. Xiao, Wen-Zhou for avoidance of interests, all other attended directors had no discrete opinions and the proposal was approved through the inquiry by the deputy chairperson.
3. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out "Implementation Status of Board Evaluations." :Detailed table.
4. The goals for strengthening the board's functions in the current and the previous year (e.g., establishment of an audit committee, promotion of information transparency, etc.) and assessment of the implementation:
- (1) The goals for strengthening the board's functions
 - A. Corporate governance implementation: The Company has stipulated "Regulations of the board meeting" and "Election procedures of the director", and the board operation follows these regulations and the current law, and the members participate in relevant trainings and educations according to the regulations of promotion of the educations for directors and supervisors. The Company has elected three independent directors and has established the audit committee as well to improve the corporate governance efficiency.
 - B. Strengthen the performance assessment of the board: The Company has stipulated "Self and peer assessment for board of directors" in order to implement the corporate governance and promote the operation efficiency of board of directors, and the assessment results are reported annually to the board meeting held for the most recent time in the next year. So far, the Company has completed the performance assessments of the board of directors and reported to the board meeting for 2016, 2017 and 2018. According to the assessment result, the Company's board of director in 2018 operates well and the space for review and improvement is not revealed yet.
 - C. Promote the information transparency: Various information as demanded by the law is disclosed timely in the Market Observation Post System(MOPS) and the company website. Besides, to establish the Company's good internal material information handling and the disclosure mechanism to prevent information from leaking out,

“Operations for handling internal material information” are stipulated and approved by the board to fulfill the fair principle of symmetry information. D.Fulfilling the function of the remuneration committee: The Company has established the compensation committee and proposed the approved resolution to the board of directors, and through the board discussion all proposals were approved with no discrete opinions. E.Strengthen the communication with the accountant: The directors and accountants held meetings to communicate their thoughts and the meeting contents are as follows: (2) Assessment of the implementation: The Company keeps the integrity principle, and discloses the operation results completely, hence after assessment for goals of strengthening the board’s function, the shareholder’s rights could be protected thereby.
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Evaluation for the board meeting :

Evaluation period	Evaluation duration	Evaluation Scope	Evaluation Methodology	Evaluation Content
Once every year	Jan.1,2019 to Dec. 31, 2019.	Board meeting	Internal self-appraisal	1. Participation for the Company's operation 2. Improvement of the resolution quality of board meeting 3. Constitution and structure of the board meeting 4. Election and continuous training of directors 5 Internal control
Once every year	Jan.1,2019 to Dec. 31, 2019.	Individual board member	Board member self-appraisal	1.Company objective and mission handling 2 Occupation responsibility of the director 3.Participation extent for the company’s operation. 4.Internal relationship management and communication 5 Director profession’s continuous training. 6.Internal control
Once every year	Jan.1,2019 to Dec. 31, 2019.	Functional member	Committee member self-appraisal	1.Participation extent to the Company operation 2.Knowledge of occupational responsibility of functional committee 3.Improving resolution quality of functional committee. 4.Constitution of functional committee and election for responding member 5.Internal control

(2) Operation status of the audit committee or the board meeting participation by supervisors:

A. Operation of the audit committee

The Company's first audit committee member had reached three years in last year 2019, and re-election was held on Jun. 27, 2019 and all members were re-elected. Until the recent year and the publication date of the annual report, the first audit member meeting had held four times, and the second audit member meeting had held two times, which totals at A:6 times, the member presence is as below:

Title	Name	Actual no. of meetings Attended(B)	No. of meetings with entrusted attendance	Actual attendance rate(%)(B / A)	Remark
Independent director	WANG,SHU-CAI	6	0	100%	
Independent director	CAI,JIN-LONG	6	0	100%	
Independent director	CHEN,FU-CHENG	6	0	100%	

Other matters to be recorded:

1. If any of the following circumstances occurs in the operation of the audit committee, please indicate the date of the board meeting, the session number, the contents of the motion, the resolution of the audit committee and the Company's handling of the opinions of the audit committee:

(1) Matters listed in Article 14-5 of the Securities Exchange Act.

Date	Move content	Resolution	Handling to the audit committee's opinions
2019.03.26	1. Approval of the 2018 business report and financial statements. 2. Approval of the distribution of 2018 retained earnings . 3. Approval of amendment to the Articles of Incorporation 4. "Evaluation of the effectiveness of the internal control system" and the issuing of the Company's " Statement of Internal Control System " in 2018. 5. Revision of partial provisions of the Company's "Procedures for Fund Loan to Others" and "Procedures for Endorsement Guarantee".	No discrete opinions shown and approved by the attended committee members for proposal	-

	2019.05.09	The Company plans to issue restricted stock awards in 2019.	No discrete opinions shown and approved by the attended committee members for proposal	-	
	2019.06.27	Election of the convener of the audit committee of the company	No discrete opinions shown and approved by the attended committee members for proposal	-	
	2019.11.12	1. Appointment of accounting firm in 2020 to provide professional services, and evaluation of its independence, suitability, and main remuneration and service content. 2. Preparation for the Company's 2020 audit plan. 3. Stipulation of the "Internal Control System" and "Administrative Measures for Internal Control System" of the Company's sub-subsidiary, Zhejiang HORNG SHIUE Intelligent Manufacturing Co., Ltd. 4. Endorsement guarantee for the sub-subsidiary. 5. The Company's sub-subsidiary, Shanghai Horng Shiue Mold Industry Co., Ltd. provides endorsement guarantee for the Company's sub-subsidiary, Zhejiang Horng Shiue Intelligent Manufacturing Co., Ltd.	No discrete opinions shown and approved by the attended committee members for proposal	-	
	2020.03.26	1. Approval of the 2019 business report and financial statements. 2. The Company's annual profit and loss appropriation plan in 2019. 3. Approval of amendment to the Articles of Incorporation 4. "Evaluation of the effectiveness of the internal control system" and the issuing of the Company's "Statement of Internal Control System" in 2019.	No discrete opinions shown and approved by the attended committee members for proposal	-	
	2020.05.13	1. The company changed its certified public accountants in the first quarter of 2020 due to internal organization adjustments of accountants. 2. Update for the Company's "Statement of Internal Control	No discrete opinions shown and approved by the attended committee	-	

	System" in 2019. 3. Revision of the Company's "Code of Practice for Corporate Social Responsibility " and "Corporate Governance Code". 4. Revision of "internal control system" of the Company's sub-subsidiary, Shanghai Horng Shiue Mold Industry Co., Ltd. and Zhejiang Horng Shiue Intelligent Manufacturing Co., Ltd., and update of the "internal control system" of Horng Shiue Holdings Co. Ltd. 5. Revision of Horng Shiue Group's "Approval of Authorization". 6. Raised for approval for the case of jointly providing of an endorsement guarantee to the sub-subsidiary company Zhejiang Horng Shiue Intelligent Manufacturing Co., Ltd. by the Company and the sub-subsidiary company Shanghai Horng Shiue Mold Industry Co., Ltd.	members for proposal		
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(2)Other than the aforementioned matters, other resolutions disapproved by the audit committee yet approved by two-thirds of directors: None.

2. For the situation where an Independent Director avoids a motion related to his/her own interests, please specify the independent director's names, the contents of the motion, the reasons for the avoidance of interests and the voting results: None.
3. The communication status between the independent director, and the internal audit supervisor and CPA(which should include material issues, method and results of communications concerning the company's financial and sale status).

(1)Communication status between the Company's independent director and CPA is the same as the abovementioned communication between the board and CPA, besides the Company's audit supervisor reports the audit report to the independent directors monthly for review, and the independent director had no objection opinions. Communication status between the independent directors and the audit supervisor is as follows:

Date	Communication Issues	Communication Results and Implementation Condition
108.03.26	Specification for the 2018 financial and loss/profit status.	The CPA discoveries concerning the review method, range for the 2019 annual financial report.
108.05.09	Proposal of the Company's 2019 Q1 financial	The CPA discoveries concerning the review method, range for the 2019

	statements.	Q1 annual financial report.
108.06.27	The CPA participated in the shareholder's meeting.	The CPA participated in the shareholder's meeting to observe its operation.
108.08.08	Proposal of the Company's 2019 Q2 financial statements.	The CPA discoveries concerning the review method, range for the 2019 Q2 annual financial report.
108.11.12	1.Proposal of the Company's 2018 Q3 financial statements. 2.Role and responsibility,audit plan, independency of the CPA.	1.The CPA discoveries concerning the review method, range for the 2018 Q3 annual financial report. 2.Executed by the written mean and the reply fromthe independent director is acquired.
109.03.26	Specification for the 2019 financial and loss/profit status.	The CPA discoveries concerning the review method, range for the 2019 annual financial report.
109.05.13	Proposal of the Company's 2020 Q1 financial statements.	The CPA discoveries concerning the review method, range for the 2020 Q1 annual financial report.
(2)Communication status between the independent directors and the audit supervisor is as follows:		
Date	Communication Issues	Communication Results and Implementation Condition
2019.03.26	Audit implementation report	Report the audit implementation status
2019.05.09	Audit implementation report	Report the audit implementation status
2019.08.08	Audit implementation report	Report the audit implementation status
2019.11.12	1.Audit implementation report 2.Proposal of the 2020 audit plan	1.Report the audit implementation status 2.Approval of the 2019 audit plan
2020.03.26	1.Audit implementation report 2.Evaluation of the internal control system effectiveness 3.Statement of the 2019internal control	1.Report the audit implementation status 2.Approval of the evaluation of the internal control system 3.Approval of the statement of the 2019 internal control
109.5.13	Audit implementation report	Report the audit implementation status

(3)Corporate Governance Status, Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the company established and disclosed its own Corporate Governance Best Practice Principles?	V		The Company has stipulated its Corporate Governance Best Practice Principles based on “the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” and has disclosed it on the company website.	No major difference
2. The company's shareholding structure and shareholders' equity	V		(1) The Company handles the shareholder’s proposals, disputes or so on by its spokesman and acting spokesman, and the Company’s stock transfer agency “Fubon Securities Co., Ltd. Stock Transfer Agency Department” also assists the shareholder and interest parties to handle relevant doubts, proposals, etc. (2) The Company is well acquainted with its major shareholders controlling the Company substantially at all time, and has good relationships with the major shareholders. (3) The Company has established “Regulations of financial and sales businesses among affiliates”, and assets, financial managements of each affiliate are mutually independent, and risk management and firewall mechanisms are firmly conducted based on the regulations.	No major difference
(1) Has the company set up internal operating procedures to handle shareholder proposals, doubts, disputes and litigation matters and followed the procedures?	V			No major difference
(2) Does the company have a list of its major shareholders and the ultimate controllers of the major shareholders?	V			No major difference
(3) Has the company established and implemented risk management and firewall mechanisms with its affiliates?	V			No major difference
(4) Has the company set up an internal standard to prohibit the insiders’ use of private information to trade securities?	V			

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			(4) The Company has stipulated “Operation Procedures of the internal material information handling” and “Management operation procedures protecting insider trades” to prevent information from leaking out and has assured the consistency and correctness of disclosed information by the Company.	
3. The composition and duties of the board of directors	V		(1) The Company has seven director seats currently, including three independent director seats, and has formulated a diversified approach in “Election procedures of directors” and implemented it. (2) The Company may establish other functional committees with considerations of the actual operation status and laws and regulations in addition to the remuneration committee and the audit committee according to the law. (3) The Company has established the “self and peer appraisal for board of directors”, and will implement performance assessment based on self and peer appraisals for board of directors, functional committees and individual directors annually in the future. The Company has reported the assessment result of “Questionnaire of board of directors’ performance self-appraisal” on the board meetings held on March. 26, 2019 and March. 26,	No major difference
(1) Has the board of directors formulated a diversified approach based on the composition of its members and implemented it?	V			No major difference
(2) Has the company set up other types of functional committees voluntarily in addition to the remuneration committee and the audit committee according to law?	V			No major difference
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	V			No major difference.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of its certifying accountants?			2020. (4) The Company has approved of appointing the CPA’s firm to provide professional services, as well as proposals of independence and competence assessments and primary remuneration and service content through audit committee meeting and board meeting held on Dec. 27, 2018 and Nov. 27, 2019 respectively.	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V		The Company has set a secretary of board of directors to handle the corporate governance related affairs.	No major difference
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and	V		(1) The Company has established spokesman and acting spokesman to serve as communication channel between the Company and interested parties, and has set up an interested party page on the company’s website to respond to important	No major difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?			corporate social responsibility issues interested parties concern. Mailbox is placed at employees' clock in space to allow employees to write to management team, and staff of the Management Department is responsible for handling the suggestion or feedback for employees. (2) The Company has disclosed contact information of spokesman, acting spokesman, and stock transfer agency, and if shareholders have any questions or comments they could reach for relevant personnel directly via telephone, written means or e-mails.	
6. Does the company appoint a professional stock agency to handle shareholders' meeting related affairs?	V		The Company has appointed Fubon Securities Co., Ltd. Stock Transfer Agency Department as the agency for various stock related affairs and institutional handling of shareholder's meeting, and has stipulated “Regulations of stock affairs management” in internal control systems.	No major difference
7. Information disclosure (1) Has the company set up a website to disclose financial and corporate governance information?	V		(1) Besides disclosing information on MOPS, the Company also discloses businesses and products information of the Company on www.hongshihue.com.	No major difference
(2) Does the company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the collection and disclosure of company information, implementing the spokesman system, and	V		(2) The Company has established English website to introduce company products and information alike, and designated a spokesman to be responsible for the collection and disclosure of company information, implemented the spokesman system, disclosed relevant information of irregularly-held corporate	No major difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
posting the company's corporate briefing process on the website, etc.)? (3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?			briefing process at designated website and had established the spokesman system. (3) The Company has reported annual financial statements within two months after the end of each fiscal year .The Company announced and reported its financial statements for Q1, Q2, and Q3 and filed monthly operating status before the deadline.	
8. Does the Company have any other important information (including but not limited to employees' rights, employee care, investor relations, supplier relationship, rights and of interested parties, training for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company’s purchase of liability insurance for directors and supervisors, etc.)?	V		(1)Employees’ right: The Company recruits employees based on the authority’s regulations, and keep a clear communication channel, value employee rights and provide good working environment for employees. (2)Employee care: Social insurance, health check for field specific employees, employees’ bonuses, year-end bonuses are conducted based on relevant regulations of the local government to ensure employees’ benefits, and banquets and other recreation activities alike are held irregularly to promote mental and physical health balance. The Company has provided its employees with complaint channel and stipulated complete on-line document management system which specifies various management regulations stating clearly the rights and obligations of employees to protect employees’ rights. (3)Investor relations: The Company keeps clear communication channel and information	No major difference No major difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			communication for investors and other interested parties to respect and protect their rights they deserve. (4)Supplier relationship: The Company keeps the supplier relationship following the integrity principle and by effective mutual communication, the quality, lead time and price are ensured to meet the Company’s requirements. (5)The rights of interested parties: The Company’s website has set up “Specified zone of interested party” and has disclosed the information on MOPS for interested parties’ reference. Clear communication channel and information communication is kept among collaboration banks, employees, clients and suppliers. (6)Training for directors and supervisors: Annual trainings for the Company’s directors and supervisors have met the regulations of “Points for promoting trainings for directors and supervisors of public companies”,and the training status is disclosed on the MOPS. (7) Implementation of risk management policies and risk measurement standards: The Company has stipulated various internal control systems and internal management regulations in accordance with the law, and the audit staff will propose audit plan annually based on risk evaluations and the plan is submitted to the board of directors for	No major difference No major difference No major difference No major difference No major difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			approval, and its implementations are firmly conducted accordingly. The actual audit status and reports are reviewed by independent directors. On the other hand, the Company’s departments of concerns will declare and execute the statement of internal control systems after the annual self-appraisals are completed, and they will be disclosed in the annual report for shareholders’ meeting. (8) Implementation of customer policies: The Company’s Business Affair Department is responsible for customer inquiry and complain channel and keeps a good interaction with customers. (9) The Company’s purchase of liability insurance for directors and supervisors The Company has purchased liability insurance for all directors and supervisors and this is disclosed on the MOPS.	No major difference No major difference
9. Please state the improvements made to the items in the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and indicate the enhancement and improvement measures for the items not yet improved: None.				

(4) Operations of the Remuneration Committee

A.Composition :

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
	Name	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	WANG, SHU-CAI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	—
Independent Director	CAI, JIN-LONG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	—
Independent Director	CHEN, FENG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	—

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

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
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 of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by

- the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
 8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
 9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
 10. Not been a person of any conditions defined in Article 30 of the Company Law.

B. Operation Status:

(a) The Company's remuneration committee is composed of three people.

(b) Current member's tenure: From Jun. 27, 2019 to Jun. 26, 2022 the Remuneration Committee held seven meetings (A) as of the past year and the publication date of the annual report, and the member qualifications and attendance are as follows:

Title	Name(Note)	Actual no. of meeting attended (B)	No. of meetings with entrusted attendance	Actual attendance rate(%)(B / A)	Remarks
Convener	WANG,SHU-CAI	5	—	100%	
Member	CAI,JIN-LONG	5	—	100%	
Member	CHEN,FU-CHEN G	5	—	100%	

Other matters to be recorded:

1. If the board of directors did not adopt or amend the suggestion of the remuneration committee, please indicate the date and session number of the board meeting, the contents of the motion, the result of the resolution and the company's handling of the suggestion of the remuneration committee (if the remuneration passed by the board is better than the suggestion of the remuneration committee, please state the difference and the reasons): Nil.
2. If any member had objections or reservations about the resolution of the remuneration committee and there is a record or a written statement, please indicate the date and session number of the remuneration committee meeting, the contents of the motion, all the opinions of the members and how the opinions were handled: Nil.

(5)The state of the company's performance of social responsibilities, any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance :

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Abstract Explanation	
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		The Company has stipulated “Guidance of the practice of corporate social responsibility”, and has implemented corporate social responsibility within its duty range.	No major difference
2.Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		The Company has appointed the management department as the concurrent corporate social responsibility promotion unit.	No major difference
3.Environmental issues (1)Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(1). The Company has met the local laws relevant to environmental safety and hygiene and certified with ISO14001 certification, and the Company has continued to promote the 6S hygiene and clean management standard and have complete regulations for quality management, safety hygiene and environment protection, etc. (2) The Company continuously promotes recycling of various resource such as waste iron, oil and paper to protect the Earth resources (3) The company usually pay attention to energy saving and carbon reduction and greenhouse gas	No major difference
(2)Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V			No major difference
(3)Does the company evaluate the potential risks and opportunities in climate change with regard to the	V			

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Abstract Explanation	
present and future of its business, and take appropriate action to counter climate change issues? (4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?			reduction policies (4) The Company has been aware of the management for air-condition temperature and the electricity saving to save electricity in offices and production units.	No major difference
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V V		(1) The Company has followed local labor laws and regulations to protect each employee's legal rights and contributed appropriately the local social welfare insurance and retirement pension. (2). The Group's major operation location is at China, and conforming to regulations of local labor laws, employees attend social insurance (including pension, medical care, birth, industrial injury and unemployment) to protect employee welfare, and we provide welfare measures such as serving meals for employees, high temperature subsidies for production line employees, festival surcharge, wedding and death subsidies. Besides, employees have leaves such as mandatory holidays, marital and funeral leaves, annual leaves and maternity leaves. Other than holding birthday parties every month to condense employees' emotions, the	No major difference No major difference No major difference

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Abstract Explanation	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? (4) Does the company provide its employees with career development and training sessions? (5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented? (6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results?	V V V V		Company also grants substantial allowances such as year-end bonus and performance bonus to motivate employees. (3) The Company implements safety and health education for specific employees on a regular basis to ensure the employees' hygiene and safety. (4) The Company provides the employees an effective internal training program and external education irregularly to enrich their working abilities. (5) The Company has implemented them in accordance with relevant laws and regulations. (6) The Company has implemented the supplier management and will enhance the restriction considering the future operation development. However, once violation in its corporate social responsibility and a significant impact on the environment and society thereby is found, the procurement department of the Company will review the supplier again to implement the corporate social responsibility strategy.	No major difference No major difference No major difference No major difference
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial		V	The company currently does not fall within the scope of the company's social responsibility report, so the	No major difference

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Abstract Explanation	
information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?			report has not yet been prepared.	
6.If the company has its own corporate social responsibility code in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, please describe the difference between its operation and the prescribed code: The Company has stipulated the "Guidance of Practice of corporate social responsibility" based on "the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and no major difference has occurred.				
7. Other important information to help understand the operation of corporate social responsibility: (1) The Company has clear communication channel for interested parties such as employees' rights, supplier, collaboration banks, customers, investors and has provided good job opportunities for local people. (2) The Company executes the management according to the law regarding to the environment conservation, please refer to the environment conservation expenditure. (3) Human rights: All employees of the Company are equal regardless of their genders, religions or political parties, and the Company has created a good working environment to assure that the employees are free of discriminations and harassments				

(6) The state of the company's performance of social responsibilities, any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance :

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
1. Setting business integrity policies and programs				
(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	V		(1) The Company has stipulated "guidelines of integrity management" and "Operation procedure and behavior guidelines of integrity management", and all board directors and management team actively implement the above integrity management regulations.	No major difference
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	V		(2) All board members and colleagues follow the integrity regulations, and any violation is subjected to disciplines based on relevant laws and the employee's manual.	No major difference
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	V		(3) The Company states clearly in Article 8 of "Guidelines of integrity management" that forbids any business activities with risk of dishonesty.	No major difference

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts r?	V		(1) Before doing businesses with the business partner, the Company has evaluated its legitimacy and whether it has involved in dishonest behaviors to avoid doing business with those involved with dishonest behaviors.	No major difference
(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		(2) The Company has appointed the internal audit office to regularly audit the implementation of corporate integrity management, and include it into the audit plan and make the audit report to be reported to the board.	No major difference
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The Company has regulated that directors and management team should prevent conflicts of interest if they are aware of the conflict as they are doing the company business, and the Company has stipulated relevant handling procedures for conflicts of interest in "Guidelines of integrity management".	No major difference
(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V		(4) The Company's internal auditors regularly audit the internal control system and accounting system.	No major difference

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(5)Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5) The Company irregularly promotes business policies relevant to business integrity at meetings to strengthen business integrity vision for all members of the groups.	No major difference
3. Operation of the integrity channel				
(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1)If employees are aware of any violations to laws, regulations or moral behavior guidelines, they could report to auditors.	No major difference
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		(2) For reported matters, the audit department will conduct investigations confidentially according to the Company's internal procedure.	No major difference
(3) Does the company provide proper whistleblower protection?	V		(3)The reporter identity and the report content are kept to secret.	No major difference
4. Strengthening of Information Disclosure Does the company disclose the contents of its Code for Business Integrity and the effectiveness on its website and MOPS?	V		The Company has established website to disclose relevant information of business integrity.	No major difference
5. If the Company has its own Corporate Governance Best Practice Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them: The Company has stipulated "Guidelines of integrity management" in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies", and relevant operation has no major difference with the stipulated guideline.				
6. Other important information that will help to understand the operation of the company's integrity: (such as the company reviews and revises the stipulated business integrity guidelines, and so on.) (1) The Company always follows the business integrity belief as doing business with customers and suppliers, and the Company also strengthens the				

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
promotion to its employees. (2) The Company abides by the Company Law, the Securities Exchange Act, the Commercial Account Law, relevant regulations for public companies or other business behaviors, serving as the base of implementation of business integrity. (3) The Company has stipulated the system for avoidance of interests for directors in “Regulations of the board meeting”, and acting on the behalf of other directors to exercise their voting rights is not allowed. (4) The Company has stipulated “Management of avoiding insider trade”, stating that the Company’s directors, supervisors, management team and employees are not allowed to inquire to people having the knowledge of the Company’s internal material information or collect undisclosed internal material information of the Company irrelevant to their works, and not allowed to disclose to others about undisclosed internal material information acquired not by implementing their businesses.				

(7) Inquiry on Corporate Governance Best Practice Principles and related regulations:

The Company has stipulated relevant corporate governance regulations such as "Procedures of director election", "Rules of job responsibility of independent directors", "Organization rules of audit committee", "Organization rules of remuneration committee", "Regulations of board meeting", "Regulations of shareholder's meeting", "Guidelines of integrity management", "Operation procedures and behavior guidelines of integrity management", "Guideline of moral behavior", "Operation procedures for handling internal material information", "Guidelines of Practices of corporate social responsibility", "Corporate Governance Rules", and the stipulated governance guidelines and relevant regulations are disclosed on the Company website.

(8) Other important information to enhance the understanding of the corporate governance of the Company: Nil.

(9) Implementation status of internal control system

i. Internal Control Statement

ii. The accountant's project audit report concerning the auditing of internal control system: Nil.

Statement of Internal Control System

Date: March 26, 2020

The internal control system from January 1 to December 31, 2019, according to the result of self-assessment is thus stated as follows:

1. The Company acknowledges that the establishment, implementation and maintenance of internal control system are responsibilities of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability, timeliness and transparency of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved regardless of how well the system was designed; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “Regulations”), the Company has made judgment whether or not the design and execution of Internal Control System is effective. The judgment Items for internal control system adopted by “Regulations” are, based on the process of management control, for classifying the internal control system into five elements:
1. Control environment; 2. Risk assessments; 3. Control activities;
4. Information and communication; and 5. Monitoring activities. Each element further includes several items. For the foregoing items, refer to “Regulations”.
4. The Company has adopted the aforesaid judgment items for internal control system to evaluate the effectiveness of design and execution of internal control system.

5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system (including the monitoring and management for subsidiaries) as of December 31, 2019, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability, timeliness and transparency of financial reporting, and the compliance of applicable law and regulations has been effective and they can reasonably assure the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on March 26, 2020, and those 6 directors including entrusted to attend in presence all agree at the contents of this statement.

HORNG SHIUE HOLDING Co., Ltd.

Chairman: Lin, Wei-Yuan

- (10) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement. : Nil.
- (11) Important resolutions of the shareholders' meeting and the board meetings in the latest year and as of the date of publication of the annual report:

1.Shareholder's meeting

Date	Important Resolutions
2019.06.27	1.Approval of the Company's operation report and financial statement in 2018. 2.Approval of the surplus distribution in 2018. 3.Revision of the Company's "Organization Memorandum and Articles of Association". 4.Revision of partial provisions of the Company's "Procedures Governing the Acquisition and Disposal of Assets". 5.Revision of partial provisions of the Company's "Procedures for Fund Loan to Others" and "Procedures for Endorsement Guarantee". 6.Revision of some of the Company's "Rules of Procedure for Shareholders' Meetings". 7. Revision of partial provisions of the Company's "Director Selection Procedure". 8. The Company plans to issue restricted stock awards in 2019. 9. Full re-election of the Company's directors. (including independent directors) 10. Lifting the Company's competition restrictions for new directors.

2.Board meeting

Date	Important Resolutions
2019.03.26	1. Proposal of the 2018 business report and financial statements. 2. The Company's 2018 profit and loss make-up proposal. 3. Proposal of revising the Company's partial "Organization Memorendum and Regulations". 4. Approval of the 2018 Statement of internal control 5. Revision of the Company's and consolidated subsidiaries' "Operation Procedures of Capital Loans to Others", "Operation Procedures of Endorsement and Guarantee" 6. Proposal of entire reelection of the Company's directors and nomination of the director candidates. 7. Proposal of lifting the non-compete restrictions of new elected

Date	Important Resolutions
	directors and its representative. 8. Date, place and the reasons for convening the 2018 shareholder's regular meeting and the others. 9. Proposal of stipulation of "Standard Operation Procedures for Handling Proposed Request of Directors " 10. Proposal of signing new financing contrast with financial organization.
2019.05.09	1. Proposal of the Company's performance assessment and remuneration for directors and management. 2. Review of nomination and handling of director (independent directors) candidates. 3. Proposal of partial provisions revision of the Company's "Regulations of the Board Meeting" and "Regulations of Shareholders' Meeting". 4. Proposal of partial provisions revision of "Procedures of director election" 5. Proposal of issuing the Company's 2019 restricted stock awards. 6. Addition of moves for the Company's 2019 shareholder's regular meetings. 7. Proposal of signing new financing contrast with the financial organization. 8. Proposal of adjustment plan of re-investment organization structure.
2019.06.27	1. Election of the Company's director. 2. Appointment of members of the second audit committee of the Company. 3. Appointment of members of the second remuneration committee of the Company.
2019..06.27 (Extraordinary Board Meeting)	The Company acts as a guarantor for the credit of HORNG SHIUE INDUSTRIAL CO., LTD and BANK SINOPAC CO., LTD HONG KONG BRANCH.
2019.08.08	The Company's second quarter financial report in 2019.
2019.11.12	1. The Group's bonus payment amount for managers in the year-end of 2019. 2. Appointment of accounting firm in 2020 to provide professional services, and evaluation of its independence, suitability, and main remuneration and service content. 3. Approval of the Company's 2020 budget. 4. Preparation for the Company's 2020 audit plan. 5. Stipulation of the "Internal Control System" and "Administrative Measures for Internal Control System" of the Company's sub-subsidiary, Zhejiang HORNG SHIUE Intelligent Manufacturing Co., Ltd. 6. Plan setting for issue number of restricted stock awards and the base date for capital increase. 7. The Company intends to appoint Bank SinoPac as a custody bank for foreign employee collective investment account and authorize

Date	Important Resolutions
	the chairman to sign a contract with Bank SinoPac. 8. The Group's 2019 distributed list and number of shares of restricted stock awards to managers. 9. Endorsement guarantee for the sub-subsidiary. 10 The Company's sub-subsidiary, Shanghai Horng Shiue Mold Industry Co., Ltd. provides endorsement guarantee for the Company's sub-subsidiary, Zhejiang Horng Shiue Intelligent Manufacturing Co., Ltd.
2020.03.26	1. The operation report and financial statement for 2019. 2. The Company's annual profit and loss appropriation plan in 2019. 3. Planning for revision of the Company's partial provisions of "Organization memorandum and article of association". 4. "Evaluation of the effectiveness of the internal control system" and the issuing of the Company's "Statement of Internal Control System" in 2019. 5. Revision of the Company's "Organization regulations of audit committee" and "Organization regulations of remuneration committee". 6. Performance evaluation, policy, system, standard and structure of remuneration and the remuneration of the Company's director and manager. 7. Stipulation of the Company's date, place and meeting objectives for Shareholders' regular meeting in 2020. 8. The company obtained the extension of E.SUN BANK's credit contract.
2020.05.13	1. The company changed its certified public accountants in the first quarter of 2020 due to internal organization adjustments of accountants. 2. Update for the Company's "Statement of Internal Control System" in 2019. 3. Revision of the Company's "Code of Practice for Corporate Social Responsibility" and "Corporate Governance Code". 4. Revision of "internal control system" of the Company's sub-subsidiary, Shanghai Horng Shiue Mold Industry Co., Ltd. and Zhejiang Horng Shiue Intelligent Manufacturing Co., Ltd., and update of the "internal control system" of Horng Shiue Holdings Co. Ltd. 5. Revision of Horng Shiue Group's "Approval of Authorization". 6. Raised for approval for the case of jointly providing of an endorsement guarantee to the sub-subsidiary company Zhejiang Horng Shiue Intelligent Manufacturing Co., Ltd. by the Company and the sub-subsidiary company Shanghai Horng Shiue Mold Industry Co., Ltd. 7. Modification of the meeting place of the Company's shareholders' regular meeting in 2020.

(12) If the directors or supervisors have different opinions about important resolutions

adopted by the board in the latest year and as of the date of publication of the annual report, and there are records or written statements: None of such matter occurred.

(13) Summary of the resignation and dismissal of personnel in the recent year and as of the date of publication of the annual report (including the chairman, general manager, chief accountant, chief financial officer, internal audit manager, R&D director, etc.): Nil.

5. Accountant Fees

(1) If the non-audit fees paid to the certifying CPA, the CPA's firm and the firm's affiliated businesses are more than 25% of the audit fees, please disclose the audit and non-audit fees and the nonaudit services:

Accounting firm	CPA name		Audit period	Remarks
PricewaterhouseCoopers Taiwan	Lin, Yi-Fan	Lin, Jun-Yao	Year 2019	

Amount Unit : NT\$ Thousand

Tier	Fee item	Audit fee	Non-audit fee	Total
1	Lower than 2,000,000		✓	
2	2,000,000 (inclusive) - 4,000,000	✓		
3	4,000,000 (inclusive) - 6,000,000			✓
4	6,000,000 (inclusive) - 8,000,000			
5	8,000,000 (inclusive) - 10,000,000			
6	10,000,000 and more			

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PricewaterhouseCoopers Taiwan	Lin, Jun-yao Lin, Yi-fan	3,900	—	297	—	750	897	2019/1/1~2019/12/31	

(2) If there is a change of the accounting firm, and in the year of the change the audit fee is less than that in the previous year, please disclose the audit fees before

and after the change and the reasons: Nil.

- (3) If the audit fee is reduced by more than 10% over that in the previous year, please disclose the amount of audit fee reduced, the proportion and reason for the reduction: The Company's audit fee reduction of 2019 to 2018 has not reached over 10%.

6. Change of Accountant in the recent two years and after its period:

(1) Regarding the former CPA

Replacement Date	From the first quarter of 2020.		
Replacement reasons and explanations	From the first quarter of2020, the change of accountants due to the internal rotation in accordance with relevant laws and regulations .Lin Yifan/Lin Junyao accountant changed to Lin Yifan/Chen Jinchang accountant.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties Status	CPA	The Company
	Termination of appointment	- V	-
	No longer accepted (continued) appointment	-	-
Other issues (except for unqualified issues) in the audit reports within the last two years	None Lin, Yi-fan and Chen Jinchang		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters	None		

(2) Regarding the successor CPA

Name of accounting firm	PricewaterhouseCoopers Taiwan
Name of CPA	Lin, Yi-fan and Chen Jinchang

Date of appointment	From the first quarter of 2020.
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(3) The company shall mail to the former certified public accountant a copy of the disclosures it is making pursuant to item A and to (c) of the here preceding item, and advise the accountant of the need to respond by mail within 10 days should the accountant disagree. The company shall disclose the content of the reply letter from the former certified public accountant. :Nil.

7. The Employment of the Company's Chairman, General Manager, Financial or Accounting Manager with the Auditing CPA Firm or Its Affiliated Businesses in the Past Year: For the Company such case has not happened.

8. Particulars about Changes in Shareholding and Share Pledge of Directors, Supervisors, Managers and Shareholders Holding More than 10% of the Company's Shares in the Past Year and as of the Date of Publication of the Annual Report:

(1) Changes in Shareholding and Share Pledge of Directors, Supervisors, Managers and Shareholders Holding More than 10% of the Company's Shares

Unit: share

Title	Name	2019		As of April 30, 2020.	
		Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease) Shareholding	Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease) Shareholding
Chairman and major shareholder	WEI YUANE INDUSTRIAL CO., LTD. Representative: LIN, WEI-YUAN	—	—	—	—
Director and major shareholder	WEI YUANE INDUSTRIAL CO., LTD. Representative: XIAO, WEN-ZHOU	—	—	—	—
Director and major shareholder	Si Yuan Investment Co., Ltd. Representative: LIN, MEI-YING	—	—	—	—

Title	Name	2019		As of April 30, 2020.	
		Shareholding Increase/(Decrease)	Pledged share Increase/(Decrease) Shareholding	Shareholding Increase/(Decrease)	Pledged share Increase/(Decrease) Shareholding
Director and major shareholder	Si Yuan Investment Co., Ltd. Representative: LIN,XIAN-PING	—	—	—	—
Independent director	WANG,SHU-CAI	—	—	—	—
Independent director	CAI,JIN-LONG	—	—	—	—
Independent director	CHEN,FU-CHENG	—	—	—	—
General Manager	LIN,WEI-YUAN	—	—	—	—
Deputy General Manager	XIAO,WEN-ZHOU	—	—	—	—
Plant Manager and the Research Center Director	CHEN,GUANG-RUI	—	—	—	—
Financial Supervisor	NING,SHENG-FEI	—	—	—	—
Operation Department Head	ZHANG,ZHE-FU	—	—	—	—

(2) If the Respondent of Changes in Shareholding and Share Pledge is Related Person, the information is disclosed: Nil.

9. Information about the top 10 shareholders who are interested parties, spouses or relatives within two degrees of kinship

April 17, 2020; Unit: share; %

Name	Own shareholding		Shareholding of the spouse and minor children		Shareholding in other people's names		Name and relationship of top 10 shareholder who has the interested-party, spouse or relatives within two degrees of kinship relationship		Remarks
	Shareholding	Shareholding %	Shareholding	Shareholding %	Shareholding	Shareholding %	Name	Relationship	
WEI YUANE INDUSTRIAL CO., LTD. Representative: LIN,WEI-YUAN,XIAO,WEN-ZHOU	6,225,000	13.62	—	—	—	—	LIN,WEI-YUAN	WEI YUANE INDUSTRIAL CO., LTD. Director	—
							DAI,YU-HUA	WEI YUANE INDUSTRIAL CO., LTD. Director	
Si Yuan Investment Co., Ltd. Representative: LIN,MEI-YING,LIN,XIAN-PING	6,000,000	13.12	—	—	—	—	LIN,MEI-YING	Si Yuan Investment Co., Ltd., Director	—

Name	Own shareholding		Shareholding of the spouse and minor children		Shareholding in other people's names		Name and relationship of top 10 shareholder who has the interested-party, spouse or relatives within two degrees of kinship relationship		Remarks
	Shareholding	Shareholding %	Shareholding	Shareholding %	Shareholding	Shareholding %	Name	Relationship	
LIN,WEI-YUAN	3,662,662	8.01	2,250,338	4.92	6,225,000	13.62	WEI YUANE INDUSTRIAL CO., LTD.	LIN,WEI-YUAN is the director of WEI YUANE INDUSTRIAL CO., LTD.	—
							Famous Season Limited	LIN,WEI-YUAN is the director of Famous Season Limited	
							DAI,YU-HUA	Spouse	
Famous Season Limited Representative: LIN,WEI-YUAN	2,944,000	6.44	—	—	—	—	LIN,WEI-YUAN	Director of Famous Season Limited	—
DAI,YU-HUA	2,250,338	4.92	3,662,662	8.01	—	—	WEI YUANE INDUSTRIAL CO., LTD.	DAI,YU-HUA is the director of WEI YUANE INDUSTRIAL CO., LTD.	—
							LIN,WEI-YUAN	Spouse	
BANK SINOPAC CO., LTD Employees Allocate Collection Special Accounts.	1,510,000	3.30	—	—	—	—	—	—	—
YUEN MEI INVESTMENT LIMITED Representative: CHEN,QING-MEI	1,500,000	3.28	—	—	—	—	CHEN,QING-MEI	CHEN,QING-MEI is the only director of YUEN MEI INVESTMENT LIMITED.	—
CHEN,QING-MEI	1,500,000	3.28	943,000	2.06	1,500,000	3.28	YUEN MEI INVESTMENT LIMITED	CHEN,QING-MEI is the only director of YUEN MEI INVESTMENT LIMITED.	—
							Lin, Mei-Ying	Two degree of kinship relationship	
Lin, Mei-Ying	1,388,000	3.04	—	—	6,000,000	13.12	Si Yuan Investment Co., Ltd.	Lin, Mei-Ying is the only director of Si Yuan Investment Co., Ltd.	—
							CHEN,QING-MEI	Two degree of kinship	

Name	Own shareholding		Shareholding of the spouse and minor children		Shareholding in other people's names		Name and relationship of top 10 shareholder who has the interested-party, spouse or relatives within two degrees of kinship relationship		Remarks
	Shareholding	Shareholding %	Shareholding	Shareholding %	Shareholding	Shareholding %	Name	Relationship	
								relationship	
LIN, YU-HENG	1,320,000	2.89	—	—	—	—	—	—	—

10. Shareholding amount and total shareholding ratio of the Company, the Company's director, supervisors, management, and the directly or indirectly controlled businesses by the Company against the same re-investment business.

March 31, 2020; Unit: Share

Re-invested businesses (Note 1)	The Company's investment		Investment by directors, supervisors, managers or directly		Total investment	
	Shareholding	Shareholding %	Shareholding	Shareholding %	Shareholding	Shareholding %
HORNG SHIUE INDUSTRIAL Co., Ltd. (ius)	36,000,000	100.00%	—	—	36,000,000	100.00%
ShangHaiHorngshiue Industrial Co., Ltd.	Note 2	100.00%	—	—	Note 2	100.00%
ShangHaiHorngshen Precision Molds Co., Ltd.	Note 2	100.00%	—	—	Note 2	100.00%
Zhejiang Horngshiue Intelligence	Note 2	100.00%	—	—	Note 2	100.00%

Note 1: The investment of the Company based on the equity method.

Note 2: Is the Limited Corporation without dividends.

IV. Capital Raising Status

1. Capital Source and Dividend

(1) Source of Share Capital

April 17, 2020

Year/ Month	Share Value	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
104/03	10	150,000	1,500,000	1	10	Establishment of share capital	—	—
104/06	10	50,000,000	500,000,000	7,500,001	75,000,010	Share equity exchange	—	—
104/06	10	50,000,000	500,000,000	7,500,000	75,000,000	Buy the cancelled shares of one share	—	—
105/06	10	50,000,000	500,000,000	30,000,000	300,000,000	Capital increase of NT\$225,000,000 from Capital surplus	—	—
105/09	10	50,000,000	500,000,000	36,977,000	369,770,000	Capital increase by NT\$ 69,770,000 by cash	—	—
106/09	10	50,000,000	500,000,000	41,600,000	416,000,000	Capital increase by NT\$ 46,230,000 by cash	—	Note
107/06	10	200,000,000	2,000,000,000	41,600,000	416,000,000	Increase the nominal capital	—	—
108/03	10	200,000,000	2,000,000,000	43,718,529	437,185,290	Conversion of corporate bond for NT\$ 21,185,290	—	—
108/12	10	200,000,000	2,000,000,000	45,718,529	457,185,290	Restricted Stock Awards	—	—

Note: The Taiwan Securities No. 10617027431 on August 8, 2017.

April, 17, 2020 ; Unit: share

Share type	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total	
Common Stock	45,718,529	154,281,471	200,000,000	

(2) Status of Shareholders

Apr. 17, 2020 Unit: person; share

Shareholder Status Amount	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Foreigners	Total
Number	—	—	12	1,379	13	1,404
Shareholding	—	—	5,182,000	22,653,402	17,883,127	45,718,529
%	—	—	11.33%	49.55%	39.12%	100.00%

Note: Shareholding ratio by Mainland Chinese Investors: 3.81%

(3) Shareholding Distribution Status

April, 17, 2020

Shareholding Tiers	No., of Shareholders	Shareholding	%
1 ~ 999	57	7,739	0.02%
1,000 ~ 5,000	1,010	2,074,481	4.54%
5,001 ~ 10,000	150	1,222,000	2.67%
10,001 ~ 15,000	50	659,309	1.44%
15,001 ~ 20,000	30	527,000	1.15%
20,001 ~ 30,000	31	791,000	1.73%
30,001 ~ 40,000	13	480,000	1.05%
40,001 ~ 50,000	8	366,000	0.80%
50,001 ~ 100,000	15	1,174,000	2.57%
100,001 ~ 200,000	15	2,134,000	4.67%
200,001 ~ 400,000	7	2,129,000	4.66%
400,001 ~ 600,000	5	2,682,000	5.87%
600,001 ~ 800,000	-	-	0%
800,001 ~ 1,000,000	1	943,000	2.06%
1,000,001 or more	12	30,529,000	66.77%
Total	1,404	45,718,529	100.00%

(4) Major Shareholders

Name, Shareholding amounts and ratio of shareholders whose shareholding ratio is 5% or more or being the top ten shareholding ratio

April 17, 2020 Unit: share

Shares Name	Nationality or the Registration Location	Shareholding	%
WEI YUANE INDUSTRIAL CO., LTD.	British Virgin Is.	6,225,000	13.62%
Si Yuan Investment Co., Ltd.	British Virgin Is.	6,000,000	13.12%
LIN, WEI-YUAN	R.O.C	3,662,662	8.01%
Famous Season Limited	Independent State of Samoa	2,944,000	6.44%
DAI, YU-HUA	R.O.C	2,250,338	4.92%
BANK SINOPAC CO., LTD BANK SINOPAC CO., LTD Employees Allocation Collection Special Accounts.	R.O.C	1,510,000	3.30%
YUEN MEI INVESTMENT LIMITED	British Virgin Is.	1,500,000	3.28%
CHEN, QING-MEI	R.O.C	1,500,000	3.28%
Lin, Mei-Ying	R.O.C	1,388,000	3.04%

Shares Name	Nationality or the Registration Location	Shareholding	%
LIN, YU-HENG	R.O.C	1,320,000	2.89%

(5) The Share's Market Price, Net Worth, Earnings and Dividends for the Past Two Years

Unit: Thousand Shares; NT\$

Year Item		2018	2019	Current year as of April 30, 2020(Note 6)
Market price per share	Highest	45.85	23.25	18.9
	Lowest	16.65	11.50	8.03
	Average	28.02	15.79	12.87
Net worth per share	Before distribution	23.20	18.05	17.74
	After distribution (Note 1)	23.20	18.051	17.74
Earnings per share	Weighted average number of shares	41,600	43,202	43,719
	Earnings per share	(0.82)	(3.03)	(0.36)
Dividend per share (Note 2)	Cash dividend	—	—	—
	Bonus shares	—	—	—
		—	—	—
	Accumulated undistributed dividends	—	—	—
Investment return analysis	Price/Earnings ratio (Note 3)	—	—	—
	Price/ Dividend ratio(Note 4)	—	—	—
	Cash dividend yield rate(Note 5)	—	—	—

Note 1: Based on the resolution of the annual shareholders' meeting on earnings distribution

Note 2: On the Company's board meeting on March 26, 2019, no distribution of dividends for year 2019 has been resolved.

Note 3: Price / Earnings ratio = average closing price per share for the year / earnings per share

Note 4: Price / Dividend ratio = average closing price per share for the year / cash dividend per share.

Note 5: Cash dividend yield rate = cash dividend per share / average closing price per share for the year

Note 6: As for net worth per share, earnings per share, information audited (reviewed) by CPA up to the most recent season and as of the publication date of annual report should be filled in. As for other fields, the current year information up to the publication date of annual report should be filled in.

(6) Dividend Policy and Implementation Status

A. Dividend policy stipulated by the article of incorporation:

The Company is in a growth stage. The Company's dividend and bonus should be distributed to the Company's shareholders by cash or (and) share, and the Company's dividend and bonus distribution should take considerations of the Company's capital expenditure, future business expansion plans, financial plans and other plans to fulfill a sustainable development.

During the listed period, if there is a surplus in the Company's annual accounts, after the board meeting with two-thirds or more directors attendance and resolved by over half attended directors, 0.5% to 8% of the surplus is contributed as the employee's remuneration in the form of share and(or) cash; and after the board meeting with two-thirds or more directors attendance and resolved by over half attended directors, amount not exceeding 5% of surplus is contributed as the director's remuneration to directors unless otherwise regulated by Cayman laws, public companies regulations or articles of incorporation. However, if any accumulated loss(including adjusting the undistributed profit amount) is present, the make-up amount should be reserved in advance, then the foregoing ratio of the remaining amount will be contributed as the employees' and directors' remuneration. Proposal of employees and directors remuneration distribution should be reported at the shareholder's meeting. Unless otherwise regulated in the public company regulations, the director's remuneration should not be implemented by issuing new shares. "Surplus" in this paragraph refers to profit before tax without deducting the employees' and directors' remuneration distribution.

During the listed period, if any surplus is present at the end of an accounting period, remaining amount (including reversal of the special reserve) should be resolved by the shareholders' regular meeting to conduct addition of all or part(including adjusting the undistributed profit amount) of undistributed surplus of the previous fiscal year decided by the shareholders' regular meeting resolution with no less than 10% of distributable surplus, and be distributed to shareholders by dividend or bonus based on their shareholding ratio, after relevant taxes, loss make-up(including the loss and adjusted undistributed profit of the previous year, if any), legal surplus reserves

regulated by public company regulations(not applicable to those whose legal surplus reserves total have reached the total issued capital of the Company) and special reserves(if any) are deducted, unless otherwise regulated by Cayman laws, public company regulations, article of incorporation or rights attached to the shares.Amount of the cash dividend or bonus should not be less than the 10% of total distributed dividend or bonus. Nevertheless, the Company would not have to abide by this regulation when it distributes dividend or bonus to shareholders after usual resolution in the shareholder's meeting if the distributable earnings are less than 1% of the paid-in capital of the Company (i.e., the Company could distribute nothing or less dividend or bonus).

B. The proposed dividend distribution:

The Company's board meeting held on March 26, 2020 had resolved not to distribute dividends for 2019.

C.Is there any significant change to be made to the dividend policy: Not applicable.

(7) Impact of the Proposed Bonus Shares on the Company's Operating Performance and Earnings per Share: There were no bonus shares in 2019, hence not applicable.

(8) Bonuses of Employees, Directors and Supervisors

A. The percentage or scope of the bonuses of Employees, Directors and Supervisors stipulated in the Articles of Incorporation:

Please refer to the specification in the abovementioned (6) Dividend Policy and Implementation Status (i.)

B. The basis for the estimation of the amount of bonus of employees, directors and supervisors in the current period, and the accounting treatment if there is a difference between the actual employee bonus paid in shares or cash and the estimated amount:

The Company's board meeting held on March 26, 2020 had resolved not to distribute dividends for 2019.

C. Bonus distribution as passed by the board meeting:

The Company's board meeting held on March 26, 2020 had resolved not

to distribute dividends for 2019.

D.If there is a difference between the actual distribution of bonus of employees, directors and supervisors (including the number of shares, the amount and the share price) in the previous year and the provision for the bonus, please describe the difference, the reason and the accounting treatment:There was no difference for the distribution of bonuses of employees and directors in 2018.

(9)Buyback of Treasury Stock: None.

2. Corporate Bonds:

Corporate bond type	First domestic unsecured convertible corporate bond (Horngshiu I)
Issuing Date	November 30, 2018.
Face value	NT\$ 100,000
Place of issuance and trading	Rupublic of China
Issuing price	100% of the face value
Total amount	NT\$400million
Interest rate	Coupon rate 0%
Duration	Five years; maturity date: November 30, 2023
Assurance Agency	Nil
Trustee	Bank SinoPac
Underwriter	Waterland Securities Co., Ltd.
Attorney	Jhe Ding International Law Firm Lawyer CHEN,YOU-LIANG
Accountant	PricewaterhouseCoopers Taiwan Lin, Yi-Fan, Lin, Jun-Yao
Repayment method	Issurance period five years. In addition to conversion or redemption in accordance with the conversion method, a bullet payment will be made in cash on the maturity date.

Corporate bond type		First domestic unsecured convertible corporate bond (Horngshiue I)
Outstanding principal amount		NT\$ 358,900,000
Terms of redemption or early repayment		Please refer to retreating beforehand regulated in the Article 21 of issuing and conversion method
Restriction		Nil
Credit rating agency, date of assessment and corporate bond assessment results		Not applicable
Other rights	As of the date of publication of the annual report, the amount of conversion (or exchange or subscription) into ordinary shares, overseas depositary receipts or other securities	As of the date of publication of the annual report, no conversion to ordinary shares has occurred.
	Issuing and conversion (or exchange or subscription) method	Please refer to attachment 9 of the First unsecured convertible corporate bonds in 2018 prospectus issued by the Company.
Possible impact of the issuance, conversion, exchange or subscription method or issuing conditions on the dilution of equity and existing shareholder's rights		If all convertible corporate bonds issued by the Company are converted at issuing price to common shares, the maximum dilution effect for original shareholder's equity will be 31.08% .

Corporate bond type	First domestic unsecured convertible corporate bond (Horngshiu I)
Custodian of the subject after conversion	Not applicable

Information about the convertible corporate bond

Corporate bond type		First domestic unsecured convertible corporate bond in 2018		
Year		2018	2019	Current year as of the publication date of the annual report
Market price of the convertible corporate bond	Highest	104.9	111.5	96
	Lowest	100.05	86	80.6
	Average	101.91	96.07	87.95
Conversion price		19.4	19.4	19.4
Issuing (processing) date and the conversion price at the time of issuance		November 30, 2018 NT\$ 19.4	November 30, 2018 NT\$ 19.4	November 30, 2018 NT\$ 19.4
Conversion method		New share issuance	New share issuance	New share issuance

Note 1: Column number depends on actual process times.

Note 2: If the overseas corporate bond has multiple trade positions, specify based on the trade positions.

Note 3: Delivery of issued shares or issuance of new shares.

Note 4: Information of the current year up to the publication date of annual report should be filled in.

3. Preferred Shares: Nil

4. Oversea Depositary Receipts: Nil

5. Employee Stock Option: Nil

6. Restricted Stock Award:

(1) Implementation state of new restricted employee shares

2020/4 /30

Type of New Restricted Employee Shares	2019 Issuance of New Restricted Employee Shares
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Date of Effective Registration	2019/10/29
Issue date	2019/12/18
Number of New Restricted Employee Shares Issued	2,000,000
Issued Price (NT\$)	0
New Restricted Employee Shares as a Percentage of Shares Issued	4.37%
Vesting Conditions of New Restricted Employee Shares	(1) Vesting conditions: Employees who are granted with the restricted employees shares should remain employed by the company with 1 year or more from the time of the award of the new restricted employee shares and have achieved the required individual performance rating, and do a good job in the service rules, did not violate the company's work rules, etc. The proportions of shares are granted to employees according to the respective vesting conditions reached as follows: Remain employed after 1 year from the time of the award: 30% of the distribution. Remain employed after 2 year from the time of the award: 30% of the distribution. Remain employed after 3 year from the time of the award: 40% of the distribution.
Restricted Rights of New Restricted Employee Shares	1. Restricted Stock Awards that are granted in accordance with this Regulation by employees, before the vesting conditions are reached, it shall be delivered fully to the institution trust designated by the company, and cooperate with the signing of all procedures and related documents. Employees may not request the Trustee to return the Restricted Stock Awards for any reason or manner until the vesting conditions are fulfilled. 2. Except for the restrictions on the custody of trust of the preceding paragraph, Restricted Stock Awards that are granted in accordance with this Regulation by employees, before the vesting conditions are reached, the Restricted Stock Awards may not be sold, mortgaged, transferred, donated, pledged, or otherwise. 3. Restricted Stock Awards that are granted in accordance with this Regulation by employees, before the vesting conditions are reached, Other rights, including but not limited to dividends, bonuses, rights of distributed paid-In capital, employee stock rights of increased cash capital , voting rights, etc., are the same as ordinary shares of the Company. 4. The attendance, proposals, speeches, voting rights and other related shareholders' equity of the shareholders' meeting shall be executed in accordance with the trust custody institution by contract. 8. Tax The related tax of Restricted Stock Awards that are granted in accordance with this Regulation by employees shall be handled in accordance with the provisions of the Republic of China Law at the time.

Custody Status of New Restricted Employee Shares	During the delivery of the Restricted Stock Awards to the Trust, the Company shall be the sole agent of the employees and stock trusts, and shall conduct, sign, revise, extend, dismiss, terminate, and deliver the Trust Property, application and disciplinary instructions (including but not limited to). Employees shall, in accordance with the provisions of Article 106 of the Civil Code, authorize the company to be both the party, the beneficiary and the agent of the trust contract.
Measures to be Taken When Vesting Conditions are not Met	All employees who are distributed shall comply with the confidentiality provisions of the company, and shall not inquire into others or disclose the content and quantity of Restricted Stock Awards. If there is any violation, the part of the Restricted Stock Awards that has not reached the vested period, our company will withdraw issued shares without compensation and cancel all shares granted.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	-
Number of Released New Restricted Employee Shares	-
Number of Unreleased New Restricted Shares	2,000,000
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	4.37%
Impact on possible dilution of shareholdings	Calculated according to the stipulated vesting periods of circulating shares at the time of issuance. The impact of dilution on the earnings per share (EPS) is limited, and has limited effect on the shareholders' rights.

(2)List of Executives Receiving New Restricted EmployeeShares and the Top Ten Employees with New Restricted Employee Shares

2020/4/30

	Title	Name	No. of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued	Released				Unreleased			
					No. of Shares	Issued Price (NT\$)	Amount (NT\$ thousands)	Released Restricted Shares as a Percentage of Shares Issued	No. of Shares	Strike Price (NT\$)	Amount (NT\$ thousands)	Unreleased Restricted Shares as a Percentage of Shares Issued
Executive officers	Deputy General Manager	XIAO,WEN-ZHOU	460,000	1.01%	-	0	-	--	460,000	0	--	1.01%
	Factory Director and Director of R & D Center	Chen Guang-rui										
	Minister of Management	Zhang Zhefu										
	Financial Manager	NING,SHE NG-FEI										
Employees	Director	Shen Guanghui	740,000	1.62%	-	0	-	-	740,000	0	--	1.62%
	Director	Chen Yufen										
	0 11 11-13#	Qin Yongbin										
	0 11 11-13#	Shen Lei										
	Deputy 11 11-13#	Wang Renhui										
	Deputy 11 11-13#	Liu Yagang										
	Deputy 11 11-13#	Cao Qinhu										
	Deputy 11 11-13#	Xi Zhigang										
	Deputy 11 11-13#											
	Deputy 11 11-13#											

	Deputy 董事 王正祥	Wang Zhengxiang										
	Deputy 董事 潘贵生	Pan Guisheng										

7. Issuance of New Shares for Acquisition or Exchange of Other Companies' Shares: Nil

8. Financing Plans and Implementation

The Company applied for the first domestic unsecured convertible corporate bond at NT\$400,000 thousand at 2018 Q4, wherein NT\$223,194 thousand repaying bank loans, NT\$176,806 thousand enriching the operation capital. The repayment had completed in 2019 Q1, and the interest fee, liability rate, flow rate and quick ratio are improved compared to those before fund raising and the effect has emerged. For the enrichment of operation capital, since the audit approval document had just been received on March 28, 2019, which is estimated to be completed at 2019 Q2, and it should have no major difference between the item of operation capital enrichment and the original estimated effects.

V. Operations Profile

1. Business Scope

(1) Business scope

i. Main businesses

The Group engages mainly in research and development, production and sale of sheet metal dies and gauges. The sheet metal dies are key industrial tools indispensable for automobile industry. The sheet metal is the surface and internal part of thin sheet plate and various shapes covering the engine and chassis, and composing of the driver's cabin and car body. The sheet metal die can be classified into covering dies, inner sheet metal die and structure die by different usages. The automobile sheet metal die can be further classified into single die, compound die, multiple station die and progressive die by the die structure. The automobile sheet metal die is an important composition of the car body making technology, and its design and manufacturing roughly accounted for two third of the cycle time for automobile development, and serves as the major limiting factor for changing die of automobiles, and is a key part of forming the self-development ability of automobiles. The automobile sheet metal die has the characteristic of single customized production, and has complex structure and the technology standard is high, and is classified as technology intensive product and capital-intensive product.

ii. Business weighting

The Group focuses on the design and manufacture of sheet metal die of car body, which accounts for over 90% of the group total revenue, including the die itself, and check tools (gauges) specified for inspection of sheet metal part. On the other hand, other incomes account less than 10% of revenue, and they are selling rejects such as waste iron, waste material, etc.

Unit: NT\$ Thousands, %

Year Service Item	2018		2019		2020 Q1	
	Net sales	Percentage	Net sales	Percentage	Net sales	Percentage
Automobile sheet metal die manufacturing	1,946,797	94.44	1,712,074	96.89	29,370	79.68
Others	114,564	5.56	54,991	3.11	7,489	20.32
Total	2,061,361	100.00	1,767,065	100.00	36,859	100.00

3. New product(service)

The Group dedicated in research and develop die of new material, the aluminum alloy, suitable for car body. As new energy cars emerge, weight reduction becomes a new trend. Nevertheless, the safety should be noticed, thus car body of various material becomes the research director for big car manufacturers. Because aluminum is lighter than iron, many car manufacturers begins to apply aluminum alloys. The Group will collaborate with car manufacturers to develop dies appropriate for aluminum alloys combining the previous development experiences. As technology standard base is improved, development ability for die applicable to aluminum alloys will be further improved.

(2)Industry Current Status

1.The industry current status and development

The dies are tools forcing the forming of metals or nonmetals and are special basic craft equipment indispensable to industry production. Die production process consists in precise manufacturing, computer technology, and smart control. Die can be classified by die form machining craft to, primarily, plastic die, press die, cast die and forge die. The Group's die product is car-body sheet metal die belonging to press die. The craft of press die uses die assembled at the press machine to apply pressure to sheet material to cause the separation or deformation and the desired part can be obtained.

The automobile dies, honored as "Mother of automobile industry", are key equipment completing the forming of automobile parts and realizing the mass-production of automobile, and play an important role in development and changing shape. Over 90% of parts in the car production rely on dies to form, and among them automobile sheet metal dies are in dominate positions. The automobile sheet metal die is an important craft equipment for car body production, and its design and manufacturing roughly accounted for two third of the cycle time for automobile development, and serves as the major limiting factor for changing die of automobiles. The automobile sheet metal die has the characteristic of big size, complex working shape, high technology standard, etc., and is classified as technology intensive product.

(1) Global automobile market

Global car sales volume had shrunk for two consecutive years since the peak in 2017. Experts pointed out that in 2020, the car industry will still be difficult to shake off the sluggish sales, and the annual sales volume may fall below 90 million vehicles mark. According to the automotive research agency LMC Automotive, global car sales volume of 90.3 million vehicles in 2019 had declined by 4.4% from 94.4 million vehicles in 2018, which is far below the record of 95.2 million vehicles in 2017. LMC Automotive expects that in 2020, global car sales volume may fall below 90 million vehicles, an annual decrease by over 0.3%. The main reason for the sharp decline of global car sales in 2019 is the weak economic growth of China, the largest car market of the globe, and the government's reduction in electric vehicle subsidies, leading to a plunge in sales. The 2020 car market outlook remains sluggish. As many organizations have already predicted that the overall economy in 2020 would tend to become stable, and the growth of the automobile industry will not be as vigorous as in the past few years, the globe is even facing the threat by the strongest virus among recent years, COVID-19, which caused a global economic crisis, countries have encountered with such difficult challenge, and the car market is also hard to escape from the fate of recession. Moody's, an internationally renowned credit rating agency, expects that global car sales volume will drop by 14% this year.

(2) China automobile market

For China's car market in 2019, due to unfavorable factors such as the U.S.-China trade war, slower economic growth in China, and weak local consumption momentum, the sales of China's car market was weak. Not only have many multinational carmakers stopped production and carried out layoffs, and even China's independent brands have also conducted structural adjustments and applied destocking, so naturally China's new car sales will not be able to be boosted. Even though that major car manufacturers had resumed shipments after the implementation of National sixth phase (National Sixth) exhaust emission standards in July, China's weak credit growth, rising used car sales, new emission standards, the emergence of ride-hailing platforms

and carpooling all put pressure on car demand. In 2019, China's new car sales declined by 8.20% from 2018, showing a continuous two-year decline; In February 2020, COVID-19 (Wuhan Pneumonia) outbreak and the Chinese government implemented closed-end management in many cities, causing global car and car parts manufacturers to postpone manufacturing, and people were unable or afraid of going out. In the first quarter of 2020, the production and sales of automobiles were 3.474 million and 3.672 million vehicles respectively, with a year-on-year decrease of 45.2% and 42.4%. With the introduction of specific subsidies and important policies for raising subsidies in many areas, consumption is expected to recover further. It is expected that sales will continue to rebound in April, but an explosive growth will be difficult to occur. SinoPac Securities Investment Service estimates that China's annual car sales in 2020 will be 23.66 million vehicles (-8% YoY).

(3) New energy car market

In recent years, the sales of electric vehicles have grown rapidly, mainly benefiting from the government subsidy policies of various countries. Among them, the German government has expanded subsidies since 2020 and invested 3.5 billion euros to great establishment of electric vehicle charging stations to improve the charging environment. Under the trend of environmental protection, governments of various countries have stricter requirements for energy saving and emission reduction, and some countries have also set schedules on banning the sale of fuel vehicles. The policy aspect has also accelerated the introduction of electric vehicles and the proportion of electric vehicles sold by traditional fuel car manufacturers. Battery cost is a key factor in the widespread of electric vehicles. With the continuous expansion of production capacity and production of major battery manufacturers, price of lithium battery pack around the globe have fallen rapidly (accounting for about 30% to 40% of the cost of electric vehicles). Bloomberg estimates that the battery cost will continue to drop to \$94/kWh in 2024, in which the price of electric vehicles will be lower than traditional fuel vehicles then, accelerating the development of the

electric vehicle market. IEK estimates that global electric vehicle sales will reach 9.55 million vehicles in 2021, a 144% increase from that in 2018, and its share of global car sales will also increase from 4.3% in 2018 to 10.3% in 2019.

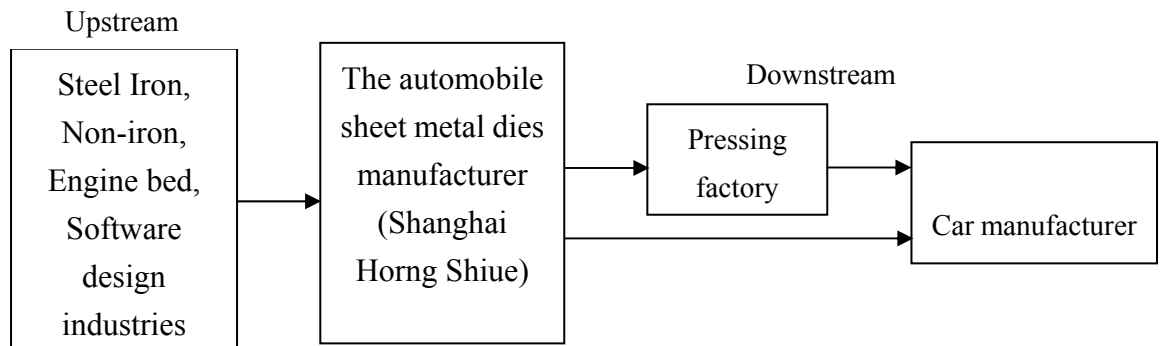
In 2018, China's electric vehicle sales reached 1.247 million vehicles (+ 62.5% YoY), accounting for 30% of global electric vehicle sales. After the implementation of the new subsidy policy (decrease by about 50% to 60%), sales have declined significantly. Sales fell to 1.206 million vehicles in 2019 (-3.3% YoY), which is the first recession. As per the (Renewable Energy Vehicle Industry Development Plan (2021-2035) Consultation Draft) released by Ministry of Industry and Information Technology of the Mainland China, the proposed specific target is that the portions of electric vehicles sales will be about 25% in 2025, estimated to be a sales volume of over 6 million electric vehicles, showing a compound growth rate of 30% from 2019 to 2025.

In terms of renewable energy vehicles, China's production and sales have improved significantly, but the year-on-year decline is still higher than the overall automobile level. Recently, the government has announced the extended purchase tax abolition and purchase subsidy policies for two years, and market confidence has increased and launches of the new models such as Tesla and other foreign brands has been triggered. It is expected that sales of new energy vehicles will be 1.39 million vehicles (+ 15% YoY) in 2020.

2. Upstream, midstream and downstream

Primary ingredient of the upstream of automobile dies industry is cast iron, whose primary materials are raw iron and waste steel. The midstream, die industry, is the middle product from the production process and is not the final consumer product, and is demanded by the downstream, the automobile industry. The development of automobile die industry is mainly affected by automobile industry and positioned at the upstream and midstream of the automobile industry chain, and will provide the manufacture and design service before assembling by car manufacturers, and exhibits a characteristic of both-way co-dependency with car manufacturers. Through improvement and development of automobile die industry could lead the entire automobile

industry a good expansion, and via the demands by car manufacturers the automobile die industry could better participate in the car industry development cycle chain.



3. Various development trends of the products

- (1) Digitalization design and manufacture of die and corporation informatize management technology has improved, including the die three dimensional CAD and CAD/CAE/CAM product technology and management technology like CAPP, ERP, MES, PLM, and etc.
- (2) New die machining technologies, including high speed and high precision machining, compound machining, precise electrical machining, surface finishing and processing new technology, rapid forming and rapid molding technology, new material forming technology, intelligence forming technology, heat press forming technology, thick sheet precision pressing, continuous compound precision pressing, standard automation machining, great scale customized producing technology, network virtual technology, and etc.
- (3) Development and upgrade of specified software for self-intelligence property-possessed mold production and management.
- (4) Precision manufacturing and lean production of dies: Precision manufacturing and lean production is not merely technological issue but comprehensive response of combination of design, machining, management skill and scientific, informatization, which is of importance to enhancing die quality and enterprise effects.
- (5) Utilizing the informatization and modern digitalization simulation control technology, real-time inspections for relevant technology parameters during the die production processes are realized, which further enhances the die precision and decreases the subsequent bench

work debugging and mold closing time, and thus die production time can be shortened.

(6)Development trend of new material dies

Different dies' raw material steel sheet could yield diversity on the aspect of car body's materials, for instance, high-strength steel sheets have the strength exceeding 550MPa are thinner than regular steel sheets, and have been used as bone structure material and reinforcing part or car body sheets to decrease the car body weight. Also for the car body lightweight needs, car body of magnesium alloys will emerge in the future. Car body parts of different materials have different technological demands for dies, and in the future demands of dies compatible of new material will become high, and for the automobile die industry, die manufacturing technologies for different materials must be increased to enhance the broadness of manufacturing technologies.

4.Competition among products

The automobile sheet metal dies can be roughly classified to low-end, middle-end and high-end, whereas the low technological content dies has exceeded that demanded leading to less revenues, and the middle-end die market competition has become fierce, and the higher technological content high-end dies have much more development spaces.

Die type	Main product	Characteristic	Competing condition
Low-end	Car structure die for domestic self brand and non-key middle and small sheet metal dies	Small volumn, demand of precision not high, Demand for the capability of developing companies is normal, enter threshold is low and sensitive to price demands.	Severe market competence with great number of competitors. The Group basically does not take part in the competition.
Middle-end	Non-key large and middle scale sheet metal dies in China	Between low-end and high-end	Main competitors are ten key backbone enterprises in the industry.
High-end	1.Dies meeting up to the export standards of international	Large volumn, demand of precision very high,	Main competitors are minor key backbone

Die type	Main product	Characteristic	Competing condition
	mainstream automobile factories. 2. Sheet metal for key part in the China market. (Mainly including the side wall, fenders, car door, motor cover, top cover, etc.)	Demand is high for the developing companies' capability, publicity and reputation.	enterprises such as Tianjin Motor Dies, Sichuan Chengfei Integration Technology Corp. Ltd., Rayhoo Die, YESUN (Shanghai) Mould Co., Ltd, Yifeng Group, Xingda Dies Group, etc.

The Group does not take part in the competition of low-end market, and as middle-end market comparably stable competition status has been formed and the market participants mainly includes tens of key backbone enterprises including the Group. As of high-end market export dies, the Group put every effort into operation, and had gradually attained stable collaboration partnerships with international mainstream car manufacturers such as Ford and VOLVO.

(3) Technology and research and development

1. Research and development cost of the past year and as of the publication date of annual report

Units: NT\$ Thousand

Year	Research and development cost	Ratio to the revenue
2019	55,404	3.14%
As of Mar. 31, 2020	11,956	32.44%

2. Technology or products successfully developed.

Research and development results	Application Range
Correction parameter targeting technology of inner and external platespringback of aluminum cover	Inner and exterior plate part of aluminum alloy cover
Complex edge slip line technology for non intermediate side walls	Side walls for all car types
Exhaust orifice arrangement technology of drawing dies for external cover	Cover external plate, top cover external plate, front and rear door external plate draw for all car types
Cover external sheet CAM rotation technology	Cover external plate, cargo box side plate for all car types

Interactive shaping mechanism technology for match surface of side walls and top cover	Side walls for all car types
Correction parameter targeting technology of 1300MPa high strength sheet springback	Seat mounting brackets, inner plate of front pillar and center pillar, etc.

The Company holds technology autonomy principle, and technically collaborates with foreign advanced businesses, and keeps to improve and refine design technology and manufacturing development, and actively nurtures research and development talents who continuously develop high strength and special material dies satisfying the car manufacturer demands, and improves product yield and decreases production cost through crafting technology improvement, and technology development and innovation investments are kept to be over 3% of sale incomes to improve the competitiveness of products.

(4) Development plan of long and short term business

1. Short-term business development plan

Adopting the technology improvement and capability expansion, developing and nurturing sub-contract collaboration system and the likes to enhance the die production ability and product quality, strengthen the new product development and market expansion ability and keep expanding market share. Reinforce the technology team establishment, enhance external collaboration and communication, depend on technical self innovation and strengthen scientific management, increase resource utilization efficiency, shorten die acquisition period. Key to die products is to develop to external sheet metal die for middle and high class sedans to acquire the realization of contractor for the entire automobile. Actively expand oversea market to realize the crossing increasing of die exports and become the international die supplier. Through effective saving-cost ways such as apply subcontractor's low-efficiency operation procedure, separate products with low value added, lower the procurement price and decrease unnecessary expenditures to increase the Company's profit. By standardized operation, process reengineering and informatization means to raise the production and management efficiency, to enhance the Company's core competitiveness and realize the continuous growing of products' sales income and profitability.

2. Long-term business development plan

Taking the car body die as core business, as facing with international and domestic China market, we focused on expanding scope of sheet metal dies for middle and high class sedans of high product value added, established die debugging center to develop part dies of aluminum alloys or large-scale precision dies. The Group will use various flexible and effective research and

development mode to keep enhancing know-how innovation and increasing manufacturing level. We strengthens lateral and longitudinal connection to enhance the competitiveness of the supply chain, and remains the industry dominance on operation scale and technology standard. We actively develop the international market to become the international die supplier.

2. Market and selling condition

(1)Market analysis

1.Sale (Providing) regions of main product(service)

Unit: NT\$ Thousand

Year Sale region	2018		2019		As of 2020 Q1	
	Sales amount	Percentage(%)	Sales amount	Percentage (%)	Sales amount	Percentage(%)
Domestic (within China)	1,392,785	67.57	1,729,599	97.88	9,320	25.29
Foreign (outside China)	668,576	32.43	37,466	2.12	27,539	74.71
Total	2,061,361	100.00	1,767,065	100.00	36,859	100.00

2.Market share

Although China has many companies in die industry, but the scope is generally not big, and technology and equipment standard is limited, leading to fierce competition among middle and low-end products, while the high-end sheet metal die markets have insufficient competition, hence the market share of this industry still concentrates on large-scale companies, the Group is currently the company with substantial scope in the industry, and the Group's market share increased gradually as the company scope keeps expanding. The Group's main competition rivals are Tianjin Motor Dies, Sichuan Chengfei Integration Technology Corp. Ltd., Rayhoo Die, YESUN (Shanghai) Mould Co., Ltd, Yifeng Group and Xingda Dies Group. Recently, rapid development of China automobile industry had led to enormous demand of automobile dies. Estimated by the market scope of China automobile die as RMB35 billion, the Group's revenue in 2019 is RMB 0.41 billion and the market share is about 1.17%.

3.Supply and demand condition and growing ability of the future market

For China's car market in 2019, due to unfavorable factors such as the U.S.-China trade war, slower economic growth in China, and weak local

consumption momentum, the sales of China's car market was weak. Not only have many multinational carmakers stopped production and carried out layoffs, and even China's independent brands have also conducted structural adjustments and applied destocking, so naturally China's new car sales will not be able to be boosted. Even though that major car manufacturers had resumed shipments after the implementation of National sixth phase (National Sixth) exhaust emission standards in July, China's weak credit growth, rising used car sales, new emission standards, the emergence of ride-hailing platforms and carpooling all put pressure on car demand. In 2019, China's new car sales declined by 8.20% from 2018, showing a continuous two-year decline; In February 2020, COVID-19 (Wuhan Pneumonia) outbreak and the Chinese government implemented closed-end management in many cities, causing global car and car parts manufacturers to postpone manufacturing, and people were unable or afraid of going out. In the first quarter of 2020, the production and sales of automobiles were 3.474 million and 3.672 million vehicles respectively, with a year-on-year decrease of 45.2% and 42.4%. With the introduction of specific subsidies and important policies for raising subsidies in many areas, consumption is expected to recover further. It is expected that sales will continue to rebound in April, but an explosive growth will be difficult to occur. SinoPac Securities Investment Service estimates that China's annual car sales in 2020 will be 23.66 million vehicles (-8% YoY).

4.Competence Niche

(1)Die development ability

The Group has reached advanced technology with the industry standard at research and development, design, manufacture and debugging ability and keeps implementing technical collaboration with car manufacturer and the trade, and has implemented technology interaction with foreign car manufacturers many times such that rich product development experiences had been accumulated. Substantial development abilities have been possessed among the automobile die industry, and production mode standardization are realized simultaneously to improve the produce efficiency which further improves the Company's core competitiveness.

(1) Domestic and foreign resource dominance

In order to follow the design customers demanded for the Group's product, tight collaboration with downstream customers is necessary to collaborately develop, design and set the product technical parameters. Since customers check the die mass rigorously, three years of supply test stage are required for a normal customer to form a tight and stable partnership with a die supplier, and normally a die supplier would not be easily changed unless a material product mass problem occurs. The Group has established tight partnership with many car manufacturers of China, and being the long-term car-body sheet metal die collaboration supplier of Ford and VOLVO, and by advanced technology development ability, quality maintenance and capacity control for many years, we had become the die manufacturer trusted and long-term partnership with many customers.

(2) Project management stressing customer experience

Any problems emerged at die's acceptance process would be handled professionally by field service team, and products are delivered before the production schedule of assembly car manufacturer to reach the precision and density customer demanded.

(3) Seasoned Management

The Group's main operation spot ShangHaiHorngShiue's management team has been in the automobile die or automobile industry for many years, and have rich experience, and for most of their service at ShangHaiHorng Shiue are over eight years, revealing that the management team is stable and rich experienced.

5. Advantage and disadvantage factor for development vision and responding strategy

(1) Advantage factors

① The die enterprise gets support from national key policy

The Mainland China stipulates sequentially and revises relevant industrial law and policy for China's die industry annually, such as "Outline of the 13th Five-Year Plan for the National Economic and

Social Development of the People's Republic of China”and “Development plan “13th Five-Year” for die industry” reveals that China encourages big and precise die design and development and innovation upgrade of manufacturing die industry, and these policy’s promotion forms the support for die industry’s development.

②Continuous demand development for China automobile market

Continuous growing of China’s economy and continuous upgrade of labor salary provides automobile market with rigid needs, next, China is promoting the giving-end revolutions which are anticipated to raise automobile markets’ rigid need, and SUV development trend will go on. Besides, the highway construction and urbanization promotion help the commerce car development, and rising residents’ income after urbanization will further stimulate the car buying desire.

③ Continuously shortened period for new car development and old car shape-change accelerates die-updating demands

Automobiles, especially sedans, have currently enter diversified and characterized development stage, and as the market compition intensified, the car producing enterprices will rely more on new type cars launching to acquire market share, and enterprises usually develop new types of cars simultaneously. Paces of new cars input and old cars changing shape keeps accelerating and the periods are shorter and shorter, whereas the development period for brand new car type has shortened to one to three years, while the shape-changing period for old cars shortened to four to fifteen months. In recent years, China automobile manufacturing enterprises have released hundreds of new car types annually, and substantially most part of these new car types are, under the condition of invariant motor and chassis, changed by their appearance, that is, the continuous change of car-body sheet metal. Moreover, car sheet metal updates all requires car dies to be the basic equipment, accordingly great needs for car dies arises.

④International procurement market has gradually shifted to China

China has became the most important automobile market around the globe, and global car manufacturers focus at such gigantic

consumption capacity that not only first-launched car type being announced in China but special car type being customized for China consumers, for instance, elongated version is the China special version. Moreover, global car manufacturers have established joint-stock company in China and invested huge capital to set the production lines, hence local procurements in China for dies are imperative. Moreover, compared to Europe and the U.S. markets, China is the most important low-cost objection country. Market price of China's automobile dies is only one-third to half of that of advanced countries like Europe, the U.S. and Japan, therefore automobile manufacturers in Europe, the U.S. and Japan are attracted to buy dies from China. As the design and manufacturing quality of China's automobile die enterprises' technological equipment continuously to rise, distance from technical quality and product quality of dies produced by China to that by western developed countries is becoming smaller and smaller, where the former have possessed the capacity of producing sheet metal dies for some middle and high-class sedans. Based on previous factors, foreign automobile firms, one after another, take China as the new manufacture base of car sheet metal dies, which leads to exports of China's sheet metal dies.

(2) Disadvantage factors

- ① Business period of contrasts are long, and account recycling days are longer

For the Group, every project contrasts and receiving condition signed with customers are not the same, and since the Group is approximate to business characteristic of Taiwan's public equipment industry, as the contrast gives, uniform invoice issuance, receipt and recognition of advanced receipts are conducted sequentially. Normally, receipts according to trade condition are conducted after issuance of uniform invoices, and after the customer has accepted the die could be recognized as the prime operating revenue and receivables. Besides, after one-year warranty has due, ten percent of quality assurance deposit can be taken back according to the trade condition.

Responding strategy :

From the industry characteristic, the Group's sales revenues are recognized after the customer completes its final acceptance. Received accounts before the final acceptance is completed are all recognized as advanced receipts, and for each contrast, in average, seventy percent of contrast total price could be received as advanced receipts before the final acceptance is done. Besides, the Group's receivables for every project are subject to recovery by salesperson in business department, where the collection is on usual days conducted by telephones, e-mail notifications, field visits, etc. Business Department reviews the receipts status for every project at the weekly meeting, as the newest communication results with customers are presented by each responsible person. "Sales payment collection plan tracing sheets" are handed in every month, which summarizes receipt plan in the next month to be discussed by each department. Besides, supervisors of business department regularly summarize "Points of weekly meetings" every month to report receipt status of each project to top management, like the deputy general manager and general manager, to enforce accounts recovery, and by "Appraisal list for salesperson's recovery" actual recovery results are combined with the responsible person's performance appraisal to implement the accounts collection by salesperson.

② China's wage cost ascends every year

In recent years, China's provinces and cities have been raising the minimum wage standard and warranty, which leads to labor costs ascending every year for enterprises, and since the society has progressed and the average education level has risen, China's labor force supply declines, leading to enterprise's operation cost increases every year.

Responding strategy :

The Group's business scope gradually increases, and in order to effectively lower the human resource and continuously improving employees' professional skill level, we continuously make production process standardized and purchase high performance machine tool equipment in succession to increase production efficiency and outsource non-core manufacturing in the production process.

(2) The important usage of main product and its production process.

1. The important usage of main product

Main product of our group is car-body sheet metal dies, which are needed for dedicated craft equipments in car parts manufacturing, including press die (including sheet metal molds), injection molds, rubber molds, forging molds,

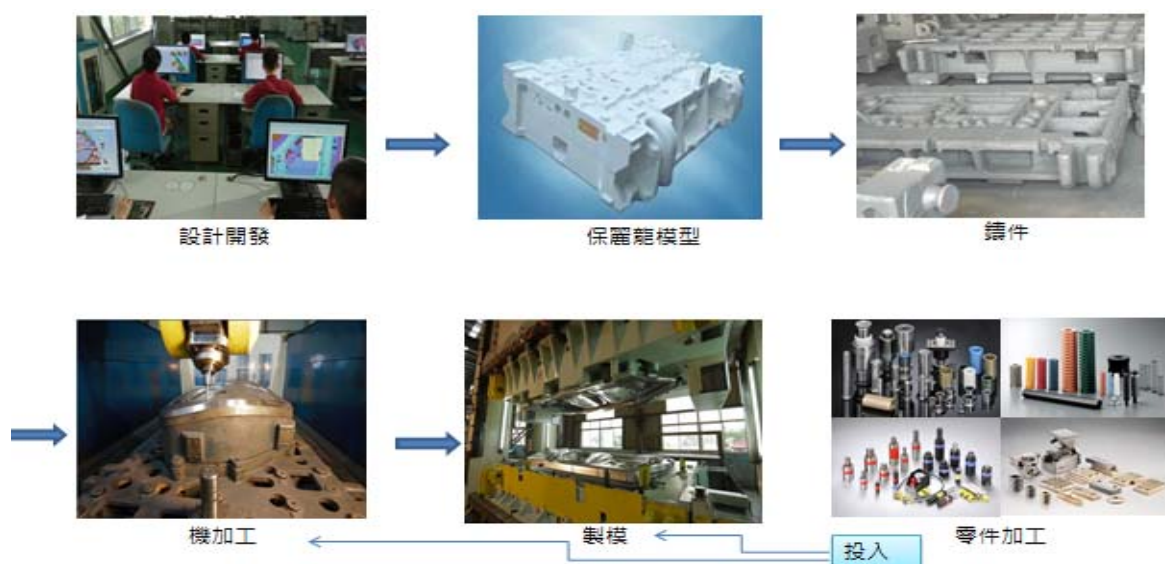
and etc. As a custome in car manufacturing, car dies are generally referring to car press dies.

Usage classifications for automotive sheet metal dies

Classification	Characteristics	Parts
Covers	Large size, surface quality demands are high, belonging to external surface part of car-body.	Doors, motor cover, top cover, trunk cover, side walls, fenders
Internal Sheet dies	Connected to external sheet metal in general, large size, belonging to internal surface part of car-body	Floor sheet, Internal sheet for side walls, wheel cover
Structure dies	Shape is relatively small compared to internal and external sheet metals, and the surface quality requirements are relatively lower, belonging to automobile structures.	Reinforced plate (carline plate) for front pillar



2. Production process



(3) Supply status of main materials

Main ingredient	Supplier	Supply status
Casting part	Yantai HeAn Casting Co., Ltd. Jing Cheng Industrial Automobile System Co., Ltd. Shun, Ping Precision Casting Branch Co. NRHC Co., Ltd. Jingjiang Rainbow Mechanics Manufacturing Co., Ltd.	Good
Die machining	Qingdao Jitai Automobile Mould Company Huda Sunjoy(Hunan)Vehicle Technology EquipmentCo.,Ltd. ShangHaiHongJia Die Co., Ltd.	Good
Styrofoam model	ShangHaiXingqin Precision Mold Co., Ltd. Yantai HeAn Casting Co., Ltd. Great Wall Motor Co., Ltd. Shun, Ping Branch Co. NRHC Co., Ltd.	Good
Hardware parts	Punch Industry (Dalian) Co., Ltd. YouDe (Kunshan) Precision Industrial Co., Ltd. ShangHai Qin Zhong Precision Industrial Co., Ltd. Misumi(China) Precision Mechanical Trade Co., Ltd.	Good

(4) Name of customers who accounted for more than 10% of the total amount of goods purchased/sold in the past two years, the amounts and percentages of the goods purchased/sold and the reasons for the increase or decrease.

1. Name of customers who accounted for more than 10% of the total amount of goods purchased in the past two years.

Unit: NT\$ Thousand, %

Project	2018				2019				2020 Q1			
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer

Project	2018				2019				2020 Q1			
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer
1	ShangHai Qin Zhong	138,647	10.08	None	XUANCHENG JINHUI	124,454	13.04	None	XUANCHENG JINHUI	28,351	13.59	None
	Others	794,827	89.92		Others	829,601	86.96		Others	180,267	86.41	
	Net purchase	933,474	100.00		Net purchase	954,055	100.00		Net purchase	208,618	100.00	

Note: ShangHai Qin Zhong is no longer the counterpart of the Group since July 1, 2016.

In the past two years and as of 2019 Q1, our main suppliers are Shanghai QinZhong and XuanChengJinhui Car Equipment Technology Co., Ltd. Shanghai QinZhong is mainly engaged in hardware parts of car professional sheet metal dies, and in order to ensure the supply quality and delivery time as well as lower procurement cost at the same time, both parties sign procurement contract for die parts annually, and clearly specify the machining rate table in contract, and confirm the specification and quantity according to the procurement order. XuanCheng-Jinhui Car Equipment Technology Co., Ltd. is mainly engaged in subcontracting for car dies, which is equipped with quality equipment and plant condition, and its die manufacturing abilities are complete and production capacity is larger. Hence, production needs could be satisfied even when production capacity of Horng-Shiue is limited.

2. Name of customers who accounted for more than 10% of the total amount of goods sold in the past two years.

Unit: NT\$ Thousand, %

Project	2018				2019				2020 Q1			
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer
1	COSKUNO Z	453,628	22.01	None	Dongfong XiaoKang	451,082	25.53	None	GESTAMP TOLEDO S.A.	27,539	74.71	None
2	Great Wall Motor	432,150	20.96	None	Great Wall Motor	196,395	11.11	None	Dongfong XiaoKang	3,738	10.14	None
3	Dongfong XiaoKang	365,712	12.89	—		—	—	—	—	—	—	—
4	Changan Automobile Co., Ltd.	263,759	12.80	—		—	—	—	—	—	—	—

Project	2018				2019				2020 Q1			
	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer	Name	Amount	%	Relationship with issuer
	Others	546,112	31.34		Others	1,119,588	63.36		Others	5,582	15.15	
	Net purchase	2,061,361	100.00		Net purchase	1,767,065	100.00		Net purchase	36,859	100.00	

Our group is a customized manufacturing group, meaning that we are not traditional mass production industry as we implement production and sales as the orders are acquired. Besides, customer sale proportion changes primarily because the manufacturer's schedule of developing new car models and model revision for old cars is indefinite, which is the normal characteristic of automobile die industry.

(5) Production in the last two years

Unit: Equivalent working hours; NT\$ Thousand

Project Year Product	2018			2019		
	Production capacity(hour)	Production(hour)	output	Production capacity(hour)	Production(hour)	output
Die	2,247,958	2,231,030	2,143,154	2,212,943	1,808,666	1,737,426

This group main production is car body sheet model molds, and for the recent two years the production is near or even exceeding the production capacity indicating full capacity. Partial process should seek outsourcing production capacity for assistance, and no big difference can be found for these two years.

(6) Sales in the last two years

Unit: Tons; NT\$ Thousand

Year Sales amount Product	2018				2019			
	domestic		foreign		domestic		foreign	
	Amount	Value	Amount	Value	Amount	Value	Amount	Value
Die	9,566	1,336,946	4,441	609,851	12,250	1,675,311	271	36,763
Other	-	55,839	-	58,725	-	54,288	-	703-
Total	9,566	1,392,785	4,441	668,576	12,250	1,729,599	271	37,466

The revenue of our group in 2019 decreased by 14.28% to that in 2018 mainly because the final acceptance amount of car body sheet dies in 2019 decreases from that in 2018.

3. Employee Information for the Past Two Years and as of the Publication of the Annual Report

Year Item		2018	2019	Up to April30, 2020
Employee	Management	20	19	20
	Production line	582	593	538
	General officer	44	41	46
	Total	646	653	604
Average age		31.1	31.1	30.52
Average service(year)		5.1	5.1	5.08
Education Percentage (%)	Doctor	0%	0%	0%
	Master	0.46%	0.46%	0.50%
	College	27.70%	26.03%	32.45%
	School	24.14%	24.04%	21.52%
	Under School	47.67%	49.46%	45.53%

4. Disbursements for environmental protection: any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

The Group had no losses or not been punished due to environment contamination in the past year and as of the publication date of the annual report.

5. Labor Relations:

- (1) Show the company's employee welfare, advanced study and training, retirement system and its implementation, negotiation between management and labor, and employee rights safeguarding measures:

1. Employee welfare

The Group's major operation location is at China, and conforming to regulations of local labor laws, employees attend social insurance (including pension, medical care, birth, industrial injury and unemployment) to protect employee welfare, and we provide welfare measures such as serving meals for employees, high temperature subsidies for production line employees, festival surcharge, wedding and death subsidies. Besides, employees have leaves such as mandatory holidays, marital and funeral leaves, annual leaves and

maternity leaves. Other than holding birthday parties every month to condense employees' emotions, the Company also grants substantial allowances such as year-end bonus and performance bonus to motivate employees.

2. Staff advanced study and training:

The Group is highly new technology industry, and high quality professional technology teams are key factors to increase core competitiveness and realize crossing development. Through training and advanced study overseas, recruiting domestic and foreign experts to advice, and on-the-job training to improve overall quality of the current technology team and nurture first-class, international advanced quality technological staff. Through basic training and job rotation, the Group continuously raises composite knowledge level of bottom managers(section chief, chief), make a healthy, improving operation management team, establish motivation mechanism, build a clear performance appraisal system and mutual monitoring mechanism to make corporate governance regulated, management legalized and operation transparency.

3. Retirement system and its implementation:

The Group's main operation location is at China, and according to the regulation of the local labor laws, pension insurance is attended, and contributions are made monthly for paying social insurance to local labour and social security bureau for our employees. As employees reach mandatory retirement age, they can apply retirement pension at labour and social security bureau, and retirement pensions of all at-duty and retired employees are coordinately arranged by local governments.

4. Negotiation between labor and management, and employee rights safeguarding measures

The Group's important subsidiaries has protected legal rights of labors in accordance with the labor laws and other relevant laws of the main operation location, and there is no matters to be negotiated due to industrial disputes in the past year and as of the publication date of the annual report, and Shanghai HorngShiue has established union committee in 2016 to serve as the channel for labor and management communications.

- (2) List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided...:

In the past year and as of the publication date of the annual report, there has not been any industrial dispute and loss, and labor laws will be conformed to for now and in the future, strengthen the welfare measures and value rational and harmonious relationship between labor and management, and establish interactive communication and appeal management.

7. Important Contracts

Contract Type	Counterparty	From~To	Restriction clause	Restriction clause
Sale contract	ShangHaiHorngShiue Industrial Co., Ltd. BrazilFord Automobile Co., Ltd.	2019.12	Die and guage	None
Sale contract	ShangHaiHorngShiue Industrial Co., Ltd. Changan Ford Automobile Co., Ltd. Halbin Harbin Branch Co.	2019.12	Die and guage	None
Sale contract	ShangHaiHorngShiue Industrial Co., Ltd. ABB	2020.3	Die project sales	None
Sale contract	ShangHaiHorngShiue Industrial Co., Ltd. Gestamp	2020.4	Die and guage	None
Sale contract	ShangHaiHorngShiue Industrial Co., Ltd. Great Wall MotorXushuiHaval Branch Co.	2020.1	Die project sales	None
Sale contract	ShangHaiHorngShiue Industrial Co., Ltd. Ford South Africa	2020.3	Die and guage	None
Sale contract	ShangHaiHorngShiue Industrial Co., Ltd. BND (Chongqing) Manufactory Co., Ltd.	2020.3	Die and guage	None
Sale contract	ShangHaiHorngShiue Industrial Co., Ltd. TurkeyCOSKUNOZ	2020.2	Die and guage sales	None
Sale contract	ShangHaiHorngShiue Industrial Co., Ltd. DongfengXiaoKang Motor, Chongqing Branch Co.	2020.1	Die and guage sales	None
Loan contract	ShangHaiHorngShiue Industrial Co., Ltd. Bank of Shanghai Limited Songjiang Branch Office	2018.06.28 ~ 2021.06.28	Flow capital loan of RMB 20 million	None
		2018.07.05 ~ 2021.07.05	Flow capital loan of RMB 20 million	None
		2018.07.18 ~ 2021.07.18	Flow capital loan of RMB 20 million	None
		2018.09.10	Flow capital loan of RMB 10	None

Contract Type	Counterparty	From~To	Restriction clause	Restriction clause
		~ 2021.09.10	million	
		2019.11.15 ~ 2020.05.15	Banker's Acceptances of RMB 9.45 million	None
		2019.12.10 ~ 2020.06.10	Banker's Acceptances of RMB 10.24million	None
		2020.01.07 ~ 2021.07.07	Banker's Acceptances of RMB 13.53 million	None
		2020.03.20 ~ 2021.10.20	Banker's Acceptances of RMB 13.12 million	None
Loan contract	ShangHaiHorngShiue Industrial Co., Ltd. Industrial and Commercial Bank of China Limited Songjiang Branch	2020.03.05 ~ 2021.03.05	Flow capital loan of RMB 16 million	None
Loan contract	Horng Shiue Holding Co., Ltd. E.SUN COMMERCIAL BANK, LTD Tainan Corporate Finance Center	2020.03.09 ~ 2020.10.09	Operation revolving fund of U.S.\$ 1 million	None
Finance lease	Zhejiang Horngshiue Industrial Co.,Ltd.(ZHS) Shin Kong International Leasing Corp. (SKIL)	2019.12.20~ 2021.12.20	Operation revolving fund of RMB 5 million	None
Finance lease	Zhejiang Horngshiue Industrial Co.,Ltd.(ZHS) Tai JunLeasing Corp.	2019.12.26~ 2021.12.26	Operation revolving fund of RMB 9 million	None
Finance lease	Zhejiang Horngshiue Industrial Co.,Ltd.(ZHS) OrixLeasing Corp.	2019.11.20~ 2021.11.20	Operation revolving fund of RMB 1.4 million	None
Finance lease	Zhejiang Horngshiue Industrial Co.,Ltd.(ZHS) SinopacLeasing Corp.	2019.12.23~ 2021.11.23	Operation revolving fund of RMB 17.6 million	None
Finance lease	Zhejiang Horngshiue Industrial Co.,Ltd.(ZHS) SinopacLeasing Corp.	2019.01.06~ 2021.01.06	Operation revolving fund of RMB 5.47 million	None
Purchase contract	Zhejiang Horngshiue Industrial Co.,Ltd.(ZHS) Fager Forging Machine Tool (Kunshan) Co., Ltd.	2018.04.18	Procurement of machinery and equipment	None
Purchase contract	Zhejiang Horngshiue Industrial Co.,Ltd.(ZHS) Beijing Yaozhong Electromechanical Equipment Co., Ltd.	2018.05.12-	Procurement of machinery and equipment	None
Purchase contract	Zhejiang Horngshiue Industrial Co.,Ltd.(ZHS) Jinan Er Machine Tools Plant	2018.05.02-	Procurement of machinery and equipment	None
Purchase contract	Zhejiang Horngshiue Industrial Co.,Ltd.(ZHS) Tianjin TianduanyaLiji Limited Company	2018.05.12-	Procurement of machinery and equipment	None
Investment construction contract	Horng Shiue Holding Co., Ltd. Nanxun Economic and Technological Development Area Management Committee Nanxun Technology New Village Management Committee	2017.12	Reach agreements for matters concerning investment construction in the park	None
Investment construction contract	Horng Shiue Holding Co., Ltd. Huzhou Dingtai Construction Development Co.,LTD.	2017.12	Assisting the Company to implement relevant matters concerning project land, plant and project investment	None

Note: Sale contracts over RMB 40 million, all loan contracts and important equipment purchase contracts are disclosed.

VI. Financial Profile

1. Condensed Balanced Sheet and Consolidated Income statement for the Past Five Years

(1) Condensed balance sheet

Unit: NT\$ Thousands

Year		Financial analysis for the past five years(note)					Financial data
Item		2015	2016	2017	2018	2019	up to March 31, 2020
Current asset		3,415,941	3,202,735	3,307,114	3,283,642	2,531,132	2,482,833
Property, plant and equipment		515,471	435,257	561,648	484,788	406,432	667,852
Intangible assets		9,237	6,325	19,156	15,981	11,143	10,904
Other assets		135,149	127,092	106,038	174,654	335,907	152,448
Total assets		4,075,798	3,771,409	3,993,956	3,959,065	3,304,614	3,314,037
Current liabilities	Before distribution	3,595,982	2,986,949	2,954,363	2,316,063	1,751,022	1,775,598
	After distribution	3,655,922	2,933,926	2,975,163	2,316,063	1,751,022	1,775,598
Non-current liabilities		13,466	5,731	29,463	677,877	728,245	731,846
Total liabilities	Before distribution	3,595,982	2,902,680	2,983,826	2,993,,940	2,479,267	2,507,444
	After distribution	3,655,922	2,939,657	3,004,626	2,993,,940	2,479,267	2,507,444
Interests attributable to parent company owner		479,816	868,729	1,010,130	965,125	825,347	806,593
Capital stock		75,000	369,770	416,000	416,000	457,185	457,185
Capital reserve		367,831	384,464	490,692	488,515	511,359	511,359
Retained earnings	Before distribution	35,161	155,800	162,325	95,035	(36,048)	(56,504)
	After distribution	(24,779)	118,823	141,525	95,035	(36,048)	(56,504)
Other interests		1,824	(41,305)	(58,887)	(34,425)	(107,149)	(105,447)
Treasury stock		—	—	—	—	—	—
Noncontrolling interests		—	—	—	—	—	—
Total equity	Before distribution	479,816	868,729	1,010,130	965,125	825,347	806,593
	After distribution	419,876	831,752	989,330	965,125	825,347	806,593

Source: Pro forma consolidated financial report certified by CPA for 2014 to 2016; Consolidated financial report certified by CPA for 2017 and 2018; Consolidated financial report reviewed by

CPA for 2019 Q1.

(2) Condensed Comprehensive Income Sheet

Unit:NT\$ Thousands

Year items	Financial information in for recent four years.(hint note1)					Financial data Up to March.31, 2020
	2015	2016	2017	2018	2019	
Operating revenues	1,920,638	2,088,502	2,159,565	2,061,361	1,767,065	36,859
Gross profit	356,010	371,021	290,645	252,786	137,250	13,566
Operating Income	166,550	157,288	91,087	22,742	(109,697)	(16,924)
Non Operating Income and Expense	(31,421)	(21,542)	(22,464)	(51,172)	(27,815)	(2,535)
Pre-tax income	135,129	135,746	68,623	(28,430)	(137,512)	(19,459)
Income from continuing operation after income tax	109,939	120,639	43,502	(34,117)	(131,083)	(20,456)
Income loss from discontinued operation	—	—	—	—	—	—
Net income	109,939	120,639	43,502	(34,117)	(131,083)	(20,456)
Other comprehensive income(after-tax income)	(1,816)	(43,129)	(17,582)	24,462	(45,924)	(2,206)
Total comprehensive income	108,123	77,510	25,920	(9,655)	(177,007)	(22,662)
Net income attributed to stockholders of the parent company	109,939	120,639	43,502	(34,117)	(131,083)	(20,456)
Net income attributed to non-controlling interest	—	—	—	—	—	—
Total comprehensive income attributed stockholders of the parent company	108,123	77,510	25,920	(9,655)	(177,007)	(22,662)
Total comprehensive income attributed to non-controlling interest	—	—	—	—	—	—
Earning per share (dollars)(hint 2)	3.66	3.80	1.14	(0.82)	(3.03)	(0.47)

Source:Pro forma consolidated financial report certified by CPA for 2014 to 2016;Consolidated financial report certified by CPA for 2017 and 2018; Consolidated financial report reviewed by CPA for 2019 Q1.

Note: The Group does not have the data of net cash flow for operating activities for recent five years, thus not calculated thereby.

(3)Accountants' name and reviewed audit opinion in last five years.(note 1)

Year	Office name	Accountant name	Audit Opinion
2015	PwC Taiwan	Lin, Jun-yao, Lin, Yi-fan	Modified unqualified opinion (note 1)
2016	PwC Taiwan	Lin, Jun-yao, Lin, Yi-fan	Modified unqualified opinion (note 1)
2017	PwC Taiwan	Lin, Jun-yao, Lin, Yi-fan	Unqualified opinion
2018	PwC Taiwan	Lin, Jun-yao, Lin, Yi-fan	Unqualified opinion

2019	PwC Taiwan	Lin, Jun-yao, Lin, Yi-fan	Unqualified opinion
2020 Q1	PwC Taiwan	Lin, Yi-fan Chen Jinchang	Unqualified audit report

Note 1 : This is because the increased explanation section in the accountant's opinion, which specifies that the pro forma consolidated financial statements are edited by Horng Shiue Holding Co., Ltd. for the IPO application.

2. Financial analysis for the recent five years

Year item		Financial analysis for recent five years(note)					Up to March 31, 2020
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt to asset ratio	88.23	76.97	74.71	75.62	75.02	75.66
	Long term capital to property, plant and equipment ratio	95.7	200.91	185.10	338.91	382.25	230.36
Solvency	Current ratio (%)	95.35	110.56	111.94	141.78	144.55	139.83
	Quick ratio (%)	20.7	33.75	41.77	58.33	65.35	49.79
	Interest coverage ratio (times)	5.43	4.55	3.18	0.40	(2.44)	(1.34)
Operating capacity	receivables turnover rate (times)	4.62	3.94	2.54	1.92	1.67	0.16
	Days' sales in receivables	79	93	143.70	190	219	2,281
	Inventory turnover rate(times)	0.62	0.70	0.85	0.88	0.97	0.08
	Payable turnover rate (times)	1.88	2.07	2.22	2.04	2.07	0.14
	Days sales outstanding	589	521	429	415	376	4,563
	Property, plant and equipment turnover (times)	3.63	4.39	4.33	3.94	3.97	0.27
	Total assets turnover rate(times)	0.49	0.53	0.56	0.52	0.49	0.04
Profitability	Return on asset (%)	3.49	3.90	1.81	0.16	(2.67)	(1.62)
	Return on equity (%)	25.82	17.89	4.63	(3.74)	(14.64)	(10.03)
	Pre-tax net profit to paid-in capital ratio (%)	180.17	36.71	16.50	(6.83)	(30.08)	(17.03)
	Net profit rate (%)	5.72	5.78	2.01	(1.66)	(7.42)	(55.50)
	Earnings per share (NT\$)	3.66	3.80	1.14	(0.82)	(3.03)	(0.47)
Cash flow (%)	Cash flow ratio	3.32	0.01	(7.22)	(3.30)	4.79	16.93
	Cash flow adequacy ratio	note	note	3.68	(4.90)	(8.59)	(12.13)
	Cash flow reinvestment ratio	12.97	(4.33)	(15.76)	(4.30)	3.96	3.56
Leverage	Operating Leverage	2.57	2.78	3.67	13.59	(13.43)	(1.5)
	Financial leverage	1.22	1.32	1.53	(0.92)	(0.73)	(0.67)
		Please specify financial ratios whose change is over 20% over the past two years and the reason of such change. 1. Interest coverage ratio: mainly resulted from the decline of net income after tax in 2019. 2. profitability: mainly resulted from the decline of net income after tax in 2019. 3. Cash flow: Mainly due to the increase in cash inflow from operating activities in 2019 compared with 2018 4 Financial leverage : Majorly because the operating profit decline in 2019.					

Source Pro forma consolidated financial report certified by CPA for 2015 to 2017; Consolidated financial report certified by CPA for 2018 and 2019; Consolidated financial report reviewed by CPA for 2020 Q1.

Note: The Group does not have the data of net cash flow for operating activities for recent five years, thus not calculated thereby.

The financial ratios are calculated as follows:

1. Financial structure

(1) Debt to asset ratio = total liabilities / total assets

(2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities

(3) Interest coverage ratio = net profit before tax and interest expenses / interest expense in the current period

3. Operating capacity

- (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average balance receivables for each period (including accounts receivable and notes receivable due to business)
- (2) Days' sales in receivables = 365 / receivables turnover rate
- (3) Inventory turnover rate = sales cost / average inventory
- (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)
- (5) Days sales outstanding = 365 / inventory turnover rate
- (6) Property, plant and equipment turnover = net sales / net average property, plant and equipment value
- (7) Total asset turnover rate = net sales / average total assets

4. Profitability

- (1) Return on asset = [after tax profit + interest expense $\times$ (1 – tax rate)] / average total assets
- (2) Return on equity = after tax profit and loss / average equity
- (3) Net profit rate = after tax profit and loss / net sales
- (4) Earnings per share = (profit or loss attributable to parent company owner – special dividend) / weighted average number of issued shares

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities
- (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years
- (3) Cash reinvestment ratio = (net cash flow from operating activities – cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital)

6. Leverage

- (1) Operating leverage = (net operating income – changing operating costs and expenses) / operating profit
- (2) Financial leverage = operating profit / (operating profit – interest expense)

3. Audit Committee' Review Report of the Latest Financial Report: Please refer to p.103.

4. The Latest Financial Report, Including CPA's Audit Report, Balanced Sheets

Comparing Two Years, Statement of Comprehensive Income, Statement of Changes in Equity and Footnotes or Supporting Statements: Please refer to p.124 of Appendix.

5. Latest Financial Statement of the Parent Company Audited and Certified by CPAs: The Company is the public company of a foreign country, thus not applicable.

6. If the Company and Its Affiliates Encounter Any Financial Difficulties in the Past Year and as of the Date of Publication of the Annual Report, the Impact on the Company's Financial Status Shall Be Listed: Nil.

Horng Shiue Holding Co., Ltd.

Audit Committee' Review Report of the Latest Financial Report

The Board of Directors has prepared the business report, the financial statements and the earnings distribution proposal of the Company for the year of 2019, where the financial statements have been audited by PricewaterhouseCoopers Taiwan as appointed by the Company, and the audit report is presented. After the audit committee's verification of the abovementioned business report, financial statements and earnings distribution proposal, we are of the opinion that the above-mentioned documents correspond to the facts, and hereby issue this report according to the law for your future reference.

To

2019 General Shareholders' Meeting of Horng Shiue Holding Co., Ltd.

Horng Shiue Holding Co., Ltd.

Audit Committee's Convenor:



WANG,SHU-CAI

March 26, 2020

VII. Review and Analysis of Financial Status and Business Results and Risk Issues

1. Financial Status

Unit: NT\$ thousands

Item	Year	2018	2019	Difference		Description
				Amount	%	
Current assets		3,283,642	2,531,132	(752,510)	(22.92)	1
Property, plant and equipment		484,788	406,432	(78,356)	(16.16)	2
Intangible assets		15,981	11,143	(4,838)	(30.27)	
Other assets		174,654	335,359	181,253	103.78	3
Total assets		3,959,065	3,304,614	(654,451)	(16.53)	
Current liabilities		2,316,063	1,751,022	(565,041)	(24.40)	4
Non-current liabilities		677,877	728,245	50,368	7.43	
Total liabilities		2,993,940	2,479,267	(514,673)	(17.19)	5
Common stock		416,000	457,185	41,185	9.90	
Additional paid-in capital		488,515	511,359	22,844	4.68	
Retained earnings		95,035	(36,048)	(131,083)	(137.93)	6
Other components of equity		(34,425)	(107,149)	(72,724)	(211.25)	7
Total equity		965,125	825,347	(139,778)	(14.48)	8
Analysis and description (for the changes of 10% or more, and the amount has reached 1% of total asset of the corresponding year)						
1. Current assets: Mainly due to the decrease in loss of cash, the reduction of inventory and the decrease of bills receivable in the current period.						
2. Property, plant and equipment: Mainly due to the increase in prepaid equipment.						
3. Other assets: Primarily caused by decreasing bank loans.						
4. Current liabilities: Mainly due to the decrease in bank loans.						
5. Total liabilities: Mainly due to the increase in long-term loans.						
6. Retained earnings: Primarily caused by loss generated in 2019.						
7. Other components of equity: Mainly due to the negative impact of exchange rate in the current period.						
8. Total equity: Mainly due to the loss incurred in this period and the negative impact of exchange rate.						

2. Financial Performance

(1) Main reasons for significant changes in operating income, net operation profit and pre-tax net profit in the last two years

Unit:NTD\$ thousands

Year item	2018	2019	Increase(decrease)	
			sum	%
Operating revenues	2,061,961	1,767,065	(294,896)	(14.30)
Operating costs	1,808,575	1,629,815	(178,760)	(9.88)
Gross profit	252,786	137,250	(115,536)	(45.71)

Year item	2018	2019	Increase(decrease)	
			sum	%
Operating expenses	230,044	246,947	16,903	7.35
Operating income	22,742	(109,697)	(132,439)	(528.35)
None-operating income and expenses	(51,172)	(27,815)	23,357	45.64
Profit before tax	(28,430)	(137,512)	(109,082)	(383.69)
Income tax expense	(5,687)	6,429	12,116	213.05
Net income	(34,117)	(131,083)	(96,966)	(284.22)
Other comprehensive income	24,462	(45,924)	(70,386)	(287.74)
Total comprehensive income	(9,655)	(177,007)	(167,352)	(1,733.32)
Analysis and description: (For those that changed by 10% or more and those whose amount is over 1 % of total asset in the current year.) Due to the Sino-US trade war this year, the consumption of the mainland auto market has been significantly affected, and the automakers are facing the launch of the National VI emission standard. The major automakers are busy digesting the national V auto inventory, and there are signs of slowing down of new models, which affects the mold production progress and final acceptance progress. As a result, operating gross profit, operating profit, net pre-tax 利, net profit for the current period and total comprehensive profit and loss for the current period all declined compared with the same period last year.				

(2) Expected sales quantity and its basis

Because our main product, car body sheet metal molds, takes about 1 to 2 years from the signing of contracts to revenue recognition at final acceptance, the future revenue amount is determined by the order amount taken currently.

(3) Possible impact on the company's financial business condition in the future and the counter measures.

The Group has accumulated considerable design and production experiences in car sheet metal dies industry, and additionally Europe and the U.S. has outsourced molds to China due to cost factor, and changing in customers' preference to car appearance accelerates car model revision, which further increases demands for car sheet metal dies, therefore in the future acquisition of more orders will be expected, but the Group will implement assessment carefully to the condition of production capacity in order to conduct adjustments to acquired orders.

3. Cash Flow

(1)Cash flow analysis for the current year.

Unit:NT\$ thousands

year	2018	2019	Difference	
			Amount of increase(decrease)	Ratio of increase(decrease)(%)
Accounting items				
Net cash inflow from operating activities	(76,432)	83,878	160,310	(209.74)
Net cash outflow from investment activities	(59,729)	(155,139)	(95,410)	(159.74)
Net cash inflow from financing activities	257,980	82,985	(174,995)	(67.83)
1.Change analysis				
(1)The increasing of net cash outflow from operating activities: Due to the decrease of notes receivables and inventory in 2019.				
(2)The increasing of net cash outflow from investment activities: Mainly due to the decrease of the cash outflow of payment for equipment.				
(3)The decreasing of net cash inflow from financing activities: Mainly due to the decrease in bank loans in the current period..				
2.Improvement plan for Illiquidity: Cope it with bank loans in the first place.				

(2)Analysis of cash flow in the coming year

Unit:NT\$ thousand

Cash balancing -beginning of year	Net cash flow from operating activities throughout the year	Net cash outflow throughout the year	Cash balance	Leverage of Cash Deficit	
				Investment plan	Financing plan
\$163,598	\$ 167,506	\$ (185,437)	\$ 145,667	—	—
1. Analysis for the change in cash flow in the coming year:					
(1)Operating activities: we forecast that receipts from each project nodes would exceed related expenditure of costs and expenses. Hence, we forecast net cash inflow of NT\$167,506 thousand from operating activities in 2019.					
(2)Investment activities: Mainly due to expenditure of NT\$ 70,381 thousand from the plant construction for Zhejiang Horng Shiue.					
(3)Financing activities: The net cash outflow is due to reimbursement for bank loans NT\$ 107,946 thousands.					
2. Improvement plan for Illiquidity: Nil.					

4. Impact of Major Capital Expenditure in the Past Year on the Financial Status

For future operation plans of the Group, through the subsidiary HORNG SHIUE INDUSTRIAL CO., LTD. the Company carried out a reinvestment of US\$ 10 million for China “Zhejiang Horngshiue Intelligence Manufacturing Co., Ltd.” and

constructed new plant, and we predict that after the equipment starts mass production, it will facilitate the rise of the Group's production capacity and efficiency.

5. Joint Venture Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year:

(1)Reinvestment policy

The Group's management to reinvestment enterprises complies with relevant regulations of the Group's internal control system, and stipulated "Monitoring and Management System to the Subsidiary", "Management Regulations for Counterpart, Specified Corporations and Group Enterprises" as the regulation. The Group's accounting unit also regularly collects and analyzes financial statements of invested corporations to understand operation status of reinvestment businesses.

(2)Main reasons for profit or loss for reinvestments in the past year and improvement plan

Unit: NT\$ Thousand

Invested Company	Direct(Indirect) Shareholding Ratios	Recognized investment profit/loss in 2019	Reason for Its Profit or Loss	Improvement Plan
HORNG SHIUE INDUSTRIAL Co., Ltd.	100.00%	(105,388)	Mainly due to recognized reinvestment loss for Shanghai Horng Shiue.	-
ShangHaiHorngshiue Industrial Co., Ltd.	100.00%	(130,908)	In 2019 years, due to the Sino-US trade war, the consumption of the mainland auto market was obviously affected, and the automakers faced the launch of the National Sixth Emission Standards. Major automakers were busy digesting the national five auto inventory, and there were signs of slowing down of new models, which affected the mold	Adopt a flexible order picking method, choose to undertake projects with advantages in its own cost, and increase mold unit price and constrain mold delivery time.

Invested Company	Direct(Indirect) Shareholding Ratios	Recognized investment profit/loss in 2019	Reason for Its Profit or Loss	Improvement Plan
			production progress and final acceptance progress.	
ShangHaiHorngshien Precision Molds Co., Ltd.	100.00%	2,311	It was written off in December 2019, and the recognized investment income was mainly the disposal of the residual value of the asset.	-
Zhejiang Horngshiue Intelligence Manufacturing Co., Ltd.	100.00%	9,462	Mainly for the income of Zhejiang Horngshiue employees to support Shanghai Horngshiue.	-

(3)Investment plan in the coming year

For the future operation plans, the Group established Zhejiang Horngshiue Intelligence Manufacturing Co., Ltd. at S. Xun District, Huzhou City, Zhejiang Province on January 18, 2018, which has been input capital of US\$ 9.1 million practically through HORNGSHIUE INDUSTRIAL CO.,LTD. and is a 100% invested subsidiary. The investment objection is mainly to expand the China business of HorngShiue Group, and enhance the production capacity to build the base for future development of HorngShiue Group. Currently it is still in construction period and has not been input to production yet.

6. Analysis and Assessment of Risk Issues

(1) The impact of interest and exchange rate changes and inflation on the Company's profit and loss and future counter measures

1.Interest rate

The interest expense of the Group in 2018 、2019 and 2020Q1 was NT\$46,829 thousand 、NT\$32,750 thousand and NT\$6,533 thousand accounted for 2.27% 、1.85% and 17.72% to operating income, revealing that the interest rate movement has considerate influence on the Group's

profit. The Group's financial department observes the interest trend any time, and establishes and maintains good relationships with financial institutions to acquire lower capital cost and carries out capital increase by cash in time to decrease the liability to decrease the interest rate risks, and after listed in the future, we will acquire capital with lower capital cost through capital market to reduce bank dependency.

2. Exchange rate

The Group's production activity is mainly in China, and most ingredients are acquired at China, only some part of main production equipment are purchased from regions outside China. As of sales, ratio of domestic sales in China is 67.57%、97.88% and 25.29% in 2018、2019 and 2020 Q1, revealing the Group's low exchange rate risks, as foreign exchange losses in 2018、2019 and 2020 Q1 are NT\$ (11,057) thousand、NT\$ (763) thousand and NT\$ (1,946) thousand, respectively, whose percentages to operating incomes are not high, and the Group adopts conservatism principle for foreign currency capital management. To reduce the influence by exchange rate change on the Group's profit and loss, the Group will collect exchange rate data any time to make judgments on exchange rate changing trend as the reference of foreign exchange settlement, and as for strategy, every effort is made for the balance of foreign currency assets and liabilities as well to acquire natural hedge effects and reduce influences generated by exchange rate fluctuation.

3. Inflation

Through signing annual contracts with Styrofoam model, casting part and hardware suppliers to lock main raw material price, the Group avoids influence on profit by raw material price fluctuations, and there are no effect from inflation in last year and as of the publication date of the annual report.

(2) Policies of engagement in high-risk and highly leveraged investments, loans to others, endorsements and guarantees and derivative tradings, main reasons for profit or loss and future counter measures

The Group always holds the principle of focusing on main businesses and down to earth for running the business, and for financial policies we apply the conservatism principle, and we had not engaged in high-risk and highly leveraged investments, endorsements and guarantees, derivative tradings, and aside from loans among individual units in the Group, loans to other enterprises and

individuals had not been implemented in the most recent year and up to the publication date of the annual report, thus no material unfavorable impact are present for the Group's financial operations so far. The Group has stipulated relevant regulations, such as "Operation Procedures of Loans to Others", "Operation Procedures of Endorsements and Guarantees" and "Handling Procedures of Acquisition and Disposal of Assets" to serve as the basis for conducting relevant matters, therefore, relevant risks should be constrained.

(3)Future R&D plan and planned input R&D expenses:

The Group's product is automobile sheet metal dies, whose appearance and specification is designated by main automobile manufacturers, hence the Group holds the technology autonomy principle, together with technology collaboration with foreign advanced enterprises, to continuously improve and refine the design technology and process research and development, and actively nurture R&D professionals, meet the customers' demands to keep developing dies of high strength and special materials, and increase yields of finished goods and decrease production cost via craft technology improvement. The ratios of R&D expenses to operating incomes of the Group in 2019 and 2020 Q1 are 3.14% and 32.44%, respectively. In the future, we will maintain such level, and keep inputting R&D fees to improve product competitiveness.

Environment protection and energy-saving of automobile's lightweight have been the global consensus, and in order to realize lightweight, we can start from three aspects, structure design, material application and manufacturing technology, where the adaptation of material application has been the most direct and effective way, such as high strength thin steel sheet application and aluminum/magnesium alloy material application. The Group is a leading high-strength sheet dies manufacturer, and is the earliest firm to engage in automobile high strength die development, and our success experiences include that most of the high strength parts inside the chassis in every car series of ShangHai General Motor (SGM) are manufactured by the Group, especially that tensile strength of the SGM SKODA's front and rear doors impact beam is up to 1450Mpa (The highest strength in cold stamping part ever), and its dies are also developed by the Group. Through numerous success experiences (listed in the table below), the Group had collected relevant technological parameters to build the database, providing technological assistance to new development projects, and in the future we will continue to optimize technology for high strength steel sheet field to increase success rate and

decrease development cost to raise the market competitiveness.

Moreover, the Group's aluminum alloy part dies also have successful development case for the left and right side wall external sheet dies being the highest difficulty in car-body dies. The Group has acquired forming characteristics and relevant parameters of aluminum alloy material and set project of aluminum alloy dies for research and development to target extensive applications of aluminum alloy material for high-end automobiles and new energy automobiles, actively participate in the prior-period technology interaction and seek to adopt collaboration strategy with international major manufacturers, and to acquire related orders subsequently, and in the future we will broaden business of the aluminum alloy material application project.

(4) The impact of important domestic and oversea policy and regulation changes on the financial status of the Company and counter measures:

The Company's registration country is Cayman Islands, and is an economic open country with no exchange rate restriction, and the investment environments are stable. The major operation location is China, and the political and economic environment is still stable. The Group's products production and sale and operation implementation is conducted according to the national policy and law of the registration country and operation location country, and we are aware of and acquire policy development and law change any time to assess influences on the Group to facilitate the Group to take appropriate counter measures. There is no material influence on the Group's financial operation due to change in domestic and foreign important policies and law in the most recent year and as of the most recent period as of the publication date of the annual report.

(4) The impact of technological and industrial changes on the financial status of the Company and counter measures

In recent years, as the technology changing for the better rapidly and safety and energy-saving and environment protection being emphasized for global automobile industry, except of acquire technology trend of automobile industry any time, the Group also implements innovation and R&D for thickness, property and high confidence characteristics of various car-body materials, such as aluminum and high-strength steel material, and implements synchronize development with car manufacturer to acquire development trend of automobile industry, therefore there should be no material unfavorable influence by

technology and industry change on the Group's financial business.

(6) The impact of corporate image change on the Company's crisis management and counter measures

Since establishment, the Group has focused on its main businesses, and continued to enhance the internal management and improve the quality optimization to build professional image of the Group, and the product quality is recognized by major automobile manufacturers, and the Company's brand image has a good reputation among the industry, therefore there should be no corporate image changes taken place.

(7) Expected benefits, possible risks of M&A and counter measures

Up to the publication date of the annual report, the Group has not had any plan concerning merge and acquisition, and if any M&A plans are planned in the future, we will assure shareholders' rights as the premise and conduct the M&A according to the law and internal regulations of the Company, and carefully assess its comprehensive effects.

(8) Expected benefits and possible risks of plant expansion and countermeasures

To fit the operation expansion plan in the future, the Group investing to establish the new company, called "Zhejiang Hornngshiue Intelligence Manufacturing Co., Ltd.", which start production in 2020 to facilitate the Group to expand operation scope, reduce production costs and raise overall competitiveness, hence possible risks of plant expansion are still limited.

(9) The impact of concentration of purchase or sales and counter measures

1. The impact of concentration of purchase and counter measures

Major suppliers of the Group is at China, and have good performances in lead time, price and quality, and the Group has always maintained a good relationship with the supplier, which poses positive effects for aspects such as reducing costs, product safety and reliability, stable quality and grade of fit of lead time. The supplier whose ratios of purchase amounts from it to all purchases exceeding 10% in 2018、2019 and 2020 Q1 is only ShangHai Qin Zhong Precision Industrial Co., Ltd., but the ratio did not exceed 20%, indicating no risks by concentration of purchase for the Group. The Group has maintained two or more suppliers for each major purchase type and maintained long-term and good collaboration relationships with all suppliers to assure the stability of goods supply source,

therefore, there should not be any risk from purchase concentration yet.

2. The impact of concentration of sales and counter measures

For single car-type, development from design to mass production could take about four years, and normally an automobile has 250 to 320 car-body parts regardless of their sizes, the required mold number is roughly 1,000 to 1,200 sets based on different quality demands, production condition and precision levels, and that for single car-type, the production of molds would not be depend on only single mold factory, thus selling peak periods for each car manufacturer are not necessarily identical to the Group, in addition to enormous customer number, the Group adopts customized way for order-taking, production and sales, which is not the normal mass-production industry, and changes in sales percentage to customers is primarily caused by the indefinite schedule for new car-type development and old car model-changing for each car manufacturers, which is the normal characteristic of automobile die industry, therefore there should not be any risk resulting from concentration of sales.

- (10) The impact of mass share transfer of or change of Directors, Supervisors or shareholders holding more than 10% of the Company's shares, the risks and counter measures

From the established of our company to the publication date of the annual report, only major shareholders had transferred shares due to personal financial plan and adjustment of equity structure, yet it does not change the major shareholders thus no impacts on the Group thereby.

- (11) The impact of the change of management on the Company, the risks and counter measures:

There were no changes in the Company's right to operate in recent year and up to the publication of the annual report. The Company has strengthened various corporate governance measures and introduced independent directors to set up an audit committee with a view to enhancing the protection of the overall shareholders' equity. Moreover, the Company's daily operations rely on professional managers. The strong professional manager team has a considerable contribution to the Company's operating results, and should be able to continue receiving the support from shareholders in the future. Therefore, if there is a change in the Company's right to operate, it should not have a major negative impact on the Company's management and operational advantages.

- (12) If there is any litigation or non-litigation, please list the significant litigation, non-litigation or administrative litigation with its judgment already made or pending which is related to the Company or the Company's Directors, Supervisors, General Manager, actual person in charge, shareholders holding more than 10% of the Company's shares or affiliates. If the result may have a significant impact on the shareholders' equity or the price of the Company's shares, please disclose the fact of the dispute, the claim amount, the date of commencement of the litigation, the principal litigants and the handling of the situation as of the date of publication of the annual report:

There had not been any significant litigation, non-litigation or administrative litigation with its judgment already made or pending which is related to the Company or the Company's Directors, Supervisors, General Manager, actual person in charge, shareholders holding more than 10% of the Company's shares or affiliates in this year as of the publication date of the annual report.

- (13) Other important risks and counter measures:

1. The overall economic, political and economic environmental, foreign exchange, law risks.

The Company is registered at the Cayman Island, and the primary operation location is at China, therefore overall economic, political environment change and law change at the registration and primary operation location will influence the Group's operation status.

2. Shareholders' equity protection

Company Acts at the Cayman Islands and the R.O.C. have many different regulation, and there are many different regulations concerning corporation operations at both locations, the investors could not compare and apply the legitimate rights protection point of view of investments for R.O.C corporations to the invested Cayman Islands corporations, and they should firmly understand and consult to experts to confirm whether or not investing Cayman Islands corporations has the risk of not receiving protection of shareholders' equity.

3. Risks concerning statements made in this annual report

(1) Factoral and statistical information

Numerous information and statistical information of the annual report are taken from different statistic publications, and that information could be inaccurate, incomplete or not the newest information. The Company does not announce any statements to trueness and accurateness of those statements, and investors should not excessively depend on those data to make investment judgments.

(2) Prospective statements and risks and uncertainty stated in this annual report

For numerous prospective statements and information related to the Company and the affiliate corporations as stated in this annual report, such statement and information is based on the Company management beliefs, assumptions and acquired information at the time. Such statement will be subject to influences of several risks, uncertainty factors and assumptions, and investors should carefully consider that dependence on any prospective statement involves known and unknown risks and uncertainty factors.

According to the above statements, although the Group has the above risks, whether they will occur or not should be determined by numerous uncertainty factors in the future and the Group's counter measures.

4. Information security risk evaluation:

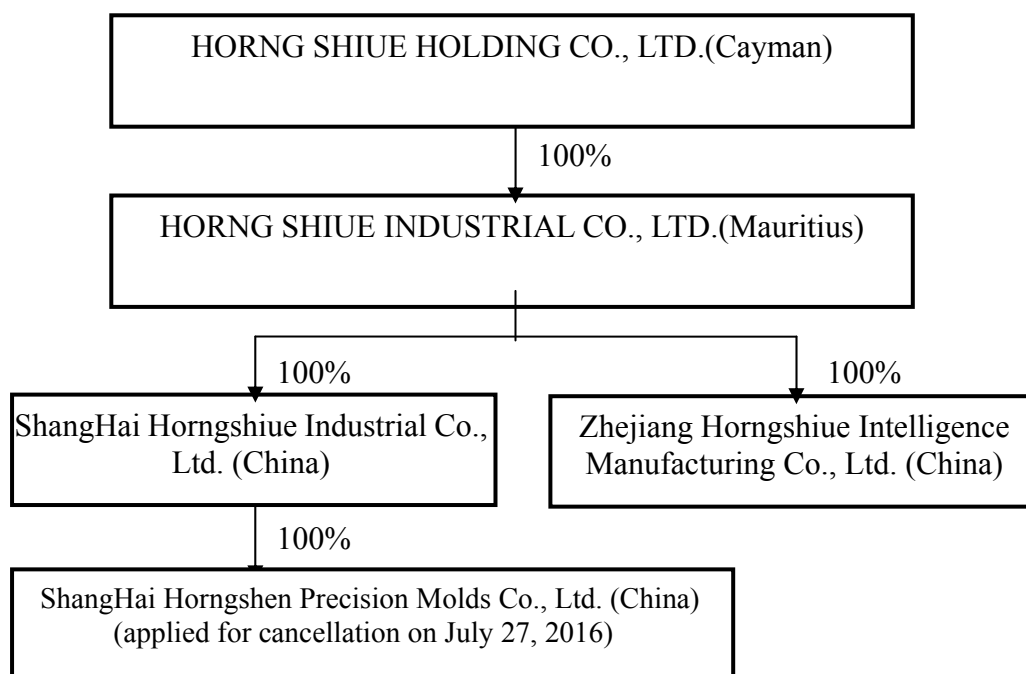
In order to maintain normal operation of relevant information systems, equipment and network and guarantee confidentiality in computer information process, the Company has established information management system, introduced information security protection equipment and software to avoid information security events, such as vicious attack or vulnerability-induced information leakage, and implemented backups for important data to assure data completeness and decrease loss risk.

7. Other important matters: Nil.

VIII. Special Notes

1. Information about the Company's Affiliates

(1) Chart for Affiliates



(2) Basic Information for affiliates

May 31, 2019; Unit: Foreign currency Thousand dollars

Enterprise Name	Establishment Date	Address	Paid-in Capital	Main Business and Production
HORNG SHIUE INDUSTRIAL Co., Ltd.	2003.06	3rd floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	USD 36 million	Holding company
ShangHaiHorngshiue Industrial Co., Ltd. (China)	2000.09	No. 100, Rongchang Road, Chedun Township, Songjiang District, Shanghai City.	USD20 million	Manufacture, machining and sale of automobile dies
Zhejiang Horngshiue Intelligence Manufacturing Co., Ltd. (China)	2018.01	No. 999, Huxun Boulevard, S. Xun District, Huzhou City, Zhejiang Province	USD 9.1 million	Manufacture, machining and sale of automobile dies

(3) Information about common shareholders of entities presumed to have a controlling and subordinaterelationship: Nil.

(4) Overview of the operations of the affiliates

Our Company and affiliates' operating businesses include manufacturing and selling a variety of car molds, gauges, and fixtures.

(5) Information about the directors, supervisors and general managers of the affiliates

May.31 2020 ; Unit: thousand shares, %

Affiliate	Title	Name or representative	Shareholding	
			Share	%
HORNG SHIUE INDUSTRIAL Co., Ltd.	Chairman	LIN,WEI-YUAN	—	—
ShangHaiHorngShiue Industrial Co., Ltd.	Executive Director	LIN,WEI-YUAN	—	—
	Supervisor	CHEN,QING-MEI		
	General Manager	XIAO,WEN-ZHOU		
Zhejiang HorngShiue Intelligence Manufacturing Co., Ltd	Executive Director	LIN,WEI-YUAN	—	—
	Supervisor	DAI,YU-HUA		
	General Manager	XIAO,WEN-ZHOU		

(5) Information about operation of affiliate enterprise

December 31 2018;Unit: foreign currency thousands

Enterprise name	Capital	Total asset	total liability	Net value	Operate income	Operation profit	Current profit and loss after tax	Earning per share after tax
HORNG SHIUE INDUSTRIAL Co., Ltd.	USD 36,000	USD 39,967	USD 426	USD 39,541	USD 0	USD (0.31)	USD (3,415)	USD (0.094)
ShangHaiHorngShiue Industrial Co., Ltd.	USD 20,000	RMB 653,316	RMB 469,815	RMB 183,500	RMB 394,804	RMB (24,516)	RMB (29,248)	—
Zhejiang Horngshiue Intelligence Manufacturing Co., Ltd. (China)	USD 9,100	RMB 137,109	RMB 74,605	RMB 62,504	RMB 33,842	RMB (127)	RMB 2,114	—

(7)The consolidated financial statements and statements of the affiliates

Foreign company doesnot need to follow the regulations of preparation codes to prepare consolidated financial statements of affiliate enterprises and submit statements, and for our Company's consolidated financial statements, please refer to APPENDIX in Page 124.

(8)Relationship report

Our company is not subordinate company defined in the company law affiliated enterprise, so it does not apply to the report.

2. Private placement securities in recent year and as of the date of this annual report: none.
3. Status of our company common shares acquired, disposed of, and held by subsidiaries in recent year and as of the date of this annual report: none.
4. Other necessary supplement:

The Company has stipulated important contents protecting shareholders' equities in articles of incorporation or other internal regulations based on the Checklist of protection issues of shareholders' equity in registration country for foreign issuers (hereinafter, "Checklist of protection issues of shareholders' equity") stipulated by Taiwan Stock Exchange Corporation. However, for the following issues, due to restrictions of Cayman Islands laws, differences emerge between the articles of incorporations and the demands by "Checklist of protection issues of shareholders' equity" and they are described as follows:

Difference Items	Cayman laws and Description	Articles of incorporation regulations and description
Definition of "Special resolution": Refers to approval by over half of attended shareholders' voting rights at shareholders' meeting attended by shareholders possessing two-thirds or more of total issued shares by the Company. For total shares amount of attended shareholders insufficient to the abovementioned threshold, the corresponding definition becomes that approval by over two-thirds of attended shareholders' voting rights at shareholders' meeting attended by shareholders possessing half or more of total issued shares by the Company.	According to the companies law of British Cayman Island, special resolution in principle refers to the resolution made by approval by two-thirds or more of attended shareholders' voting rights, and legitimate attending number of people for shareholders' meeting is the number of shareholder possessing half or more of total issued shares by the Company.	According to meanings of Securities No. 0991701319 of Taiwan Stock Exchange Corporation on April 13, 2000 and Articles 39 and 2(1) of Articles of Incorporation, the special resolution refers to the resolution approved by two-thirds or more of voting rights of shareholders attended at a shareholders' meeting, which is attended by shareholders possessing half or more of total shares with voting rights issued by the Company, and they attend the meeting by themselves, and for institutional shareholders attending by the legally-authorized behalf, or attended by means of letter of authorization. Hence, it simultaneously satisfies both demands concerning voting percentages by British Cayman Laws and Taiwan's Company Acts for public companies.
1. Unless following the resolutions in shareholders' meetings to reduce capitals, the company could not write-off its shares. Capital reduction should be based on the shareholding ratio by shareholders. 2. Capital reduction may be implemented by share account	Relevant regulations regarding capital reduction of companies are stipulated in Article 14 to 18 of Company Act in	In Article 14 to 18 of Company Act in British Cayman Island, rigorous procedure and practical regulations are set for capital reduction for companies, and relevant regulations are mandatory regulations and could not be altered by articles of incorporation, which exhibits considerable differences to regulations to capital

Difference Items	Cayman laws and Description	Articles of incorporation regulations and description
refund through property other than cash. Refunded property and substitutive amount shall be resolved by shareholders meeting and approved by the shareholder receiving the property. 3. The abovementioned property value and substitutive amount shall be reported to R.O.C accountant for audit and certification by Board of Directors prior to the shareholders' meeting.	British Cayman Island.	reduction for companies in "Checklist of protection issues of shareholders' equity". To avoid ambiguity, we had obtained Cayman Island lawyers' opinion, thus revised Article 14 of articles of incorporation to make the corporate capital reduction handled approximately by procedures and conditions stipulated by British Cayman Island Laws and Regulations for Listed Companies. Concerning the regulations of corporate capital reduction in "Checklist of protection issues of shareholders' equity", we changed for repurchasing shares and stipulated the corresponding regulation in Article 24(1) of articles of incorporation to satisfy the regulation demands as stated in the most left column.
1.If shareholders' meetings are to be held outside of the R.O.C boundary, it should reported to Stock Exchange for approval within two days after the resolution by the Board of Directors or the convene acceptance acquisition from the authority by shareholders 2. When companies hold shareholders' meetings outside of the R.O.C boundary, they should appoint professional stock transfer agency within the R.O.C. boundary to handle shareholders' voting matters.	There are no relevant regulations in Company Acts of British Cayman Island.	Since the former Article 31 of articles of incorporation regulates that, "During the listed period, the Company's shareholders' meeting should be held within the R.O.C boundary", and no exceptions, so there is no need to stipulate regulations concerning handling acceptance or report procedures if shareholders' meetings are held at outside of the R.O.C. boundary. Besides, during the listed period, shareholders' meetings are held within the R.O.C boundary for domestic and foreign issuers, but the domestic and foreign issuers will appoint professional stock transfer agency within the R.O.C boundary to handle shareholders' voting matters.
For shareholders continuous for over one year and possessing 3% or more of total amount of issued shares, they should specify clearly in written documents the proposed moves and reasons to require the Board of Directors to convene	There is no authority to accept and convene shareholders' meetings at local British Cayman	Since the foreign issuer is the Company established according to the Company Act of British Cayman Island, and there is no authority to review whether or not shareholders could convene shareholders' meetings on their own at local British Cayman Island. Therefore, Article 32 of

Difference Items	Cayman laws and Description	Articles of incorporation regulations and description
extraordinary general meetings. If Board does not made convening notifications within 15 days after the requirement, the shareholders could report to the authority for approval and convene on their own.	Island.	articles of incorporation states that,For shareholders continuous for over one year and possessing 3% or more of total amount of issued shares, they should specify clearly in written documents the convene moves and reasons to require the Board of Directors to convene extraordinary general meetings, and if Board does not made convening notifications as written requirement demanded within 15 days after acceptance of the requirement, the shareholders made the requirement could convene shareholders' meetings on their own without reporting to the authority for approval. This fulfills the meanings of Securities No. 0991701319 announced by Taiwan Stock Exchange on April 13, 2000 and it should have no unfavored effects for shareholders' rights.
Shareholders exercising their voting rights via written or electrical means will be regard to as attending shareholder's meeting on their own.	There are no relevant regulations in Company Acts of British Cayman Islands.	For shareholders exercising their voting rights via written or electrical means will be regard to as appointing the chairperson of shareholders' meetings to be their agent in British Cayman Islands. Therefore, as the latter of Article 57 of articles of incorporation regulates, it will be regarded to as appointing the chairperson of the shareholders' meetings to be their agent for such situation, and the agent will exercise the voting rights according to the written or electrical document content.
After exercising voting rights by written or electrical means, those intended to attend shareholders' meeting on their own should revoke the declaration of intention of the precedent voting rights exercising by the identical way of exercising voting rights two days prior to the shareholders' meeting. For overdue revocation, the voting rights exercised by written or electrical means should prevail.	There are no relevant regulations in Company Acts of British Cayman Islands.	According to Ogier's opinions, no relevant judicial decision had been made at British Cayman Island so far as he knows. Yet, the British case(which is persuasive to the Bitish Cayman Island court) considers that, even though the shareholder does not following articles of incorporation to revoke the agent authorization would not interfere him or her to exercise his or her voting rights on his or her own, as well as exclude the calculation of the authorized agent's voting right. Therefore, Article 58 and 61 of articles of incorporation regulates that, "After exercising voting
After the letter of authorization has		

Difference Items	Cayman laws and Description	Articles of incorporation regulations and description
arrived at the Company, if shareholders intend to attend shareholders' meeting on their own or through written or electrical means to exercise their voting rights, they should revoke the authorization by writing notifications to the company two days prior to the shareholders' meeting. For overdue revocation, the voting right exercised by authorized agent at attendance should prevail.		rights by written or electrical means, if the shareholder intends to attend shareholders' meeting on his or her own, he or she should revoke the declaration of intention of the precedent voting rights exercising by the identical way of exercising voting rights two days prior to the shareholders' meeting. For overdue revocation, the voting rights exercised by written or electrical means should prevail. But if the shareholder attended the shareholders' meeting and exercise the voting right even as the shareholder did not notify revocation according to this regulation, then the act of the shareholder attending on his or her own and exercise the voting right should be viewed as that he or she had revoked the declaration of intention of the precedent voting rights exercising by written or electrical means according to this regulation.”, ”After the letter of authorization has arrived, if shareholders intend to attend shareholders' meeting on their own or through written or electrical means to exercise their voting rights, they should revoke the authorization by writing notifications to the company or the stock transfer agency at least two days prior to the shareholders' meeting. For overdue revocation, the voting right exercised by authorized agent at attendance should prevail. But if the shareholder attended the shareholders' meeting and exercise the voting right on his or her own even as the shareholder did not notify revocation according to this regulation, then the act of the shareholder attending on his or her own and exercise the voting right should be viewed as that he or she had revoked the declaration of intention of the precedent authorization according to this regulation.” Hence, after exercising the voting right through written or electrical means or providing letter of authorization, if the shareholder attends the shareholders' meeting on his or her own and exercise the

Difference Items	Cayman laws and Description	Articles of incorporation regulations and description
		voting right without revoking his or her declaration of intension of precedent voting right exercising two days prior to the shareholders' meeting according to the Article 58 and 61 of articles of incorporation, even though the shareholder did not actually send revocation notifications, the act of the shareholder's attendance of voting right exercise can be viewed as that the shareholder had revoked the declaration of intension of precedent voting right exercising by written, electrical or authorization means according to the regulations of articles of incorporation, therefore satisfy the regulation of Cayman Island laws.
1.If the company's director or supervisor transfer shares of the company in his or her tenure exceeding half share amounts he or she held as elected, then he or she will be subject to ipso facto dismissal. 2.If the company's director or supervisor is elected, and transfer shares of the company exceeding half share amounts he or she held as elected before he or she takes office, or transfer share amounts exceeding half that held during the suspension period of share transfer for a shareholders meeting, the election shall be deemed invalid.	There are no relevant regulations in Company Acts of British Cayman Islands.	Referring to Articles 14(2)-4 of Securities Exchange Laws, independent directors ' sharestransfer does not apply to regulations of latter part of Article 197(1) and Article 3 of Taiwan Company Acts, therefore Article 83(2) and 83(3) clearly excluded applications to independent directors as demanded in the regulation in the most left column.
1.Shareholders continuous for one year or more and holds 3% or more shares of the total amount of issued shares could require supervisors file a litigation toward directors for the company by written means, and could set Taiwan Taipei District Court to be the court of jurisdiction for the first instance. 2.Within 30 days after the shareholder proposed the requirement, if the director does not	There are no relevant regulations in Company Acts of British Cayman Islands.	As the foreign issuer does not set a director, and by reference of regulations of Article 14(4)-3 of Securities Exchange Law and the meanings of Commerce No. 10000533380 by Ministry of Economy on March 1, 2001, independent directors will substitute the supervisor part in the most left column, and regulates in Article 86 of articles of incorporation that, some shareholders could require any independent director in the audit committee to file a litigation toward the

Difference Items	Cayman laws and Description	Articles of incorporation regulations and description
file a litigation, the shareholder can file a litigation for the company and set the Taiwan Taipei District Court to be the court of jurisdiction for the first instance.		director jeopardizing the foreign issuer by the job responsibility implement or violating Cayman Island Laws, Regulations for Listed Companies or articles of incorporation to the court having jurisdiction(inclusive of Taiwan Taipei District Court) for the foreign issuer.

IX. Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner's Equity and Securities Price as Stipulated in Item 2, Paragraph 3 of Article 36 of the Securities Exchange Law: None.

APPENDIX: Consolidated financial report of the most recent year

HORNG SHIUE HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Horng Shiue Holding Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Horng Shiue Holding Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation 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 for opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS) for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Appropriateness of cut-off of stamping die sales revenue

Description

Refer to Note 4(28) for accounting policy on sales revenue.

The Group's revenue is mainly derived from automotive sheet metal stamping die sold by assembly plant and stamping factory. As the automotive industry belongs to a buyer's market, revenue is recognised when customers accept the products and the control of products has been transferred to customers.

Given that revenue recognition involves several manual processes which may affect the accuracy of sales revenue recognition timing, and revenue is significant to the financial statements, we considered cut-off of sales revenue as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in relation to the above key audit matter:

1. Obtained an understanding of and inspected the procedures on sales revenue recognition of automotive sheet metal stamping die. Assessed and tested the effectiveness of design and performance of the internal control procedures on sales revenue recognition, and confirmed whether they were adopted consistently during the comparative period of the financial statements.
2. Performed confirmation on the Company's accounts receivable around the year-end date in order to check whether recorded accounts receivable and revenue recognition timing are reasonable.
3. Performed cut off test on sales revenue transactions around the balance sheet date, and verified the date on the acceptance receipts that had been signed by customers in order to check the accuracy of cut-off timing.

Valuation of allowance for inventory valuation losses

Description

Refer to Note 4(10) for accounting policy on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(3) for the details of inventory.

The Group is primarily engaged in the manufacture, processing and trading of automotive sheet metal stamping die and gauge. As the manufacturing cycle is longer than one year, there is a high possibility that inventory valuation loss would occur due to fluctuations in prices of materials, labor costs and demand. The Group's inventories are measured at the lower of cost and net realisable value, and the Group provides allowance for inventory valuation loss on inventories that are over a certain age and inventories individually identified as obsolete or slow-moving.

Inventory of \$1,386,776 (constituting 42% of total assets) is significant to the financial statements, and the assessment of net realisable value involves subjective judgment resulting in a high degree of estimation uncertainty. Thus, we considered valuation of allowance for inventory valuation losses as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in relation to the above key audit matter:

1. Assessed the reasonableness of policies and procedures on allowance for inventory valuation loss based on our understanding of the operations and industry of the Group.
2. Obtained an understanding of the inventory control procedures, and reviewed annual inventory count plan and observed in the annual inventory count.
3. Obtained the Group's allowance for inventory valuation loss report, and selected samples of inventories to test the accuracy of calculation logic and information.
4. Interviewed management to obtain supporting documents in relation to net realisable value, and selected samples of and reviewed the related data to assess the reasonableness of determination of allowance for inventory valuation loss.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Yi-Fan

Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan
March 30, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HORNG SHIUE HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019	December 31, 2018
Current assets				
1100	Cash and cash equivalents	6(1)	\$ 163,598	\$ 254,183
1150	Notes receivable, net	6(2)	8,737	117,240
1170	Accounts receivable, net	6(2) and 8	889,957	877,865
1200	Other receivables		8,795	17,364
130X	Inventory	6(3)	1,386,776	1,932,626
1470	Other current assets	8	73,269	84,364
11XX	Total current assets		<u>2,531,132</u>	<u>3,283,642</u>
Non-current assets				
1600	Property, plant and equipment	6(4) and 8	406,432	484,788
1755	Right-of-use assets	6(5)	20,548	-
1780	Intangible assets		11,143	15,981
1840	Deferred income tax assets	6(23)	25,360	16,320
1900	Other non-current assets	6(6)	309,999	158,334
15XX	Total non-current assets		<u>773,482</u>	<u>675,423</u>
1XXX	Total assets		<u>\$ 3,304,614</u>	<u>\$ 3,959,065</u>

(Continued)

HORNG SHIUE HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019	December 31, 2018
	Current liabilities			
2100	Short-term borrowings	6(7)	\$ 159,197	\$ 225,452
2120	Current financial liabilities at fair value through profit or loss	6(8)	9,726	5,520
2130	Current contract liabilities	6(17)	604,542	964,194
2150	Notes payable		207,023	201,717
2170	Accounts payable		495,378	672,101
2200	Other payables	6(9)	207,268	224,555
2280	Current lease liabilities		340	-
2320	Long-term liabilities, current portion	6(11)	67,548	22,524
21XX	Total current liabilities		<u>1,751,022</u>	<u>2,316,063</u>
	Non-current liabilities			
2530	Bonds payable	6(10)	330,336	360,396
2540	Long-term borrowings	6(11)	393,297	312,757
2570	Deferred income tax liabilities	6(23)	4,612	4,724
25XX	Total non-current liabilities		<u>728,245</u>	<u>677,877</u>
2XXX	Total liabilities		<u>2,479,267</u>	<u>2,993,940</u>
	Equity			
	Share capital	6(14)		
3110	Share capital - common stock		457,185	416,000
	Capital surplus	6(15)		
3200	Capital surplus		511,359	488,515
	Retained earnings	6(16)		
3310	Legal reserve		16,253	16,253
3320	Special reserve		34,425	56,861
3350	(Accumulated deficit) unappropriated retained earnings		(86,726)	21,921
	Other equity interest			
3400	Other equity interest		(107,149)	(34,425)
3XXX	Total equity		<u>825,347</u>	<u>965,125</u>
	Significant contingent liabilities	9		
	Significant events after the balance sheet date	11		
3X2X	Total liabilities and equity		<u>\$ 3,304,614</u>	<u>\$ 3,959,065</u>

The accompanying notes are an integral part of these consolidated financial statements.

HORNG SHIUE HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for loss per share amount)

Items		Notes	Years ended December 31,	
			2019	2018
4000	Sales revenue	6(17)	\$ 1,767,065	\$ 2,061,361
5000	Operating costs	6(3)(20)(21)	(1,629,815)	(1,808,575)
5900	Net operating margin		137,250	252,786
	Operating expenses	6(20)(21)		
6100	Selling expenses		(19,117)	(18,168)
6200	General and administrative expenses		(73,281)	(102,348)
6300	Research and development expenses		(55,404)	(64,719)
6450	Impairment loss determined in accordance with IFRS 9	6(20) and 12(2)	(99,145)	(44,809)
6000	Total operating expenses		(246,947)	(230,044)
6900	Operating (loss) profit		(109,697)	22,742
	Non-operating income and expenses			
7010	Other income	6(18)	17,698	6,620
7020	Other gains and losses	6(19)	(5,582)	(10,320)
7050	Finance costs	6(22)	(39,931)	(47,472)
7000	Total non-operating income and expenses		(27,815)	(51,172)
7900	Loss before income tax		(137,512)	(28,430)
7950	Income tax benefit (expense)	6(23)	6,429	5,687
8200	Loss for the year		(\$ 131,083)	(\$ 34,117)
	Other comprehensive income			
	Components of other comprehensive income that will be reclassified to profit or loss			
8361	Other comprehensive (loss) income, before tax, exchange differences on translation		(\$ 45,924)	\$ 24,462
8500	Total comprehensive loss for the year		(\$ 177,007)	(\$ 9,655)
	Loss per share	6(24)		
9750	Basic loss per share		(\$ 3.03)	(\$ 0.82)
9850	Diluted loss per share		(\$ 3.03)	(\$ 0.82)

The accompanying notes are an integral part of these consolidated financial statements.

HORNG SHIUE HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Capital Reserves				Retained Earnings		Other Equity Interest			
								(Accumulated deficit) unappropriated retained earnings	Financial statements translation differences of foreign operations	Unearned compensation	Total equity
Notes	Share capital - common stock	Additional paid-in capital	Share options	Employee restricted stocks	Legal reserve	Special reserve					
<u>Year ended December 31, 2018</u>											
	\$ 416,000	\$ 490,692	\$ -	\$ -	\$ 12,064	\$ -	\$ 150,261	(\$ 58,887)	\$ -	\$1,010,130	
Balance at January 1, 2018	-	-	-	-	-	-	(34,117)	-	-	(34,117)	
Loss for the year	-	-	-	-	-	-	-	24,462	-	24,462	
Other comprehensive income	-	-	-	-	-	-	(34,117)	24,462	-	(9,655)	
Total comprehensive loss	6(16)										
Appropriations and distribution of 2017 retained earnings:											
Legal reserve	-	-	-	-	4,350	-	(4,350)	-	-	-	
Special reserve	-	-	-	-	-	58,887	(58,887)	-	-	-	
Cash dividends	-	-	-	-	-	-	(20,800)	-	-	(20,800)	
Differences in exchange rate arising from changes in functional currencies	-	(30,542)	-	-	(161)	(2,026)	(10,186)	-	-	(42,915)	
Issuance of convertible bonds	-	-	28,365	-	-	-	-	-	-	28,365	
Balance at December 31, 2018	\$ 416,000	\$ 460,150	\$ 28,365	\$ -	\$ 16,253	\$ 56,861	\$ 21,921	(\$ 34,425)	\$ -	\$ 965,125	
<u>Year ended December 31, 2019</u>											
	\$ 416,000	\$ 460,150	\$ 28,365	\$ -	\$ 16,253	\$ 56,861	\$ 21,921	(\$ 34,425)	\$ -	\$ 965,125	
Balance at January 1, 2019	-	-	-	-	-	-	(131,083)	-	-	(131,083)	
Loss for the year	-	-	-	-	-	-	-	(45,924)	-	(45,924)	
Other comprehensive loss	-	-	-	-	-	-	(131,083)	(45,924)	-	(177,007)	
Total comprehensive loss	6(16)										
Appropriations and distribution of 2018 retained earnings:											
Reversal of special reserve	-	-	-	-	-	(22,436)	22,436	-	-	-	
Conversion of convertible bonds	6(10)	21,185	18,958	(2,914)	-	-	-	-	-	37,229	
Issuance of employee restricted stocks	6(13)	20,000	-	-	6,800	-	-	-	(26,800)	-	
Balance at December 31, 2019	\$ 457,185	\$ 479,108	\$ 25,451	\$ 6,800	\$ 16,253	\$ 34,425	(\$ 86,726)	(\$ 80,349)	(\$ 26,800)	\$ 825,347	

HORNG SHIUE HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31,	
	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 137,512)	(\$ 28,430)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(20)(21)	64,453	75,277
Amortisation charge	6(20)(21)	13,126	10,985
Expected credit impairment loss	6(20)	99,145	44,809
Interest income	6(18)	(2,379)	(1,546)
Interest expense	6(22)	39,931	47,472
Net loss on financial liabilities at fair value through profit or loss	6(8)(19)	4,206	-
Losses on disposals of property, plant and equipment	6(19)	95	30
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		103,869	(24,319)
Accounts receivable		(83,769)	(9,464)
Other receivables		14,670	(9,387)
Inventories		469,452	76,235
Prepayments		(3,492)	(1,443)
Other current assets		(370)	(6,049)
Changes in operating liabilities			
Contract liabilities		(321,536)	(234,175)
Notes payable		13,280	67,455
Accounts payable		(150,155)	(84,368)
Other payables		(8,765)	36,851
Cash inflow (outflow) generated from operations		114,249	(40,067)
Interest received		2,379	1,546
Interest paid		(32,750)	(37,911)
Net cash flows from (used in) operating activities		83,878	(76,432)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other financial assets-current (shown as ‘Other current assets’)		11,681	27,502
Acquisition of property, plant and equipment	6(26)	(11,190)	(5,200)
Proceeds from disposal of property, plant and equipment		530	358
Acquisition of intangible assets		(3,490)	(3,141)
Decrease (increase) in refundable deposits		13,007	(17,542)
Increase in prepaid equipments (shown as ‘Other non-current assets’)		(166,141)	(60,919)
Decrease (increase) in other non-current assets		464	(787)
Net cash flows used in investing activities		(155,139)	(59,729)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net changes in short-term borrowings	6(27)	(60,871)	(390,223)
Proceeds from long-term borrowings	6(27)	166,802	379,002
Repayments of long-term borrowings	6(27)	(22,490)	(104,509)
Cash dividends paid	6(16)	-	(20,800)
Proceeds from issuing convertible bonds	6(27)	-	394,510
Principal repayment of lease liabilities	6(5)(27)	(456)	-
Net cash flows from financing activities		82,985	257,980
Effect of exchange rate changes		(102,309)	(5,713)
Net (decrease) increase in cash and cash equivalents		(90,585)	116,106
Cash and cash equivalents at beginning of year		254,183	138,077
Cash and cash equivalents at end of year		\$ 163,598	\$ 254,183

HORNG SHIUE HOLDING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and organisation

Hong Shiu Holding Co., Ltd. (the “Company”) was incorporated as a company in the Cayman Islands on March 24, 2015. The Company was established as part of an organisational restructuring as a result of applying for listing on the Taiwan Stock Exchange. On June 30, 2015, the Company acquired a 100% equity interest in Hong Shiu Industrial Co., Ltd. by exchanging shares through issuing new shares. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture, processing and trading of automotive sheet metal stamping die and gauge, and providing after sales services, such as technique consulting. The Company was listed on the Taiwan Stock Exchange starting from September 27, 2017.

2. The date of authorisation for issuance of the consolidated financial statements and procedures for authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 30, 2020.

3. Application of new standards, amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
 - B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$22,473, increased 'lease liability' by \$783 and decreased other non-current assets by \$21,690 with respect to the lease contracts of lessees on January 1, 2019.
 - C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
 - (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
 - D. The Group calculated the present value of lease liabilities by using the incremental borrowing interest rate of 2.14%.
 - E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The amount of aforementioned present values is the same as the amount of lease liabilities recognised on January 1, 2019.
- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of significant accounting policies

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

(1) Compliance statement

The consolidated financial statements of the Group 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 referred herein as the "IFRSs").

(2) Basis of preparation

A. The consolidated financial statements have been prepared under the historical cost convention.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included 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 Group 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 Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised 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.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
The Company	Horng Shiue Industrial Co., Ltd.	Holding company	100%	100%	
Horng Shiue Industrial Co., Ltd.	Shanghai Horngshiue Industrial Co., Ltd. (Shanghai Horngshiue)	Manufacture, processing and trading of automotive stamping die	100%	100%	
Horng Shiue Industrial Co., Ltd.	Zhejiang Horngshiue Industrial Co., Ltd. (Zhejiang Horngshiue)	Manufacture, processing and trading of automotive stamping die	100%	100%	
Shanghai Horngshiue Industrial Co., Ltd. (Shanghai Horngshiue)	Shanghai Hongxian Precision Die Co., Ltd. (Shanghai Hongxian)	Manufacture of stamping die, gauge and fixtures	-	100%	Note

Note: The liquidation of Shanghai Hongxian Precision Die Co., Ltd. was completed in December 2019.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: Not applicable.

E. Significant restrictions: Not applicable.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is RMB; however, the consolidated financial statements are presented in New Taiwan dollars under the regulations in relation to financial statements made by Taiwan Stock Exchange. Considering management benefit of Group financing, the Company changes its operating target to plan the Group's financing activities, and the Group conducts its NTD-dominated financing activities in Taiwan. To reflect the changes in economic environment, the Group changes the functional currency from RMB to NTD, and prospective application of IAS 21, 'The effects of changes in foreign exchange rates' effective from October 1, 2018. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency

different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expense presented in each comprehensive income statement are translated at average exchange rates of that period.
- (c) All resulting exchange differences are recognised in other comprehensive income.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) 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 issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid 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 meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured

at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their

estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	20	years
Machinery and equipment	2-10	years
Transportation equipment	4-5	years
Office equipment	2-12	years
Other equipment	5-20	years

(12) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(13) Leased assets/ operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(14) Intangible assets

Intangible assets, mainly, computer software, are amortised using the straight-line method over 1-3 years.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Accounts and notes payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these

financial liabilities at fair value with any gain or loss recognised in profit or loss.

(19) Convertible bonds payable

The bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

- (a) The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- (b) The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- (c) The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- (d) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- (e) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') is remeasured on the conversion date. The book value of common shares issued due to the conversion is based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - share options.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

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

(22) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' remuneration

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

(24) Employee share-based payment

Employee restricted shares:

- A. Restricted stocks issued to employees are measured at the market price of the equity instruments granted at the grant date and are recognised as compensation cost over the vesting period.
- B. For restricted stocks where those stocks do not restrict distribution of dividends to employees but employees must return the dividends received if they resign during the vesting period, when the Group receives dividends from employees resigning during the vesting period, the Group credits related amounts that were previously debited from capital surplus at the date of dividends declared.

- C. For restricted stocks where employees do not need to pay to acquire those stocks, if the Company will not pay the employees who resign during the vesting period to take back their stocks, the Group estimates such payments that will be made and recognises such amounts as compensation cost and liability at the grant date in accordance with the terms of restricted stocks. The Group recognises compensation cost and other equity-earned compensation at the grant date in accordance with the terms of restricted stocks.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically 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 the tax authorities.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. 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 recognised amounts and there is an intention to settle on a net basis or realise 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 realise the asset and settle the liability simultaneously.

(26) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

- A. The Group manufactures and sells stamping die and gauge products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. Critical accounting judgements, estimates and key sources of assumption uncertainty

The preparation of these financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to changes in market demands and material prices, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. Details of significant accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	\$ 90	\$ 90
Demand deposits	163,508	254,093
	<u>\$ 163,598</u>	<u>\$ 254,183</u>

A. 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.

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

(2) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	\$ 8,737	\$ 117,240
Accounts receivable	\$ 1,039,104	\$ 951,672
Less: Allowance for uncollectible accounts	(149,147)	(73,807)
	<u>\$ 889,957</u>	<u>\$ 877,865</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due				
Up to 1 year	\$ 738,265	\$ 8,737	\$ 678,796	\$ 117,240
Over 1 year	300,839	-	272,876	-
	<u>\$ 1,039,104</u>	<u>\$ 8,737</u>	<u>\$ 951,672</u>	<u>\$ 117,240</u>

The above ageing analysis was based on invoice date.

- B. As of December 31, 2019, December 31, 2018 and January 1, 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to \$1,047,841, \$1,068,912, and \$1,074,660, respectively.
- C. Details of the Group's notes and accounts receivable pledged to others as collateral are provided in Note 8.
- D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$8,737 and \$117,240, and accounts receivable were \$889,957 and \$877,865, respectively.
- E. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

(3) Inventories

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Materials and supplies	\$ 56,933	\$ -	\$ 56,933
Work in progress	1,091,078	(12,071)	1,079,007
Finished goods	258,689	(7,853)	250,836
	<u>\$ 1,406,700</u>	<u>(\$ 19,924)</u>	<u>\$ 1,386,776</u>
December 31, 2018			
	Cost	Allowance for valuation loss	Book value
Materials and supplies	\$ 140,440	\$ -	\$ 140,440
Work in progress	1,823,343	(31,157)	1,792,186
Finished goods	3,837	(3,837)	-
	<u>\$ 1,967,620</u>	<u>(\$ 34,994)</u>	<u>\$ 1,932,626</u>

The cost of inventories recognised as expense for the year:

Years ended December 31,			
	2019	2018	
Cost of goods sold	\$ 1,640,161	\$ 1,849,305	
Gain on reversal of inventory valuation losses	(10,346)	(40,730)	
	<u>\$ 1,629,815</u>	<u>\$ 1,808,575</u>	

Gain on reversal of allowance for inventory valuation losses arose from the inventories sold in the period which were previously provided with allowance.

(4) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2019</u>							
Cost	\$ 164,031	\$ 886,742	\$ 16,395	\$ 38,922	\$ 27,883	\$ -	\$ 1,133,973
Accumulated depreciation	(92,611)	(492,278)	(12,499)	(28,896)	(22,901)	-	(649,185)
	<u>\$ 71,420</u>	<u>\$ 394,464</u>	<u>\$ 3,896</u>	<u>\$ 10,026</u>	<u>\$ 4,982</u>	<u>\$ -</u>	<u>\$ 484,788</u>
<u>2019</u>							
Opening net book amount as at January 1	\$ 71,420	\$ 394,464	\$ 3,896	\$ 10,026	\$ 4,982	\$ -	\$ 484,788
Additions	-	792	-	199	150	239	1,380
Disposals	-	-	(577)	(41)	(7)	-	(625)
Depreciation	(7,370)	(49,752)	(1,588)	(1,044)	(1,291)	-	(61,045)
Net exchange differences	(2,543)	(14,949)	(72)	(343)	(151)	(8)	(18,066)
Closing net book amount as at December 31	<u>\$ 61,507</u>	<u>\$ 330,555</u>	<u>\$ 1,659</u>	<u>\$ 8,797</u>	<u>\$ 3,683</u>	<u>\$ 231</u>	<u>\$ 406,432</u>
<u>At December 31, 2019</u>							
Cost	\$ 157,547	\$ 793,951	\$ 12,242	\$ 37,211	\$ 26,858	\$ 231	\$ 1,028,040
Accumulated depreciation	(96,040)	(463,396)	(10,583)	(28,414)	(23,175)	-	(621,608)
	<u>\$ 61,507</u>	<u>\$ 330,555</u>	<u>\$ 1,659</u>	<u>\$ 8,797</u>	<u>\$ 3,683</u>	<u>\$ 231</u>	<u>\$ 406,432</u>

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
<u>At January 1, 2018</u>						
Cost	\$ 165,977	\$ 899,189	\$ 18,082	\$ 38,824	\$ 28,383	\$ 1,150,455
Accumulated depreciation	(86,101)	(438,569)	(12,711)	(28,448)	(22,978)	(588,807)
	<u>\$ 79,876</u>	<u>\$ 460,620</u>	<u>\$ 5,371</u>	<u>\$ 10,376</u>	<u>\$ 5,405</u>	<u>\$ 561,648</u>
<u>2018</u>						
Opening net book amount as at January 1	\$ 79,876	\$ 460,620	\$ 5,371	\$ 10,376	\$ 5,405	\$ 561,648
Additions	-	106	1,192	946	929	3,173
Disposals	- (	25)	(265)	(31)	(67)	(388)
Reclassifications	37	-	-	-	(37)	-
Depreciation	(7,495)	(60,753)	(2,350)	(1,133)	(1,177)	(72,908)
Net exchange differences	(998)	(5,484)	(52)	(132)	(71)	(6,737)
Closing net book amount as at December 31	<u>\$ 71,420</u>	<u>\$ 394,464</u>	<u>\$ 3,896</u>	<u>\$ 10,026</u>	<u>\$ 4,982</u>	<u>\$ 484,788</u>
<u>At December 31, 2018</u>						
Cost	\$ 164,031	\$ 886,742	\$ 16,395	\$ 38,922	\$ 27,883	\$ 1,133,973
Accumulated depreciation	(92,611)	(492,278)	(12,499)	(28,896)	(22,901)	(649,185)
	<u>\$ 71,420</u>	<u>\$ 394,464</u>	<u>\$ 3,896</u>	<u>\$ 10,026</u>	<u>\$ 4,982</u>	<u>\$ 484,788</u>

Refer to Note 8 for further information on property, plant and equipment pledged to others as collateral.

(5) Leasing arrangements — lessee

Effective 2019

A. The Group leases various assets including land use right and buildings. Rental contracts are typically made for periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Land use right	\$ 20,212	\$ 646
Buildings	336	448
	<u>\$ 20,548</u>	<u>\$ 1,094</u>

C. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended
	December 31, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 12

D. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$456.

(6) Other current assets

	December 31, 2019	December 31, 2018
Guarantee deposits paid	\$ 77,589	\$ 67,315
Long-term prepaid rent	-	21,690
Unrealised losses on sale and lease-back	5,696	8,248
Prepayment for equipment	226,140	59,999
Other prepaid expenses	574	1,082
	<u>\$ 309,999</u>	<u>\$ 158,334</u>

Long-term lease prepayments are paid for land use right, movements relating to land use right are as follows:

	Year ended
	December 31, 2018
Balance at the beginning of year	\$ 22,652
Amortisation	(649)
Net exchange differences	(313)
	<u>\$ 21,690</u>

On December 29, 2000 and March 17, 2004, the Group signed a land use right contract with Shanghai Songjiang District Planning and Land Administrative Bureau, People's Republic of China for the use of the land in No. 540, Songjiang, Songjiang District, Shanghai with a term of 50 years.

(7) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 30,035	3.72%	Pledged time deposit
Unsecured borrowings	129,162	4.61 ~ 6.09%	None
	<u>\$ 159,197</u>		

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	90,973	4.85%	Pledged time deposit
Unsecured borrowings	134,479	4.35 ~ 6.09%	None
	<u>\$ 225,452</u>		

The Group recognised interest expenses in profit or loss for the years ended December 31, 2019 and 2018 amounting to \$8,391 and \$22,790, respectively.

(8) Financial liabilities at fair value through profit or loss

Items	December 31, 2019	December 31, 2018
Current items:		
Financial liabilities designated as at fair value through profit or loss		
Put options convertible bonds	<u>\$ 9,726</u>	<u>\$ 5,520</u>

- A. The issuance of convertible bonds by the Company amounting to \$9,726 was recognised under 'financial liabilities designated as at fair value through profit or loss on initial recognition' due to their compound instrument feature.
- B. For the year ended December 31, 2019 and 2018, the Group has recognised loss and gain on changes in fair value amounting to (\$4,206) and \$871, respectively, and they are not attributable to the changes in credit risk of the liabilities.
- C. For the terms and conditions of the Company's first domestic unsecured convertible bonds, please refer to Note 6(10).

(9) Other payables

	December 31, 2019	December 31, 2018
Salary and bonus payable	\$ 43,526	\$ 54,071
Social insurance payable	78,080	80,560
Value-added tax payable	25,767	2,407
Freight payable	39,435	58,418
Payables for machinery and equipment	146	886
Payables for purchase of computer softwares	4,930	4,169
Accrued employees' compensation and directors' and supervisors' remuneration	4,427	4,427
Other payables	<u>10,957</u>	<u>19,617</u>
	<u>\$ 207,268</u>	<u>\$ 224,555</u>

(10) Bonds payable

	December 31, 2019	December 31, 2018
Unsecured convertible bonds payable	\$ 330,336	\$ 360,396

A. Domestic convertible bonds issued by the Company

The terms of the first domestic unsecured convertible bonds issued by the Company are as follows:

- (a) The competent authority has approved the Company's first time raising and issuance of domestic unsecured corporate bonds. The bonds are with a total issuance amount of \$400,000 and a coupon rate of 0%, cover a 5-year period of issuance and a circulation period from November 30, 2018 to November 30, 2023. The bonds will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on November 30, 2018.
- (b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after 3 months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (c) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 103% and 104% of the face value as interests upon three years and four years from the issue date, respectively.
- (d) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time when the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

- (e) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
 - (f) For the year ended December 31, 2019, the bonds totalling \$41,100 (face value) had been converted into 2,119 thousand shares of common stock. The capital surplus arising from conversion amounted to \$18,958, and capital surplus-share options decreased by \$2,914.
- B. Regarding the issuance of convertible bonds, the equity conversion options were separated from the liability component and were recognised in ‘capital surplus-share options’ in accordance with IAS 32. As of December 31, 2019, the Company recognised capital surplus-share options amounting to \$25,451 taking into consideration the initial recognition and subsequent conversion measurement. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective annual interest rate of the bonds after separation was 2.14%.

(11) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 28, 2018 to June 28, 2021; interest is payable quarterly	6.41%	Accounts receivable and property, plant and equipment	\$ 85,739
Secured borrowings	Borrowing period is from July 5, 2018 to July 5, 2021; interest is payable quarterly	6.41%	"	85,862
Secured borrowings	Borrowing period is from July 18, 2018 to July 18, 2021; interest is payable quarterly	6.41%	"	85,862
Secured borrowings	Borrowing period is from September 10, 2018 to September 10, 2021; interest is payable quarterly	6.41%	"	42,930
Secured borrowings	Borrowing period is from November 20, 2019 to November 20, 2022; interest is payable monthly	4.61%	Note 2	56,864
Secured borrowings	Borrowing period is from December 20, 2019 to December 20, 2022; interest is payable monthly	4.68%	"	21,527
Secured borrowings	Borrowing period is from December 23, 2019 to November 23, 2022; interest is payable monthly	5.74%	"	64,839
Secured borrowings	Borrowing period is from December 26, 2019 to December 26, 2021; interest is payable monthly	4.13%	"	17,222
Less: Current portion				(67,548)
				<u>\$ 393,297</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 20, 2017 to June 20, 2019; interest is payable monthly	5.99%	Note 1	\$ 21,627
Secured borrowings	Borrowing period is from March 28, 2018 to March 28, 2020; interest is payable quarterly	4.50%	Time deposits	89,524
Secured borrowings	Borrowing period is from June 28, 2018 to June 28, 2021; interest is payable quarterly	6.41%	Accounts receivable and property, plant and equipment	89,652
Secured borrowings	Borrowing period is from July 25, 2018 to July 5, 2021; interest is payable quarterly	6.41%	"	89,652
Secured borrowings	Borrowing period is from July 18, 2018 to July 18, 2021; interest is payable quarterly	6.41%	"	44,826
Less: Current portion				(22,524)
				<u>\$ 312,757</u>

Note 1: The Company provided notes with joint performance obligation for the bank borrowings.

Note 2: It was a sale and leaseback transaction for the Group's equipment. The Group has a right to repurchase the equipment at the end of the contract period based on the contract price, and this right is a partial of sale and leaseback transactions under IFRS 15. The Group shall continually recognised the equipment as an asset, and the related considerations shall be recognised as financial liabilities which shall be treated in accordance with IFRS 9.

(12) Pensions

The Company's mainland China second-tier subsidiary, Shanghai Horngshiu, has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2019 and 2018 was 20% for both years. Other than the monthly contributions, the Group has no further obligations. The Group recognised endowment insurance of \$23,853 and \$31,212 for the years ended December 31, 2019 and 2018, respectively.

(13) Share-based payment

A. For the year ended December 31, 2019, the Group's share-based payment arrangements

were		as	follows:	
Type of arrangement	Grant date	Quantity granted (shares in thousands)	Contract period	Vesting conditions
Restricted stocks to employees	2019.11.12	2,000	3 years	Conditions for satisfying service years and performance

The restricted stocks issued by the Company cannot be transferred during the vesting period, but voting right and dividend right are not restricted on these stocks. The vesting conditions are not satisfied if employees resign during the vesting period, and the Company will withdraw the stock for free and cancel it.

- B. The fair value of restricted stocks to employees granted on grant date is measured using daily stock price. Relevant information is as follows:

Type of arrangement	Grant date	Quantity (shares in thousands)	Stock price (in dollars)	Exercise price	Expected price volatility	Expected option life	Risk-free interest rate	Fair value per unit
Restricted stocks to employees	2019.11.12	2000	\$ 13.4	-	-	-	-	\$ 13.4

(14) Share capital

- A. As of December 31, 2019, the Company's authorised capital was \$2,000,000, consisting of 200 million shares of ordinary stock, and the paid-in capital was \$457,185 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares (in thousands of shares) outstanding are as follows:

	2019	2018
At January 1	41,600	41,600
Conversion of convertible bonds	2,119	-
Employee restricted shares	2,000	-
At December 31	45,719	41,600

- B. The Board of Directors during its meeting on November 12, 2019 adopted a resolution to issue employee restricted ordinary shares with the effective date set on December 18, 2019. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

(15) Capital surplus

- A. Except as otherwise stated in Cayman Islands' laws, regulations or the Company's Articles of Incorporation, legal reserve and capital surplus are only used to offset accumulated deficit. If the legal reserve and the special reserve appropriated for offsetting deficit are insufficient, the capital surplus may be used to offset deficit.
- B. During non-listing period, the Board of Directors can set aside all or certain share premium, other reserves, earnings or distributable profit as capital, which will be distributed to shareholders in the form of new shares based on their shareholding ratio,

except as otherwise stated in Cayman Islands' laws. During the listing period, if the Company has no deficit, the Company can set aside all or certain share premium that was recognised in legal reserve and donated assets received from shareholder as capital, which can be used to issue new shares or distribute as dividends in the form of cash, as specially resolved by the shareholders' meeting, except as otherwise stated in Cayman Islands' laws.

(16) Retained earnings

- A. In accordance with the Articles of Incorporation of the Company, the Board of Directors has a right to distribute dividends to the shareholders based on its individual shareholding ratio during the non-listing period, otherwise the Cayman Islands' laws and regulations shall be followed. The Board of Directors also has a right to appropriate reserves before distributing dividends. During listing period, if the Company has distributable earnings, it shall first be used to pay related taxes, offset prior years' operating losses and set aside reserves, and the remaining earnings shall be distributed to the shareholders as resolved by the shareholders during their meeting. However, when the distributable earnings is lower than 1% of the paid-in capital, the Company will not distribute dividends which shall be approved by the shareholders.
- B. As the Company is in the stable growth stage, the dividend policy is adopted taking into consideration the Company's capital expenditures, future expansion plans, financial plans and other sustainable development plans. According to the dividend policy, at least 10% of the Company's distributable earnings along with prior years' unappropriated retained earnings shall be appropriated as dividends, and dividends will be distributed in the form of cash/shares.
- C. The appropriations of earnings for 2017 as resolved by the shareholders at their meeting on June 29, 2018 are as follows:

	Year ended December 31, 2017	
	Amount	Dividend per share (in dollars)
Legal surplus	\$ 4,350	\$ -
Special reserve	58,887	-
Cash dividends	20,800	0.50
	<u>\$ 84,037</u>	

- D. As the Company had incurred a net loss in 2018, the shareholders during their meeting on June 27, 2019 resolved not to distribute earnings.

(17) Operating revenue

- A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical regions:

	Mainland China		Others		Total
	Sales of stamping die	Others	Sales of stamping die	Others	
<u>2019</u>					
Revenue from external customer contracts	<u>\$ 1,675,311</u>	<u>\$ 54,288</u>	<u>\$ 36,763</u>	<u>\$ 703</u>	<u>\$ 1,767,065</u>
Timing of revenue recognition					
At a point in time	<u>\$ 1,675,311</u>	<u>\$ 54,288</u>	<u>\$ 36,763</u>	<u>\$ 703</u>	<u>\$ 1,767,065</u>
	Mainland China		Others		Total
	Sales of stamping die	Others	Sales of stamping die	Others	
<u>2018</u>					
Revenue from external customer contracts	<u>\$ 1,336,946</u>	<u>\$ 55,839</u>	<u>\$ 609,851</u>	<u>\$ 58,725</u>	<u>\$ 2,061,361</u>
Timing of revenue recognition					
At a point in time	<u>\$ 1,336,946</u>	<u>\$ 55,839</u>	<u>\$ 609,851</u>	<u>\$ 58,725</u>	<u>\$ 2,061,361</u>

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Contract liabilities:		
Contract liability- Stamping die manufacture contracts	<u>\$ 604,542</u>	<u>\$ 964,194</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2019</u>	<u>2018</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Stamping die manufacture contracts	<u>\$ 829,637</u>	<u>\$ 804,837</u>

(18) Other income

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income:		
Interest income from bank deposits	\$ 2,379	\$ 1,546
Government grant revenues	7,371	4,022
Other income	7,948	1,052
	<u>\$ 17,698</u>	<u>\$ 6,620</u>

(19) Other gains and losses

	Years ended December 31,	
	2019	2018
Loss on disposal of property, plant and equipment	(\$ 95)	(\$ 30)
Net currency exchange losses	(763)	(11,057)
(Loss) gain on financial liabilities at fair value through profit or loss	(4,206)	871
Miscellaneous disbursements	(518)	(104)
	<u>(\$ 5,582)</u>	<u>(\$ 10,320)</u>

(20) Expenses by nature

	Years ended December 31,	
	2019	2018
Decrease in finished goods and work in progress	\$ 414,011	\$ 396,968
Raw materials and supplies used	379,859	588,862
Employee benefit expense	325,290	362,183
Depreciation charges on property, plant and equipment	64,453	75,277
Amortisation charge	13,126	10,985
Transportation expenses	37,581	64,882
Expected credit impairment loss	99,145	44,809
Other expenses	543,297	494,653
Operating cost and operating expenses	<u>\$ 1,876,762</u>	<u>\$ 2,038,619</u>

(21) Employee benefits, depreciation and amortisation

	Year ended December 31, 2019		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Salary expenses	\$ 203,270	\$ 60,376	\$ 263,646
Social insurance premium	19,067	2,199	21,266
Pension costs	20,754	3,099	23,853
Other employee benefit expenses	7,310	9,215	16,525
Depreciation	46,663	17,790	64,453
Amortisation	2,067	11,059	13,126
	Year ended December 31, 2018		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Salary expenses	\$ 192,962	\$ 92,966	\$ 285,928
Social insurance premium	17,624	1,982	19,606
Pension costs	28,383	2,829	31,212
Other employee benefit expenses	13,262	12,175	25,437
Depreciation	63,302	11,975	75,277
Amortisation	132	10,853	10,985

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration during listing on the Taiwan Stock Exchange. The ratio shall be 0.5% to 8% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2019 and 2018, no employees' compensation and directors' and supervisors' remuneration was accrued for both years.

The Company has a deficit as of December 31, 2019, therefore, no employees' compensation and directors' and supervisors' remuneration was accrued.

Employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the profit or loss of 2018.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense		
Bank borrowings	\$ 32,750	\$ 46,829
Amortisation on interest from lease liabilities	12	643
Bonds payable-unwinding of discount	7,169	-
	<u>\$ 39,931</u>	<u>\$ 47,472</u>

(23) Income tax

A. Components of income tax (benefit) expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 3,479	\$ 3,692
Prior year income tax under (over) estimation	163	(34)
Total current tax	<u>3,642</u>	<u>3,658</u>
Deferred tax:		
Origination and reversal of temporary differences	(10,071)	2,029
Income tax (benefit) expenses	<u>(\$ 6,429)</u>	<u>\$ 5,687</u>

B. Reconciliation between income tax (benefit) expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate (note)	(\$ 18,783)	\$ 1,245
Effects from items disallowed in accordance with tax regulation	508	1,473
Tax exempt income by tax regulation	(234)	-
Taxable loss not recognised as deferred tax assets	11,475	-
Effect from investment tax credits	(6,532)	(7,745)
Change in assessment of realisation of deferred tax assets	6,974	10,748
Prior year income tax under (over) estimation	163	(34)
Income tax (benefit) expense	(\$ 6,429)	\$ 5,687

Note: The basis for computing the applicable tax rate is the rate applicable in the People's Republic of China.

C. Amounts of deferred tax assets as a result of temporary differences are as follows:

2019				
	January 1	Recognised in profit or loss	Net translation differences	December 31
Deferred income tax assets:				
-Temporary differences:				
Expected credit impairment loss	\$ 11,071	\$ 12,204	(\$ 903)	\$ 22,372
Inventory valuation loss	5,249	(2,133)	(128)	2,988
	16,320	10,071	(1,031)	25,360
Deferred income tax liabilities:				
-Temporary differences:				
Tax on earnings from subsidiaries	(4,724)	-	112	(4,612)
	<u>\$ 11,596</u>	<u>\$ 10,071</u>	<u>(\$ 919)</u>	<u>\$ 20,748</u>
2018				
	January 1	Recognised in profit or loss	Net translation differences	December 31
Deferred income tax assets:				
-Temporary differences:				
Expected credit impairment loss	\$ 8,177	\$ 3,054	(\$ 160)	\$ 11,071
Inventory valuation loss	13,415	(8,102)	(64)	5,249
	21,592	(5,048)	(224)	16,320
Deferred income tax liabilities:				
-Temporary differences:				
Tax on earnings from subsidiaries	(7,531)	3,019	(212)	(4,724)
	<u>\$ 14,061</u>	<u>(\$ 2,029)</u>	<u>(\$ 436)</u>	<u>\$ 11,596</u>

D. The Company's second-tier subsidiary, Shanghai Horngshiue, was a foreign wholly owned enterprise incorporated in the People's Republic of China, and the applicable income tax rate is 25%. As Shanghai Horngshiue obtained a high-tech enterprise certification, Shanghai Horngshiue is entitled to a 10% tax preference. Consequently, Shanghai Horngshiue's applicable income tax rate is 15% starting from November 2018 to November 2021.

(24) Loss per share

Year ended December 31, 2019		
Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic (diluted) loss per share</u>		
Loss attributable to ordinary shareholders of the parent	(\$ 131,083) 43,202	(\$ 3.03)
Year ended December 31, 2018		
Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic (diluted) loss earnings per share</u>		
Loss attributable to ordinary shareholders of the parent	(\$ 34,117) 41,600	(\$ 0.82)

The Company has incurred net loss in 2019 and 2018. As the convertible bonds have anti-dilutive effect, the diluted earnings per share is the same with the basic earnings per share.

(25) Operating leases

Prior to 2019

The Group leases operating locations under operating lease agreements. These leases have terms with a 3-year period starting from October 2017. The Company recognised rental expense of \$456 for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than one year	\$ 456
Later than one year but not later than five years	342
	<u>\$ 798</u>

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	\$ 1,380	\$ 3,173
Add: Opening balance of payable on equipment	886	2,891
Less: Ending balance of payable on equipment	(146)	(886)
Impact of changes in foreign exchange rate	9,070	22
Cash paid during the year	<u>\$ 11,190</u>	<u>\$ 5,200</u>

(27) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Bonds payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2019	\$ 225,452	\$ 335,281	\$ 360,396	\$ 783	\$ 921,912
Changes in cash flow from financing activities	(60,871)	144,312	-	(456)	82,985
Impact of changes in foreign exchange rate	(5,384)	(18,748)	-	-	(24,132)
Changes in other non-cash items	-	-	(30,060)	13	(30,047)
At December 31, 2019	<u>\$ 159,197</u>	<u>\$ 460,845</u>	<u>\$ 330,336</u>	<u>\$ 340</u>	<u>\$ 950,718</u>
	Short-term borrowings	Long-term borrowings	Bonds payable		Liabilities from financing activities-gross
At January 1, 2018	\$ 615,880	\$ 65,866	\$ -		\$ 681,746
Changes in cash flow from financing activities	(390,223)	274,493		394,510	278,780
Impact of changes in foreign exchange rate	(205)	(5,078)		-	(5,283)
Changes in other non-cash items	-	-	(34,114)		(34,114)
At December 31, 2018	<u>\$ 225,452</u>	<u>\$ 335,281</u>	<u>\$ 360,396</u>		<u>\$ 921,129</u>

7. Related party transactions

(1) Names of related parties and relationship with the Company

Names of related parties	Relationship with the Company
LIN, WEI-YUAN	The Group's key management

(2) Significant related party transactions and balances

Endorsements / guarantees

As of December 31, 2019 and 2018, the Group's key management provided joint guarantee for the bank borrowings.

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 23,323	\$ 28,465
Post-employment benefits	1,405	1,771
	<u>\$ 24,728</u>	<u>\$ 30,236</u>

8. Pledged assets

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2019	December 31, 2018	
Pledged time deposits (shown as other current assets)	\$ 6,007	\$ 18,195	Guarantee for long-term and short-term borrowings
Accounts receivable	9,241	19,567	Guarantee for long-term borrowings
Property, plant and equipment	61,507	71,420	Guarantee for long-term borrowings
Prepayments for equipment (shown as other non-current assets)	203,666	-	Guarantee for long-term borrowings
	<u>\$ 280,421</u>	<u>\$ 109,182</u>	

9. Significant contingent liabilities and unrecognised contract commitments

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2019	December 31, 2018
Property, plant and equipment	\$ 87,410	\$ 247,777

B. The Company entered into partnership agreements and lease contracts in order to lease plants and office buildings constructed by the third party. The program has two phases, and the areas for phase 1 construction and phase 2 construction are 38,977 square meters and 29,520 square meters, respectively. As of December 31, 2019, the construction of steel frames of the phase 1 plant has been completed and is currently under the final stage. The Company will pay guarantee for the lease contract amounting to \$4,305 (RMB 1,000 thousand) once phase 1 plant is completed and transferred in the first half of 2020. Subsequently, the Company will impute cost of capital using a one-year lending rate offered by The People's Bank of China, which is deemed as a rental price and paid every year during the lease period.

10. Significant disaster loss

None.

11. Significant events after the balance sheet date

The China government announced certain epidemic preventive measures in response to COVID-19 pandemic in January 2020. As part of the epidemic preventive measures, the workdays were decreased, and transportation was strictly controlled, thereby affecting personnel assignment and the shortage of some supply chains. The Company set up a COVID-19 response team to liaise with customers and suppliers in order to reduce the impact on its operations. As the China government has loosened its epidemic control, the return-to-work rate has improved. However, the actual impact to the Group cannot be reasonably estimated as of the report date as it will be dependent on the subsequent return to work and control of COVID-19 pandemic.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the debt ratio. This ratio is calculated as total liabilities divided by total assets.

During the year ended December 31, 2019, the Group's strategy was unchanged from 2018. The debt ratios at December 31, 2019 and 2018 were 75% and 76%, respectively.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 163,598	\$ 254,183
Notes receivable	8,737	117,240
Accounts receivable	889,957	877,865
Other receivables	8,795	17,364
Guarantee deposits paid (including current and non-current)	102,100	90,526
Other financial assets	6,007	34,808
	<u>\$ 1,179,194</u>	<u>\$ 1,391,986</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated as at fair value through profit or loss	\$ 9,726	\$ 5,520
Financial liabilities at amortised cost		
Short-term borrowings	\$ 159,197	\$ 225,452
Notes payable	207,023	201,717
Accounts payable	495,378	672,101
Other payables	207,268	224,555
Bonds payable	330,336	360,396
Long-term borrowings (including current portion)	460,845	335,281
	<u>\$ 1,860,047</u>	<u>\$ 2,019,502</u>
Lease liability (including current and non-current)	\$ 340	\$ -

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2019			
	Foreign currency		Book value
	amount	Exchange rate	
(Foreign currency: functional currency)	(In thousands)		(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 645	30.04	\$ 19,373
USD:RMB	2	6.98	60
EUR:RMB	520	7.82	17,507
RMB:USD	1	0.14	4
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	6,188	6.98	185,960
<u>Non-monetary items</u>			
EUR:RMB	485	7.82	16,329

December 31, 2018			
	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:RMB	\$ 1,641	6.86	\$ 50,462
EUR:RMB	3,244	7.85	114,151
RMB:USD	2,118	0.15	9,494
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	1,500	6.86	46,126
<u>Non-monetary items</u>			
EUR:RMB	351	7.85	12,351

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2019				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	194	\$ -
USD:RMB	1%		1	-
EUR:RMB	1%		175	-
RMB:USD	1%		-	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:RMB	1%		1,860	-
<u>Non-monetary items</u>				
EUR:RMB	1%		163	-

Year ended December 31, 2018				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:RMB	1%	\$	505	\$ -
EUR:RMB	1%		1,142	-
RMB:USD	1%		95	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:RMB	1%		461	-
<u>Non-monetary items</u>				
EUR:RMB	1%		124	-

Price risk

The Group is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates.
- ii. At December 31, 2019 and 2018, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit or loss for the years ended December 31, 2019 and 2018 would have been \$5,155 and \$4,835 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the contract cash flows of the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits. The utilisation of credit limits is regularly monitored.

iii. The Group adopts historical experience to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 1 year based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts historical experience and industrial characteristics; the default occurs when the contract payments are past due over 1 year.

v. The Group classifies customer's accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.

vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2019 and 2018, the Group's written-off financial assets that are still under recourse procedures amounted to \$41,868 and \$24,077, respectively.

vii. (i) Loss rate methodology on December 31, 2019 and 2018 is as follows:

<u>Stamping factory</u>	<u>Not past due and up to 1 year past due</u>	<u>Over 1 year past due</u>	<u>Total</u>
<u>December 31, 2019</u>			
Expected loss rate	Within 5%	10%~100%	
Total book value	\$ 136,901	\$ 24,468	\$ 161,369
Loss allowance	\$ 5,378	\$ 4,554	\$ 9,932
<u>Assembly plant</u>	<u>Not past due and up to 1 year past due</u>	<u>Over 1 year past due</u>	<u>Total</u>
<u>December 31, 2019</u>			
Expected loss rate	Within 1%	5%~100%	
Total book value	\$ 565,834	\$ 160,069	\$ 725,903
Loss allowance	\$ 3,000	\$ 45,586	\$ 48,586
<u>Overseas plant</u>	<u>Not past due and up to 1 year past due</u>	<u>Over 1 year past due</u>	<u>Total</u>
<u>December 31, 2019</u>			
Expected loss rate	Within 1%	5%~100%	
Total book value	\$ 35,531	\$ 31,728	\$ 67,259
Loss allowance	\$ 356	\$ 5,699	\$ 6,055

<u>Stamping factory</u>	<u>Not past due and up to 1 year past due</u>	<u>Over 1 year past due</u>	<u>Total</u>
<u>December 31, 2018</u>			
Expected loss rate	Within 5%	10%~100%	
Total book value	\$ 37,744	\$ 33,032	\$ 70,776
Loss allowance	\$ 1,059	\$ 3,682	\$ 4,741

<u>Assembly plant</u>	<u>Not past due and up to 1 year past due</u>	<u>Over 1 year past due</u>	<u>Total</u>
<u>December 31, 2018</u>			
Expected loss rate	Within 1%	5%~100%	
Total book value	\$ 444,545	\$ 171,574	\$ 616,119
Loss allowance	\$ 2,255	\$ 11,879	\$ 14,134

<u>Overseas plant</u>	<u>Not past due and up to 1 year past due</u>	<u>Over 1 year past due</u>	<u>Total</u>
<u>December 31, 2018</u>			
Expected loss rate	Within 1%	5%~100%	
Total book value	\$ 196,507	\$ 35,206	\$ 231,713
Loss allowance	\$ 1,876	\$ 19,992	\$ 21,868

- (ii) In accordance with historical experience, the Group calculates expected credit loss using individual assessment for those high credit risk customers. As of December 31, 2019 and 2018, the carrying amount of accounts receivable and loss allowance both amounted to \$84,574 and \$33,064, respectively.
- viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

2019			
Accounts receivable			
	Individual provision	Group provision	Total
At January 1	\$ 33,064	\$ 40,743	\$ 73,807
Provision for impairment	55,308	43,837	99,145
Write-off during the year	(400)	(17,391)	(17,791)
Effect of exchange changes	(3,398)	(2,616)	(6,014)
At December 31	<u>\$ 84,574</u>	<u>\$ 64,573</u>	<u>\$ 149,147</u>

2018			
Accounts receivable			
	Individual provision	Group provision	Total
At January 1_IFRS 9	\$ 13,243	\$ 41,270	\$ 54,513
Provision for impairment	25,215	19,594	44,809
Write-off during the year	(4,827)	(19,250)	(24,077)
Effect of exchange changes	(567)	(871)	(1,438)
At December 31	<u>\$ 33,064</u>	<u>\$ 40,743</u>	<u>\$ 73,807</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2019				
Short-term borrowings	\$ 159,197	\$ -	\$ -	\$ -
Notes payable	207,023	-	-	-
Accounts payable	453,873	20,471	21,034	-
Other payables	207,268	-	-	-
Bonds payable	-	-	358,900	-
Lease liability	340	-	-	-
Long-term borrowings (including current portion)	97,896	417,583	-	-

Non-derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2018				
Short-term borrowings	\$ 225,452	\$ -	\$ -	\$ -
Notes payable	201,717	-	-	-
Accounts payable	672,101	-	-	-
Other payables	224,555	-	-	-
Bonds payable	-	-	400,000	-
Long-term borrowings (including current portion)	43,494	21,252	321,795	-

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2019	December 31, 2018
Floating rate:		
Expiring within one year	\$ -	\$ -
Expiring beyond one year	37,466	40,122
	<u>\$ 37,466</u>	<u>\$ 40,122</u>

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The Group's embedded call option and put option due to issuing convertible bonds are included in Level 3.

B. Financial instruments not measured at fair value

Except for financial liabilities at amortised cost and long-term borrowings (including current portion), the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2019 and 2018 are as follows:

- (a) The related information on the nature of the assets and liabilities is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Put and call options of convertible bonds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>9,726</u>	\$ <u>9,726</u>

December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Put and call options of convertible bonds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,520</u>	\$ <u>5,520</u>

- (b) The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods.

- D. For the year ended December 31, 2019, there was no transfer into or out from Level 3.
- E. Appointed external appraiser in charge of valuation procedures for fair value measurements being categorised within Level 3, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

F. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Put and call options of convertible bonds	\$ 9,726	Binary tree valuation model	Stock price volatility	38.80%	The higher the stock price volatility, the higher the fair value

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Put and call options of convertible bonds	\$ 5,520	Binary tree valuation model	Stock price volatility	48.12%	The higher the stock price volatility, the higher the fair value

G. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial liabilities						
Put and call options of convertible bonds	Stock price volatility	±5%	\$ 323	(\$ 646)	\$ -	\$ -

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial liabilities						
Put and call options of convertible bonds	Stock price volatility	±5%	\$ 440	\$ -	\$ -	\$ -

13. Supplementary disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. Segment information

(1) General information

The Group operates business only in a single industry. The Group's revenue is mainly derived from manufacture of automotive sheet metal stamping die. The chief operating

decision maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4. The Group's chief operating decision-maker evaluates the performance of the operating segments based on profit before tax.

(3) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

Reportable segments evaluates the performance of the operating segments based on profit before tax. Reportable segment income or loss is in a manner consistent with the income/(loss) before tax from continuing operations, therefore, no additional reconciliation was needed.

(4) Information on products and services

Revenue from external customers is mainly from automotive sheet metal stamping die, gauge and fixture businesses. Details of revenue are as follows:

	Years ended December 31,	
	2019	2018
Manufacture of automotive sheet metal stamping die	\$ 1,712,074	\$ 1,946,797
Others	54,991	114,564
	<u>\$ 1,767,065</u>	<u>\$ 2,061,361</u>

(5) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Non-current		Non-current	
	Revenue	assets	Revenue	assets
Asia	\$ 1,729,858	\$ 670,533	\$ 1,946,617	\$ 591,788
America	-	-	97,278	-
Europe	37,207	-	17,466	-
	<u>\$ 1,767,065</u>	<u>\$ 670,533</u>	<u>\$ 2,061,361</u>	<u>\$ 591,788</u>

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Segment	Revenue	Segment
H	\$ 451,083	Manufacture of stamping die	\$ 265,712	Manufacture of stamping die
A	196,395	Manufacture of stamping die	81,309	Manufacture of stamping die
J	258	Manufacture of stamping die	453,628	Manufacture of stamping die
F	132,104	Manufacture of stamping die	432,150	Manufacture of stamping die
I	-	Manufacture of stamping die	263,759	Manufacture of stamping die

Horng Shiue Holding Co., Ltd. and
Subsidiaries Loans to others
Year ended December 31, 2019

Table 1

Expressed in thousands ofNTD
(Exceptasotherwiseindicated)

No.	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2019 (Note 3)	Balance at December 31, 2019 Interest (Note 8)	Actual amount drawn down	Rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral Item Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note7)	Note
0	HorngShiue INDUSTRIAL CO., LTD.	HORNGSHIUE Otherreceivables- Holding Co., Ltd. relatedparties LTD.		Y	\$ 30,000	\$ -	\$ -	0%	Financin g	\$ -		\$ -	- None\$ -	330,139	330,139	
1	HORNGSHIUE CO., HoldingCo., Ltd.	HorngShiue Otherreceivables- INDUSTRIAL related parties LTD.		Y	30,000	-	-	0%	Financin g	-	Additional operating capital	- None	-	475,056	475,056	
1	HORNGSHIUE INDUSTRIALCO., parties LTD.	Shanghai Horngshiue IndustrialCo.,Ltd.	Otherreceivables-related	Y	173,817	165,193	132,155	4.50%	Financin g	-	Additional operating capital	- None	-	475,056	475,056	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc. Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2019.

Note 4: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year. Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note7:(1)Limit onloansto a singlepartywithshort-termfinancingis10%oftheCompany'snet asset.However, limit onloansto a singlesubsidiaryofwhichtheCompanydirectlyorindirectlyholds50%ofitsvotingshares, or asinglesubsidiaryofwhichtheparentcompanydirectlyorindirectlyholds100%ofitsvoting sharesshould notexceed 40%oftheCompany'snetassets.

- (2) Limit on loans to a single party with business transactions cannot exceed the total business transactions amount within 12 months,and shall be lower than 10% of the Company's net assets.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Horg Shiue Holding Co., Ltd. and Subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2019

Table2

Expressed in thousands ofNTD
(Except as otherwiseindicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note2)											
0	Horg Shiue Holding Co., Ltd.	Shanghai Horgshiue Industrial Co.,Ltd.	2	\$ 412,673	\$ 153,867	\$ -	\$ -	\$ -	0.00%	\$ 412,673	Y	N	Y	
0	Horg Shiue Holding Co., Ltd.	HORG SHIUE INDUSTRIAL CO., LTD.	2	413,673	94,809	30,035	-	-	3.64%	412,673	Y	N	N	
0	Horg Shiue Holding Co., Ltd.	Zhejiang Horgshiue Industrial Co., Ltd.	2	412,673	104,129	103,330	38,749	-	12.52%	412,673	Y	N	Y	
1	Horg Shiue Industrial Co.,Ltd.	Horg Shiue Holding Co., Ltd.	4	412,673	47,405	45,053	30,035	-	3.79%	412,673	N	Y	N	
2	Shanghai Horgshiue Industrial Co., Ltd.	Zhejiang Horgshiue Industrial Co., Ltd.	4	412,673	290,693	288,462	176,220	-	36.29%	412,673	N	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having businessrelationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteedsubsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parentcompany.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteedcompany.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the constructioncontract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer ProtectionAct.

Note 3: Limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees".

- (1) The limit on endorsements and guarantees for any single entity is 10% of the Company's net assets, and shall be lower than the net assets of the guaranteed/endorsed company. However, loans to direct or indirect wholly-owned subsidiaries of the Company are notlimited.
- (2) Limit on the Company endorsements/guarantees to others is 50% of the Company's netasset

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements andguarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Horng Shiue Holding Co., Ltd. and Subsidiaries
 Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital Year ended December 31, 2019

Table3

Expressed in thousands ofNTD
 (Except as otherwiseindicated)

Investor	Marketable securities (Note1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)		Number of shares	Selling price	Book value	Gain (loss) on disposal	Balance as at December 31, 2019 (Note 5)	
					Number of shares	Amount	Number of shares	Amount					Number of shares	Amount
Horng Shiue Holding Co., Ltd.	Stocks	Investments accounted for using equity method	HORNG SHIUE INDUSTRIAL CO., LTD.	Parent-subsidiary company	30,950,000	\$ 1,010,375	5,050,000	\$139,091	-	\$	-	\$	-	\$
HORNG SHIUE INDUSTRIAL CO., LTD.	Zhejiang Horngshiue Industrial Co.,Ltd.	Investments accounted for using equity method	Zhejiang Horngshiue Industrial Co., Ltd.	Parent-subsidiary company	-	150,687	-	126,569	-	-	-	-	-	277,256

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
 Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.
 Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NTS300 million or 20% of paid-in capital or more.
 Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NTS10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.
 Note 5: It was the book value of marketable securities at the end of year.

HorngShiueHoldingCo.,Ltd.andSubsidiaries
Significant inter-company transactions during the reporting period Year ended
December 31, 2019

Table4

Expressed in thousands of NTD
(Except as otherwise indicated)

Transaction							Percentage of consolidated total operating revenues or total assets (Note 3)
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	
0	Horng Shiue Holding Co., Ltd.	Shanghai Horngshiue Industrial Co., Ltd.	1	Other payables-related parties	\$ 7,447	Based on mutual agreements	0.23%
0	Horng Shiue Holding Co., Ltd.	HORNG SHIUE INDUSTRIAL CO., LTD.	1	Other receivables-related parties	8,198	Based on mutual agreements	0.25%
1	HORNG SHIUE INDUSTRIAL CO., LTD.	Shanghai Horngshiue Industrial Co., Ltd.	1	Other receivables-related parties	132,155	Based on mutual agreements	4.00%
2	Shanghai Horngshiue Industrial Co., Ltd.	Zhejiang Horngshiue Industrial Co., Ltd.	3	Other receivables-related parties	51,830	Based on mutual agreements	1.57%
3	Zhejiang Horngshiue Industrial Co., Ltd.	Shanghai Horngshiue Industrial Co., Ltd.	3	Prepayments-related parties	43,902	Based on mutual agreements	1.33%
3	Zhejiang Horngshiue Industrial Co., Ltd.	Shanghai Horngshiue Industrial Co., Ltd.	3	Operating revenue	151,473	Based on mutual agreements	8.57%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belong to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

HorngShiueHoldingCo.,Ltd.andSubsidiaries
Information on investees Year
ended December 31, 2019

Table5

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2019				Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2(3))	Footnote	
Investor	Investee (Note 1 and Note 2)	Location	Main business activities	December 31, 2019	December 31, 2018	Number of shares	Ownership (%)	Book value	(Note 2(2))				
Horng Shiue Holding Co., Ltd.	HORNG SHIUE INDUSTRIAL CO., LTD.	Republic of Mauritius	Holding company	\$	1,149,466	\$	1,010,375	36,000,000	100	\$ 1,187,641 (\$	105,388) (\$	105,388)	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and not the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the year ended December 31, 2019' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company for the year ended December 31, 2019' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

HorngShiueHoldingCo.,Ltd.andSubsidiaries
Information on investees in Mainland China Year
ended December 31, 2019

Expressed in thousands ofNTD
(Exceptasotherwiseindicated)

Table6

Investee in	Paid-in	Investment method	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2019					Investment income (loss) recognised by the Company for the year ended December 31,	Book value of investments in Mainland China as of December	Accumulated amount of investment income remitted back to Taiwan as of December 31,
			Accumulated amount of remittance from Taiwan to Mainland China as of January	Remitted to Mainland	Remitted back to	Accumulated amount of remittance from Taiwan to Mainland Net income of investee for Ownership held by China as of December the year ended December the Company (direct				

Mainland China	Main business activities	capital	(Note 1)	1, 2019	China	Hong Kong	Taiwan	31, 2019	31, 2019	or indirect	2019	31, 2019	2019	Note
Shanghai Hongshihue Industrial Co., Ltd.	Manufacture, processing and trading of automotive stamping die	\$ 610,816	2	\$ -	- \$	- \$	- \$	- (\$	130,908)	100%	(\$ 130,908)	\$ 794,904	\$ -	Note 2(2)B
Shanghai Hongxian Precision Die Co., Ltd.	Manufacture of stamping die, gauge and fixtures	27,526	3	-	-	-	-	- (	1,753)	100%	2,311	-	-	Note 2(2)B, Note 4
Zhejiang Hongshihue Industrial Co., Ltd.	Manufacture, processing and trading of automotive stamping die	277,256	2	-	-	-	-	-	9,462	100%	9,462	269,107	-	Note 2(2)B

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in HONGSHIHUE INDUSTRIAL CO., LTD., which then invested in the investee in Mainland China.
- (3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2019' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements were audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements were audited and attested by R.O.C. parent company's CPA.
 - C. Others.

Note 3: The Company was established in Cayman Islands, and the Company's investment is not restricted by the limits specified in the "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area" made by the MOEA. Note 4: The liquidation of Shanghai Hongxian Precision Die Co., Ltd. was completed in December 2019.

Horng Shiue Holding Co., Ltd.



Chairman: Lin, Wei-Yuan

