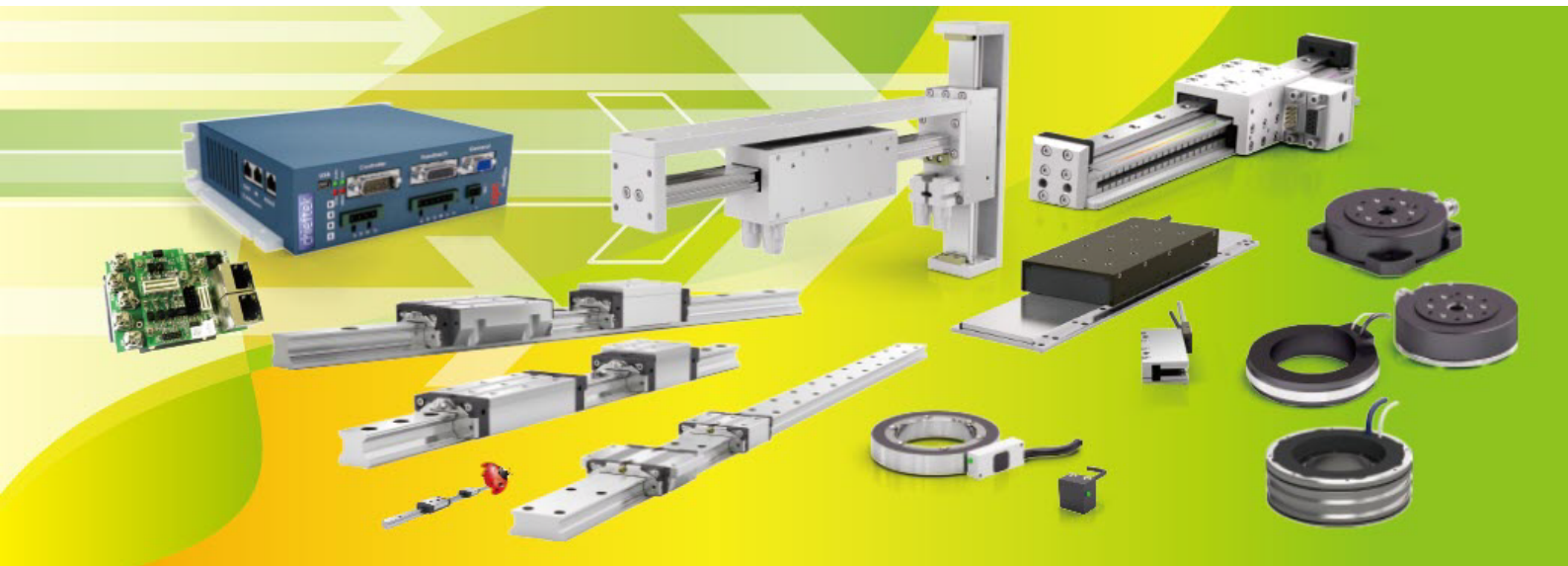


2018 Annual Report

Stock Code: 1597



Mechatronics in Linear Motion Technology

cpc **CHIEFTEK PRECISION CO., LTD.**

Taiwan Stock Exchange Market Observation Post System:
<http://mops.twse.com.tw/mops/web/index>
cpc Annual Report is available at: <http://www.chieftek.com>
Printed on May 10, 2019

1. NAME, POSITION, CONTACT NUMBER and E-MAIL ADDRESS of SPOKESPERSON AND DEPUTY SPOKESPERSON IN OUR COMPANY:

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Position: Financial officer

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Tel: (06)505-5858

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Web: <http://www.fubon.com.tw>

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4. CPA' S NAME, NAME, ADDRESS, WEBSITE AND CONTACT NUMBER OF ACCOUNTING FIRM IN 2018 FINANCIAL REPORT:

Accountant's name: Accountant LIN YUNG-CHIH, accountant LIN TZU-YU

Firm name: PricewaterhouseCoopers (PwC) Taiwan

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5. TRADING PLACES OF OVERSEAS NEGOTIABLE SECURITIES FLOTATION AND MODE OF INQUIRY INFORMATION ON OVERSEAS NEGOTIABLE SECURITIES: NONE.

6. COMPANY WEBSITE:<http://www.chieftek.com>

CHIEFTEK PRECISION CO., LTD.
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I. Letter of Shareholders

Distinguished shareholders, ladies and gentlemen:

Thanks to all shareholders for your encouragement and support to CHIEFTEK PRECISION CO., LTD. (cpc for short). Because the continuous increase in the global automation and intelligent demand of Industry 4.0, industrial automation has become an unstoppable trend, these factors have already provided basic growth momentum for the demand for linear guides. cpc's products aim to promote the product characteristics of the customer's machine and increase the productivity of the customer's station equipment. Under the trends of automation, intelligence and energy conservation in the industry, cpc has strengthened its internal cost and yield control and marketing power, which has enabled the operating performance and market share for the 2018 fiscal year to continue to grow, the revenue, profit margin and profitability of cpc all hit the record high since cpc listed in the OTC market. The consolidated operating income of 2018 is as high as NT\$2,078,901 thousand, compared with the consolidated income of NT\$1,488,259, thousand in 2017, which is a great increased by NT\$ 590,642 thousand, with grow ratio is as high as 39.69%. The net profit before tax in 2018 is as high as NT\$609,837 thousand, compared with the pre-tax net benefit of 2017, NT\$300,124 thousand, it is increased NT\$309,713 thousand, with grow ratio as high as 103.20%.

I hereby report the operating results for 2018 fiscal year and a summary of the business plan for 2019 fiscal year.

I. Operating results for the previous fiscal year (2018)

(I) Implementation of the business plan for the previous fiscal year

Comparison table of consolidated comprehensive profit/loss of the company and the product sale by type within the last 2 fiscal years and its description is as follows:

1. Comparison table of consolidated comprehensive profit/loss within the last 2 fiscal years.

Unit: NT\$ in thousand

Items	2018	2017	Increase(decrease)
Net operating income	2,078,901	1,488,259	590,642
Operating cost	(1,090,575)	(865,292)	(225,283)
Operating gross profit	988,326	622,967	365,359
Operating expense	(383,432)	(290,450)	(92,982)
Operating profit	604,894	332,517	272,377
Net non-operating income (expense)	4,943	(32,393)	37,336
Net profit before tax	609,837	300,124	309,713
Net profit after tax	471,252	237,872	233,380
Other Comprehensive income/loss	(6,088)	(7,507)	1,419
Comprehensive income/loss for the year	465,164	230,365	234,799

2. Product sale by type in the last 2 fiscal years: Please refer to Operation Proportion under V. Operating Overview.

Unit: NT\$ in thousand

Product type	2018		2017		Increase (decrease)	
	Amount	%	Amount	%	Amount	%
Miniature type	1,168,570	56.21%	920,838	61.87%	247,732	26.90%
Large type	832,741	40.06%	513,376	34.50%	319,365	62.21%
Linear motor	76,565	3.68%	52,502	3.53%	24,063	45.83%
Other	1,025	0.05%	1,543	0.10%	(518)	(33.57%)
Total	2,078,901	100.00%	1,488,259	100.00%	590,642	39.69%

The table above presented:

(1) Revenue

- A. The revenue of miniature linear guides is NT\$1,168,570 thousand, up 26.90%; the revenue of large linear guides is NT\$832,741 thousand, up 62.21%; the revenue of linear motors is NT\$76,565 thousand, up 45.83%.
- B. Compared in terms of geographical areas differences, the Mainland China area grew by 24.52%, the European area grew by 58.55%, the US area grew by 22.86%, Taiwan's domestic sales grew by 30.43%, and other areas (including the Japanese market) grew by 67.75%.

(2) Surplus

- A. The consolidated operating gross profit for 2018 fiscal year is NT\$988,326 thousand, compared with the consolidated operating gross profit for 2017 fiscal year is NT\$ 622,967 thousand, which is a great increased by NT\$365,359 thousand, with grow ratio is as high as 58.65%. And the operating profit margin for 2018 fiscal year increased significantly from 41.86% for 2017 fiscal year to 47.54%, with grow ratio is as high as 5.68%. It is due to the great growth in the operating revenues of miniature type, large type guides and linear motors increased significantly, moreover, mainly due to the greatly growth of large type linear is as high 62.21%, as explained below:
 - (A) The proportion of miniature linear guides with high profit of sales decreased from 61.87% to 56.21%. However, the gross profit margin of miniature linear guides increased from 48.80% of previous period to 54.41%.
 - (B) The proportion of large linear guides increased from 34.50% to 40.06%, and the gross profit margin of large linear guides increased significantly from 27.53% of previous period to 38.45%.
 - (C) The proportion of linear motors has also increased from 3.53% to 3.68%.
- B. The earnings before tax for 2018 fiscal year is NT\$609,837 thousand, compared with NT\$300,124 thousand for 2017 fiscal year, which is increased by NT\$309,713 thousand, with growth ratio of 103.20%. The main reasons include:
 - (A) The revenue has grown significantly.
 - (B) Follows the flourishing develop in the industry, the revenues need to be supplied by the output of current period, the capacity utilization ratio is increased, the unit cost is reduced, the profit margin and profitability are both increased as well.
- C. The earning per share (EPS) after tax for 2018 fiscal year is NT\$ 6.40.

(II) Implementation of Budget

Financial forecasting was not disclosed in 2018 fiscal year, so there was no such issue of budget achievement.

(III) Analysis of receipts/expenditures, and profitability

Items		2018	2017	
Financial structure (%)	Ratio of liabilities to assets	40.39	42.03	
	Ratio of long-term funds to real property, factory and equipment	238.82	197.66	
Debt paying ability (%)	Current ratio	258.08	222.93	
	Quick ratio	166.99	163.17	
	Interest coverage ratio	37.91	26.07	
Profit structure (%)	Return on assets (ROA)	16.49	10.25	
	Return on equity (ROE)	27.28	16.47	
	Ratio on paid-in capital	Operating profit	81.96	53.59
		Net profit before tax	82.63	48.37
	Net profit ratio	22.74	15.98	
Basic EPS (\$)	6.40	4.03		

(IV) Examine research and development work

cpc is mainly engaged in the production of linear motion products, which the miniature type linear guide products are the leading brands in the world. In addition to the research and development of miniature linear guide products, critical components and motion products, the company is also constantly invested in research and development of the critical components, which including motor products, such as linear motors, DD motors, development, design, manufacturing of high-precision X, Y platform system, and long-term commitment to industrial control platform, X Y table platform and development of high positioning subsystem. All products, including software, firmware and hardware, are completely developed, produced and manufactured on our own. In addition, we have long been engaged in the development of high-end rotary and high-end servo motors and AC/DC drives with communication protocol functions such as CAN and EtherCAT, as well as can be connected to encoders of various brands commonly used in the market, which can be used as the control platform required for Industry 4.0.

The Company continued to invest in R&D expenses of NT\$87,175 thousand for 2018 fiscal year. Compared with the NT\$65,382 for 2017 fiscal year, which is increased by NT\$21,793 thousand, with gross increased ratio of 33.33%.

II. Summary of the business plan for the current fiscal year (2019)

(I) Management principles (corporate social responsibility policy)

1. Implement information transparency, practice honest operation
 - (1) Implement information transparency, practice corporate governance
 - (2) Stick to honesty, integrity and sustainable operation, achieve cpc leading brand of the world.
 - (3) Cultivate a filial team with mercy, international view, professional skills and high sense honor.
2. Strengthen the awareness of environmental safety, implement environmental protection.
 - (1) Provide a working environment with high quality and available for maintaining physical and psychological health, and reach the goal of no disaster, no accident.
 - (2) Protect the environment, maintain the natural ecology, and realize the energy conservation and waste reduction.
 - (3) In accordance with the laws, implement the risk management, prevent the pollution, and carry out 6S activities.
 - (4) The environmental protection safety is an uninterrupted activity of the entire personnel.

3. Education in morality-rooted, create a peaceful society.
 - (1) Plant widely with Chinese cultural root and establish a righteous corporation.
 - (2) Cultivate a team with normally and skills, become a model of corporation operation.
 - (3) Fulfill corporate social responsibility, co-create a sunny and peaceful society.

(II) Expected sales volume and its basis

1. Affected by China-US trade friction, we have been clearly felt the operating pressure since the fourth quarter of 2018. The Company will draw up the optimal estimates for the coming year, expected sales volume and amount, based on factors such as the industrial climate and economic environment, as well as taking account of the company's recent actual operating conditions and assessment of the future operating environment.
2. The first phase of the construction of the Company in Tree Valley Park is expected to be completed and make the machine installed in the next half of 2019, which should be expected to make a positive contribution to the revenue for 2019 fiscal year of the Company.

(III) Important production and marketing policies

1. Marketing policy

- (1) Marketing with private brand cpc in the world, so as to improve brand awareness and value.
- (2) Strengthen management of existing clients, and establish good interaction.
- (3) Continuously enhance operating function of each area, so as to increase overall operating income.
- (4) Actively expand market, increase market share.

2. Manufacturing policy

- (1) Quality is the result of design, manufacture and management.
- (2) Receive, manufacture and distribute no non-performing product.
- (3) Quality improvement is an uninterrupted activity of the entire personnel.
- (4) Actively engaged in the production of new products.

III. Company's future development strategy

cpc has always focused on the development and application for critical components such as machine transmission elements, linear motor electronic control products and AC/DC servos, as well electromechanical systems such as high-precision & high-quality modules, X Y platforms, etc., which has increased visibility and brand image of cpc. cpc has continued to strengthen the cultivation of talents, development of new products, and investment in production lines. The future operation and profitability will be stable and grow, and the business philosophy of “deeply cultivating technology field, expanding customer service, actively innovating in R&D, accumulating our own patent” will be the virtue of sustainable operation and development of the Group.

- (1) The demand of global automation, smart automation has continued to heat up, as well as Industry 4.0 has just started, so industrial automation is also an unstoppable trend. Therefore, the demand for critical electromechanical components provides the basic growth momentum and the demand for product miniaturization, as well as the micro-electro-mechanical systems is an important development direction of cpc.
- (2) The government is pursuing the Plan for AI ROBOT innovating with DIY Base in Science Park”. The Tainan Science Park is expected to invest huge sums of money. In addition to the operation of the “Network model for central-satellite base”, it is expected to build an international smart machine self-made base. cpc has been engaging in the development of the upper controller platform for a long time to provide customers with the development platform services required for smart machines, and to accelerate and shorten the time

required for customers' development.

- (3) Traditional industrial transformation and upgrading and emerging industries have increased demand for digitally controlled production equipment, which has obvious benefits for orders of various types of production equipment, and will also drive the growth of products for transmission mechanical components such as linear guides.
- (4) As a high-Quality, high-CP, and reliable partner for critical components, cpc has continued to expand its products from mechanical components to motors and drive components, as well as continues to develop into upper controller development platform, hoping to play an important pusher in the process of Industry 4.0 mechanical intelligence.

IV. Effect of external competition, the legal environment, and the overall business environment

(I) External competition

The US-China trade war has been escalating, the United States has imposed import tariffs on 34 billion, 16 billion, and 200 billion US dollars of Chinese goods, ranging from 10% to 25%, which the third round has a total value of 200 billion US dollars on China imports US goods. Regardless of the future development of future trade negotiations between the US and China, the uncertainty of manufacturers operating in Mainland China has increased a lot. How to pursue good fortune and avoid disaster has become the topic that all operators in Mainland China must solve as soon as possible.

There is no affection for company product export to America. Will consistently observe the sequence movement and the change of economic and market environment. Scheme the adaptive plan to avoid suffering unfavorable affection.

(II) Legal environment, and the overall business environment

The Company is slightly affected by regular environment due to industrial property. However, in the term of overall economic environment, industry 4.0 and automatic machine manufacture is the key point of industry development. In addition to extend advantage product market share of miniature linear guides, standard-type linear guides and linear motors, cpc takes the opportunity to expand the scale of standard-type linear guides and linear motors, moreover continues to develop into motors, drive components, and upper controller development platform.

The biggest advantage of cpc is that we have an abundant capabilities from mechanical processing to electronic control integration and the experience of the complete appliance, which is beyond the control of Taiwanese electronic control manufacturers and other opponents. Because since starting from critical components, cpc is already very familiar machining, and we can help our customers to do the best production line automation and intelligent planning with their own experience.

The Company will still stick "Honest Operation Principle", and continuously improve international competitiveness of the group, maximize the benefits for shareholders and customers, create the best career welfare for all colleagues, return the public with virtuous and skilled achievements, bring along social goodness, make everyone safe and happy and satisfied with their work and life. It is worth it definitely.

I hereby wish all the shareholders

In good health and have a happy family!

Chairman: CHEN LI-FEN

II. Company Profile

I. Date of establishment: October 19, 1998

II. Company History

(I) Company History

Fiscal Year	Major history of the company
1998	Approved by Ministry of Economic Affairs (MOEA) and set up corporate license with paid-in capital of NT\$5,000 thousand.
1999	Put forward “R&D plan of Miniature Linear Guide” and got project grants from Industrial Technology Research Institute. Applied for “Linear motion bearings” patent to Taiwan, America, Germany and Japan. Moved into incubation center of National Cheng Kung University and carry out Industry-University collaboration with National Cheng Kung University. Apply for increased capital by cash in October, paid-in capital was increased to NT\$25,000 thousand.
2000	Moved to Rede factory and began pilot mass production. Beginning of MR9M Miniature Linear Guide mass production. Applied for increased capital by cash in April, paid-in capital was increased to NT\$41,200 thousand. Apply for increased capital by cash in September, paid-in capital was increased to NT\$99,000 thousand.
2001	Made negotiations with agents and distributors on development of domestic clients and overseas clients in USA, Germany, the UK, Italy, Benelus, Switzerland, Israel, Singapore, Malaysia and other countries. Entered Korean market and signed the contract with Korean agent. Establishment of factory in southern science industrial park was approved by National Science Council (NSC). “Linear motion bearings” was approved by American patent. Apply for increased capital by cash in July, paid-in capital was increased to NT\$150,000 thousand.
2002	Entered Singaporean market and signed the contract with Singaporean agent. Applied for increased capital by cash in July, paid-in capital was increased to NT\$ 210,000 thousand (Tech stock was NT\$ 60,000 thousand).
2003	Started building Phase I project of the factory in Southern Taiwan Science Park. Apply for increased capital by cash in August, paid-in capital was increased to NT\$ 270,000 thousand. Apply for increased capital by cash in October, paid-in capital was increased to NT\$ 290,000 thousand. Exhibited all series of Miniature Linear Guide in Shanghai in December.
2004	Beginning of Size3 Miniature Linear Guide mass production. Apply for increased capital by cash in January, paid-in capital was increased to NT\$ 340,000 thousand. Apply for increased capital by cash in March, paid-in capital was increased to NT\$ 360,000 thousand.
2005	Factory in Southern Taiwan Science Park was completed and began official mass production. Official mass production of standard Linear Guide.

Fiscal Year	Major history of the company
2007	<p>Mass production of AR/HR Roller type Linear Guide. Passed the ISO9001 quality certification. Carried out university-industry collaboration with mechanical engineering department of National Chung Cheng University. Applied for “R&D subsidy to early design and development of linear motor” and approved by Southern Taiwan Science Park Authority. Approved by the Ministry of National Defense and applied for personnel who serviced national defense, to cultivate R&D talents coordinating national policy. Beginning of Ultra-fast miniature linear guide mass production. Beginning of Self-lubricating miniature linear guide mass production.</p>
2008	<p>Set up cpc subsidiaries in the United States with paid-in capital of US\$300 thousand. Set up cpc subsidiaries in Kunshan city with paid-in capital of US\$ 300 thousand.</p>
2009	<p>Beginning of Ironless Series linear motor producing. Apply for increased capital by cash in December, paid-in capital was increased to NT\$ 360,560 thousand.</p>
2010	<p>Set up cpc subsidiaries in Germany with paid-in capital of EU\$ 69 thousand. Cpc Kunshan applied for increased capital by cash, paid-in capital was increased to US\$1,000 thousand. Increased capital by surplus was NT\$18,028 thousand, paid-in capital was increased to NT\$ 378,588 thousand.</p>
2011	<p>Public issuance was approved on Jan. 17th and stocks were registered on the Emerging Stock Market on Mar. 10th. Increased capital by surplus was NT\$ 30,287 thousand, paid-in capital was increased to NT\$ 408,875 thousand. cpc Kunshan subsidiaries applied for increased capital by cash, paid-in capital was increased to US\$ 3,000 thousand. Apply for increased capital by cash in December, paid-in capital was increased to NT\$ 433,875 thousand.</p>
2012	<p>Purchased land of Tree Valley Park as future preparation for extension construction of plants. Employee stock warrant issued new shares of NT\$ 6,204 thousand, paid-in capital was increased to NT\$ 440,079 thousand. Increased capital by surplus was NT\$ 44,008 thousand, paid-in capital was increased to NT\$ 484,087 thousand. Finished development plan of leading new product in “High Thrust Density Ironless-core Linear Motor” approved by Ministry of Economic Affairs (MOEA). cpc USA applied for increased capital by cash, paid-in capital was increased to US\$ 1,000 thousand. Increased capital by cash was NT\$46,330 thousand, paid-in capital was increased to NT\$530,417 thousand. Buying and selling in foundation GreTai Securities Market (GTSM) since Dec. 28th.</p>
2013	<p>Employee stock warrant issued new shares of NT\$2,556 thousand, paid-in capital was increased to NT\$532,973 thousand. cpc USA applied for increased capital by cash, paid-in capital was increased to US\$1,660 thousand.</p>

Fiscal Year	Major history of the company
	<p>cpc Germany applied for increased capital by cash, paid-in capital was increased to EUR\$2,500 thousand.</p> <p>Increased capital by surplus was NT\$26,649 thousand, paid-in capital was increased to NT\$559,622 thousand.</p> <p>Official mass production of wide Roller-type Linear Guide.</p>
2014	<p>Employee stock warrant issued new shares of NT\$2,464 thousand, paid-in capital was increased to NT\$562,086 thousand.</p> <p>cpc Kunshan applied for increased capital by cash, paid-in capital was increased to US\$5,100 thousand.</p> <p>Increased capital by surplus was NT\$28,104 thousand, paid-in capital was increased to NT\$590,190 thousand.</p> <p>Employee stock warrant issued new shares of NT\$2,148 thousand, paid-in capital was increased to NT\$592,338 thousand.</p> <p>ISO14001 Environment Management System, OHSAS 18001 TOSHMS and CNS 15506 TOSHMS in Taiwan certificated.</p> <p>Passed tobacco hazard control label of healthy occupational certificate after assessed by National Health Service(NHS) of Ministry of Health and Welfare(MHW).</p> <p>Implemented treasury stock approach for the first time and expected to transfer to employees to encourage them and retain excellent talents.</p> <p>Comprehensive mass production of LM-CORE series Ironcore Linear Motor.</p> <p>Official mass production of CLS-Compact Linear Motor Stage.</p> <p>Released ARR/HRR/LRR Standard 4-Row Roller-type Linear Guide.</p>
2015	<p>New products such as Roller-type Linear Guide, Ironcore Linear Motor, CLS-Linear Motor stage, Linear Motor servo drives were released for the first time in Taipei International Machine Tool Show (TIMTOS) of 2015.</p> <p>Official mass production of TC1 AC-Linear Motor server and driver.</p> <p>Official mass production of CLMS-Ironcore Linear Motor Stage.</p>
2016	<p>Official mass production of MMLS-Linear Motor Stage.</p> <p>Established CSM Maschinen GmbH with paid-in capital of EU\$25 thousand, cpc holding 80% shares.</p> <p>Capital increase from earnings NT\$28,117 thousand, amount of paid-in capital increased to NT\$620,455 thousand.</p>
2017	<p>Held the product presentation on “An Introduction and Application of Direct Drive Linear Motors”, “An Introduction and Application of Drive Systems” and “An Introduction and Application of Linear Guides” in “Taipei International Machine Tools Show in 2017”.</p> <p>Obtained the building permit for the construction of the first phase of factory building in Tree Valley Park.</p> <p>Entered the top 20% of companies of the third round of corporate governance evaluation and were awarded the “Improvement Award”.</p> <p>Established Chieftek Precision International LLC with a paid-up capital of US\$ 500,000 and held 100% shares.</p> <p>Passed the ISO 9001:2015 version, Quality management systems, ISO14001: 2015 version, Environmental management systems, OHSAS 18001: 2007 version, Occupational Health and Safety Assessment Series and Taiwan Occupational Safety and Health Management System of CNS15506 revised version certification, in August 2017.</p> <p>Passed Healthy Workplace Certification - Health Boot Badge by Health Promotion Administration of Ministry of Health and Welfare (MHW).</p>

Fiscal Year	Major history of the company
2018	<p>Applied for retirement of Treasury Shares NT\$30,000 thousand, and the paid-up capital was decreased to NT\$590,455 thousand.</p> <p>The Company was awarded “Top 5000 Largest Corporations in Taiwan 2018” by the China Credit Information Service Ltd.</p> <ol style="list-style-type: none"> 1. Was ranked 1137 by Net Operating Revenue among Manufacturing Corporations. 2. Was ranked 11 by Net Operating Revenue among Southern Taiwan Science Park. 3. Was Ranked 328 by Operating Performance among Manufacturing Corporations. 4. Was ranked 16 among General Machinery and equipment industry. <p>Applied for capitalization of earnings NT\$147,614 thousand, and the paid-up capital was increased to NT\$ 738,069 thousand.</p> <p>Increased shareholding in CSM Maschinen GmbH was 100%.</p>
2019	<p>Size2 miniature linear guides began mass production.</p> <p>The Company was awarded "Top 2000 Largest Corporations in Taiwan 2019" by the China Credit Information Service Ltd.</p> <ol style="list-style-type: none"> 1. Was ranked 951 by Net Operating Revenue among Manufacturing Corporations. 2. Was ranked 15 among Top 50 Operating Performance Corporations. 3. Was Ranked 11 among Precision Instruments Manufacturing. 4. Was ranked 50 among Most Profitable Manufacturing Company.

(II) Status for merger and acquisition activities, strategic investments in affiliated enterprises, and corporate reorganization during the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report:

1. In 2018 fiscal year and by the date of printing annual report, there is no plan to merger or acquisition of other corporates. If any in the future, we will take it cautiously, considering concrete effects brought for our corporate to ensure rights and interests of original shareholders.
2. Strategic investments in affiliated enterprises in the 2018 fiscal year up to the date of publication of the annual report:
 - (1) In order to expand the market and increase the scale of the Group’s operations, the Group has passed the new investment in CSM Maschinen GmbH in Germany by the Board of Directors on January 29, 2016, which capital of the company is EUR25,000, and We invested EUR 20,000, acquired 80% of the company’s shares, and HS invested in EUR 5,000, acquired 20% of the company’s shares.
 - (2) In 2018 year, due to HS’s personal health factors, he was unable to continue to be responsible for the operation of CSM Maschinen GmbH. After passed the approval of the board of directors of the Company on October 17, 2018, we purchased the 20% of the shares held by HS, and the Company's shareholding in CSM Maschinen GmbH has become 100%.
3. Corporate reorganization in the 2018 fiscal year up to the date of publication of the annual report: None.

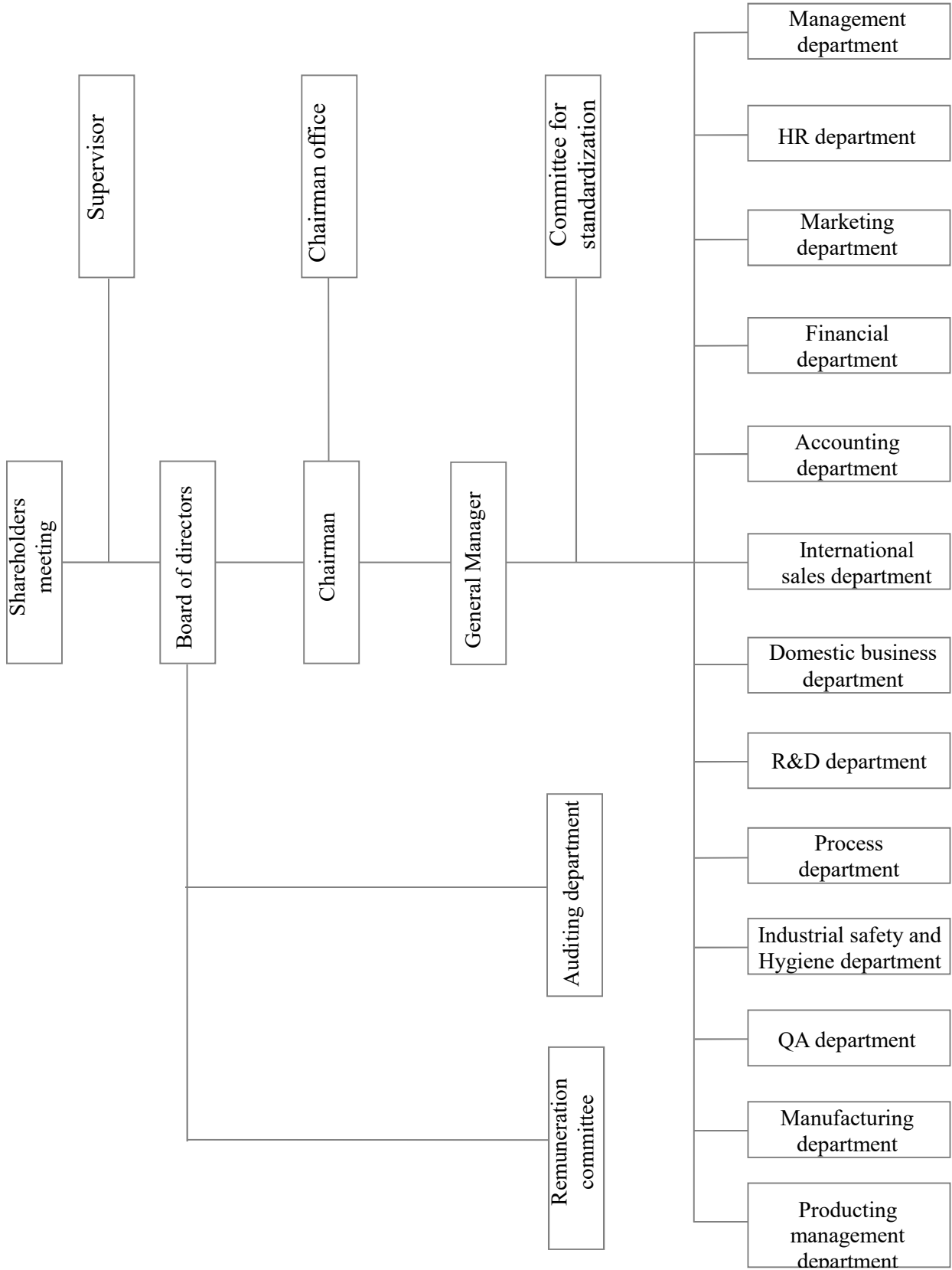
(III) Mass transfer or changes of shares for directors, supervisors, or shareholders with more than 10% shares in the Company; any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders’ equity. If there is information related to earlier fiscal years that can help provide a significantly clearer understanding of the company's situation, such information may also be included in the annual report.

1. Status of mass transfer or changes of shares for directors, supervisors and shareholders with more than 10% shares:
 - (1) There is no shareholders with more than 10% shares in the Company in the 2018 fiscal year up to the date of publication of the annual report.
 - (2) The directors and supervisors of the Company are all long-term supporters of the Company's operation and there is no significant transfer of equity which has a significant impact on the Company's finances or business, in the 2018 fiscal year up to the date of publication of the annual report.
2. Status of changes of managerial control, any material change in operating methods or type of business: None.
3. Status of other matters of material significance that could affect shareholders' equity: None.

III. Corporate Governance Report

I. Organization System

(I) Organization Structure



(2) The Tasks of Each Principal Divisions

Principal Divisions	Major Tasks
Chairman room	<ol style="list-style-type: none"> 1. To set up outstanding cpc international brand management. 2. To integrate friendly relationship between upstream and downstream vendors in international market. 3. To fulfill the ethical corporate for social responsibility and environmental humanistic responsibility. 4. To promote corporate social responsibility and ethical operations. 5. To pursue the maximum benefit for all shareholders and sustainable operations for corporate.
Auditing room	<ol style="list-style-type: none"> 1. To set out and implement each auditing policy and procedure of the Company. 2. To set out annual overall auditing plan. 3. To audit and inspect the implementation of internal control in each department, to provide improvement suggestion, to track defects and review.
Compensation committee	<ol style="list-style-type: none"> 1. To set out recommendation of salary and remuneration for board directors, supervisors and managers and regular assessment report. 2. To set out and review regularly the performance evaluation of board directors, supervisors and managers. 3. To set out and review regularly salary and remuneration policy, system, standard and structure of the Company.
Standardization committee	<ol style="list-style-type: none"> 1. To check if the format and content of standardization documents proposed by each application unit conform to ISO 9001 quality system, environmental system and other systems of the Company or not. 2. To review and discuss the content of standardization documents to make the standard accord with actual demand. 3. Planning, adjustment, auditing, improvement and other activity management of ISO 9001 quality management system (QMS). 4. To promote and manage quality objectives. 5. To assist management representatives convene management examination meetings.
Management dept.	<ol style="list-style-type: none"> 1. Purchasing section: <ol style="list-style-type: none"> (1) To set out purchasing plan. (2) Development, assessment and management of new subcontractor or outsourcing manufacturer. (3) Inquiry, price comparison, bargaining and contracting of purchasing. (4) Domestic and overseas purchasing. (5) To Coordinate with subcontractor or outsourcing manufacturer. 2. Information section: <ol style="list-style-type: none"> (1) Responsible for the maintenance and planning of the Company's network host. (2) Planning, setting-up and basic maintenance of hardware circuit. (3) Planning and implementation of software. (4) To check system data and its use. (5) To backup data and maintain database regularly. (6) To coordinate and promote computerized operations. (7) Education and training of company informatization. (8) Maintenance of ERP system, development and design of report. 3. General affairs section:

	<p>(1) Management and handling of staff meals and general affairs. (2) Management of transactional fixed assets and tools. 4. Factory affairs section: (1) To ensure normal water supply and quality of air-compressor and air-conditioner. (2) To ensure smooth operation of firefighting system, watering and foaming. (3) Maintenance of wastewater system and treatment of wastewater. (4) To ensure supply and smooth operation of power system of the factory area. (5) Mechanical and electrical maintenance and improvement plan of the factory area.</p>
HR dept.	<p>1. To set out each HR related management system and development. 2. Staff recruitment, selection, appointment, cultivation and retention development. 3. Planning and implementation of education and training. 4. Salary management and welfare system. 5. Performance assessment and evaluation. 6. Management and improvement of harmonious labor-capital relationship.</p>
Marketing dept.	<p>1. Design, maintenance and management of the Company website. 2. Catalogue, advertising, propaganda and other art design. 3. Arrangement and design of exhibition. 4. Design of the Company overall image. 5. Application and promotion of each product.</p>
Financial dept.	<p>1. Handling of Banking transactions. 2. Storage, issuance of receipt/payment and recording of cash, bills, and securities. 3. Analysis of financial operating plan, preparation of capital budgeting, fund raising and scheduling. 4. To supervise and assist fund raising, scheduling and management of subsidiaries. 5. Planning and implementation of corporate governance related affairs.</p>
Accounting dept.	<p>1. General accounting section: (1) Recording of accounting transaction, storage of source documents and account books. (2) Issuance of receipt/payment, recording and storage of cash and bills. (3) Management of account receivable/payable and general ledger. (4) Management and control of the Company income and expenses. (5) Fixed assets management, tax treatment and tax credit of investment handling. (6) Drafting and implementation of accounting statement. (7) Handling of tax reporting. (8) Withholding, reporting and paying of income tax. (9) Handling and management of bounded affairs. (10) Handling the changes of industrial and business registration. (11) Financial management of subsidiaries. (12) Affairs of the board of directors and shareholders' meeting. (13) Cooperating work audited by accountant. 2. Cost section: (1) Calculation and analysis of product cost. (2) Management of purchasing, consumption and storing of inventory. (3) Stocktaking of raw material, semi-finished products, WIS and finished products.</p>

	<p>(4) Analysis, budgeting and management of the Company operation plan.</p> <p>(5) Preparation and analysis of management report.</p> <p>(6) Tax reporting of scrapped products.</p> <p>(7) Cooperating work audited by accountant.</p>
International sales dept.	<ol style="list-style-type: none"> 1. Setting and implementation of performance objectives. 2. Sales marketing. 3. Deliberation of project contract. 4. Resolution, feedback and tracking of customer service. 5. Setting and Tracking of forecasting for production and marketing. 6. Market research. 7. Inventory control among subsidiaries. 8. Accounts receivable collection.
Domestic sales dept.	<ol style="list-style-type: none"> 1. Setting and implementation of marketing plan. 2. Resolution and feedback of customer service. 3. Review and control of contract and order. 4. Setting and tracking of production and marketing prediction. 5. Setting and implementation of advertisement marketing strategy. 6. Information collection and analysis of the market and the same trade concerned. 7. Accounts receivable collection.
R & D dept.	<ol style="list-style-type: none"> 1. Search and analysis of competitor products and patents. 2. Development, design and patent application of new products. 3. To plan new rules for new products and analyze R & D technology of new products. 4. Function improvement of current products. 5. Audit and recognition of outsourcing components. 6. Sample making and functional testing, design of testing machine and measuring tools. 7. Introduction of trial production for new products. 8. Testing and application of product safety and other regulations.
Manufacture process dept.	<ol style="list-style-type: none"> 1. Technological development section: <ol style="list-style-type: none"> (1) Development of production technology. (2) Capacity planning and standard labor time making. (3) Processing and mechanical equipment SOP making. (4) Cost analysis. (5) Development and maintenance of machineries and fixtures. 2. Mechanical equipment section: <ol style="list-style-type: none"> (1) Repair and maintenance of mechanical equipment. (2) Development and improvement of mechanical equipment. (3) Purchasing of parts and management of spare parts.
Industrial safety and Hygiene dept.	<ol style="list-style-type: none"> 1. Establishment, promotion and maintenance of ISO14001 Environmental Management System, OHSAS18001 Occupational Safety and Health Management System (OSHMS) and CNS15506 OSHMS in Taiwan. 2. Recognition, assessment and control of working environment or operation hazard. 3. Management of machineries, equipment and appliance. 4. Classification, labeling, hazard communication and management of hazardous chemicals. 5. Strategic planning and monitoring of sampling in harmful operating environment. 6. Manufacture process or construction safety assessment in dangerous

	<p>workplace.</p> <ol style="list-style-type: none"> 7. Management of purchasing, contracting and change. 8. Operating Standards for safety and health. 9. Regular check, emphasized check, operation check, site inspection and 6S management. 10. Education and training for safety and health. 11. Management of personal safeguard device. 12. Health examination, management and improvement. 13. Collection, sharing and application of safety and health information. 14. Emergency response and preparedness. 15. Investigation and settlement and statistical analysis of occupational accidents, near misses, events that affect the physical and mental health. 16. Record of safety and health management and measures for performance assessment. 17. Other safety and health management measures.
QA dept.	<ol style="list-style-type: none"> 1. Practice of quality policy, implementation and correction of quality system and operation procedure. 2. To carry out and maintain related responsibilities regulated by quality system. 3. To assist and solve customers' problems. 4. Reason analysis, preventive measures, countermeasure formulation and follow-up processing of quality abnormal events. 5. Setting of calibration plan, management of inspection and testing equipment, implementation of internal calibration and control of external calibration. 6. Responding, handling and tracking of customers' complaints. 7. Inspection and judgment of incoming material, processing, finished products before shipment.
Manufacturing dept.	<ol style="list-style-type: none"> 1. Implementation and control of production line planning and scheduling. 2. Improve production efficiency, technology and quality of finished products. 3. Control and improvement of product yield. 4. Quality abnormal reaction and implementation of improvement. 5. Regular maintenance and calibration of manufacturing equipment and instruments. 6. Manpower training and employment plan and performance assessment.
Product management dept.	<ol style="list-style-type: none"> 1. Product management section: <ol style="list-style-type: none"> (1) Annual production and marketing planning. (2) Goal setting and MOC (management of change) of production planning. (3) Implementation of production planning, coordination of production, marketing and delivery. (4) Requirement, purchasing, allocation and control of production materials. 2. Warehouse management section: <ol style="list-style-type: none"> (1) Inventory management (including finished products, semi-finished products, WIP, raw materials, accessories). (2) Receiving and dispatching of material and finished products. (3) Stocktaking. (4) Requirement and control of material, improve inventory turnover ratio. (5) Ensuring proper warehousing and shipping.

II. Information of Directors, Supervisors, General Manager, Vice-General Manager, Assistant-General Manager and Heads of Each Department and Each Branch

(I) Board directors and supervisors

1. Data of board directors and supervisors

May 10, 2019

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
Chairman and Chief Strategy Officer	The Republic of China	CHEN LI-FEN	Female	June 22, 2017	3 years	October 14, 1998	2,655,805	4.50%	3,320,379	4.50%	5,072,126	6.87%	0	0	Art History of Universität Stuttgart, Founding President of National Cheng Kung University Innovation & Incubation, Chairman of Alumni Association of The National Tainan Girls Senior High School 2016-18	Chief Strategy Officer of Chieftek Precision CO., Ltd., Chairman of Deneng Sunshine Investment Co., Ltd, Chairman of Deyuan Management Consulting Co., Ltd, Chairman of Zhenshanmeihui Investment Co., Ltd, Chairman of Gueirendefu Investment Co., Ltd, Chairman of Yijihde Management Consulting Co., Ltd, Chairman of Sunshine Bio Technology Co., Ltd, Chairman of Situjia Food Co., Ltd., Vice Chairman of The Allied Association for Science Park Industries, Vice Chairman of Sino-German Cultural and Economic Association, Standing Director of Academia-Industry Consortium for Southern Taiwan Science Park, Director, Tainan Traditional Chinese Cultural College Foundation (Note 2)	Board Director, General Manager and R&D Supervisor	HSU MING-CHE	Spouse

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
Board Director, General Manager and R&D Supervisor	The Republic of China	HSU MING-CHE	Male	June 22, 2017	3 years	October 14, 1998	4,057,701	6.87%	5,072,126	6.87%	3,320,379	4.50%	0	0	Master of Mechanical Engineering of Universität Stuttgart	General Manager and R&D Supervisor of Chieftek Precision Co., Ltd.	Board Chairman and Chief Strategy Officer	CHEN LI-FEN	Spouse
Board Director	The Republic of China	LI AN	Female	June 22, 2017	1 year	June 16, 2016	782,030	1.32%	977,537	1.32%	0	0	0	0	Bachelor of Nutrition, Fu Jen Catholic University; Master of Nutrition, New York University; Master of Computer, University of Denver; Computer Engineer of NREL; Senior Computer Engineer of US West Inc.; Information Chief of Motech Industries Inc.	Director of Deneng Sunshine Investment Co., Ltd.	Nil	Nil	Nil
Board Director	The Republic of China	CHENG SHENG-FEN	Male	June 22, 2017	3 years	December 30, 2004	375,445	0.64%	504,306	0.68%	816,881	1.11%	0	0	Master of Mechanical Engineering of National Taiwan University, Assistant Manager of Jianxing Electronics Co., Ltd and Vice-General Manager of A-OPTRONICS Co., Ltd.	Nil	Nil	Nil	Nil

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
Board Director	The Republic of China	WANG CHEN PI-HSIA	Female	June 22, 2017	3 years	December 30, 2004	450,350	0.76%	506,687	0.69%	50,303	0.07%	0	0	Provincial Tainan Girls' Senior High School	Chairman of Yucheng Starch Co., Ltd. Director of Deyuan Management Consulting Co., Ltd, Supervisor of ST&T Electric Corp.	Nil	Nil	Nil
Independent Director	The Republic of China	WEI NAI-CHANG	Male	June 22, 2017	3 years	June 17, 2011	0	0	0	0	0	0	0	0	Master of National Chiao Tung University Institute of Business & Management, Audit Team Leader of PwC Taiwan, Accounting Officer of Foresight Energy Technologies Development Co., Ltd, Accountant and Administration Manager of Taiwan Intervet Animal Drug Co., Ltd, CFO of Ambit Microsystems, Vice-General Manager of Clevo Co. Management Center	Nil	Nil	Nil	Nil
Independent Director	The Republic of China	WU CHUNG-JEN	Male	June 22, 2017	3 years	June 17, 2011	21,384	0.04%	26,730	0.04%	0	0	0	0	Doctor of Chemical Engineering of National Cheng Kung University, Researcher of Industrial Technology Research Institute Union Chemical Laboratories, Project	Chairman of CHIH RO Enterprise Co., Ltd Chairman of SUPLA Material Technology Co., Ltd. Chairman of Jiangsu Supla Bio-Environmental Material LLC	Nil	Nil	Nil

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
															Manager of National Cheng-kung University Business Incubation Center, Vice Director of Technology Transfer & Business Incubation Center of National Cheng Kung University, Executive Manager of Incubator Center of Southern Taiwan Science Park and Division Head of Legal & Intellectual Property General Division, ChungHwa Picture Tubes, LTD.				
Independent Director	The Republic of China	HO MING-ZIH	Male	June 22, 2017	3 years	June 22, 2017	0	0	0	0	0	0	0	0	Bachelor of Engineering, National Cheng Kung University Master of Electrical Engineering, Texas A&M University Doctor of Electrical Engineering, Texas A&M University Assistant professor of Engineering, National Cheng Kung University Researcher of Research	Associate professor of Engineering, National Cheng Kung University	Nil	Nil	Nil

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
															headquarters, Ritek Corporation Associate professor of Engineering, National Cheng Kung University				
Supervisor	The Republic of China	KUANG HSI-HUI	Female	June 22, 2017	3 years	December 30, 2004	164,343	0.28%	205,428	0.28%	0	0	0	0	Bachelor of Fu Jen Catholic University Department of Accounting	Supervisor of Deneng Sunshine Investment Co., Ltd, Supervisor of Deyuan Management Consulting Co., Ltd, Supervisor of Zhenshanmeihui Investment Co., Ltd, Supervisor of Sunshine Bio Technology Co., Ltd, Supervisor of Gueirendefu Investment Co., Ltd, Supervisor of Yijihde Management Consulting Co., Ltd, Independent Director of OPNET Technologies Co., Ltd.	Nil	Nil	Nil
Supervisor	The Republic of China	LI MEI	Female	June 22, 2017	2 years	June 20, 2012	393,941	0.67%	449,676	0.61%	0	0	0	0	JRJJ Food Nutrition Department, Vice-General manager of Shida Tongyun Co., Ltd (General Agent of Lufthansa Cargo) and General Manager of SITA WORLD TRAVEL	Director of Yijihde Management Consulting Co., Ltd,	Nil	Nil	Nil
Supervisor	The Republic of	TSENG HSU-WEN	Male	June 22, 2017	3 years	June 17, 2011	45,649	0.08%	141,061	0.19%	0	0	0	0	Bachelor of National Cheng Kung University Department of Business	Nil	Nil	Nil	

Job Title	Nationality or place of registry	Name	Gender	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship		
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
	China													Administration and Director of General Manager Room Planning Group of Teco Electric & Machinery Co., Ltd.					

Note 1: Board directors and supervisors of the company didn't take office in CPA Firm or its affiliated enterprise during the past year.

Note 2: Posts concurrently occupied in the company and other companies at present by Chairman CHEN LI-FEN include: Board Director of subsidiary corporations like CHIEFTEK PRECISION HOLDING CO., LTD., cpc Europa GmbH, Chieftek Precision (Hong Kong) Co., Limited, CHIEFTEK PRECISION USA CO., LTD, CHIEFTEK Machinery(Kunshan) Co., Ltd., Chieftek Machinery Kunshan Co., Ltd., CSM Maschinen GmbH and Chieftek Precision International LLC.

Note 3 : The company's supervisor, KUANG HSI-HUI, resigned as supervisor in 2019.01.25 because of her personal family.

2. Specialized knowledge and independence situation of board directors and supervisors:

May 10, 2019

Name	Whether having work experience with over 5 years and the following professional qualifications			Independence situations (Note)										Number of independent director concurrently occupied in other public offering companies
	Lecturer or above of public colleges and universities in academic department of business, legal affair, finance, accounting or that required by the company business.	Judge, procurator, lawyer, accountant or other special professions and technicians passing the national examination and obtaining certificates required by the company business	Work experience of business, legal affair, finance, accounting or that required by the company business.	1	2	3	4	5	6	7	8	9	10	
CHEN LI-FEN			ü					ü	ü	ü		ü	ü	Nil
HSU MING-CHE			ü					ü	ü	ü		ü	ü	Nil
LI AN			ü	ü	ü		ü	ü	ü	ü	ü	ü	ü	Nil
CHENG SHENG-FEN			ü	ü	ü		ü	ü	ü	ü	ü	ü	ü	Nil
WANG CHEN PI-HSIA			ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	Nil
HO MING-ZIH	ü		ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	Nil
WU CHUNG-JEN			ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	Nil
WEI NAI-CHANG			ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	Nil
KUANG HSI-HUI			ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	Nil
LI MEI			ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	Nil
TSENG HSU-WEN			ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	Nil

Notes: for each board director and supervisor meets the following conditions 2 years before election and during the tenure, tick “ü” in the box under the condition code:

- (1) Employees who don't belong to the company or its affiliated enterprises.
- (2) Board directors and supervisors who don't belong to the company or its affiliated enterprises (independent directors who belong to the company or its parent company, or the subsidiary for whom set according to the law or the law of local region not be subject to this limit).
- (3) Not the person, his/her spouse and minor children, or natural person shareholders who hold in the name of others over 1% of the issued shares of the company or whose shareholding ranks top 10.
- (4) Spouse and direct lineal relatives within the second degree of kinship or the third degree of kinship who don't belong to the personnel listed in the first three items.
- (5) Board directors, supervisors or employees of corporate shareholders who don't directly hold more than 5% of issued shares of the company or whose shareholding ranks top 5.
- (6) Board directors, supervisors, managers or shareholders holding over 5% of shares in specific companies or institutions who don't have financial or business transaction with the company.
- (7) Entrepreneurs, partner, board directors, supervisors, managers and his/her spouse in the sole or Partnership Company or institution and professionals who don't provide business, legal affair, finance, accounting and other services or consultations for the company or its affiliated enterprises. But the Compensation Committee members who perform duties according to Article 7 of Setting and Duties Execution Methods of Compensation Committee of Listed Companies or Companies Doing Transaction in Securities Dealer Business Place shall not be subject to this limit.

- (8) Do not have the relationship of spouse or the second degree of kinship with other board directors.
- (9) Do not have any of various situations in Article 30 of the Company Law.
- (10) Do not have the situation that government, legal person or his representative is elected as stipulated in Article 27 of the Company Law.

III. Principal shareholder of corporate shareholder: no such situation.

IV. As to that principal shareholder of corporate shareholder is legal person, its principal shareholders: No such situation.

(II) Information on General Manager, Vice-General Manager, Assistant General Manager and Heads of Each Department and Each Branch

May 10, 2019

Job Title	Nationality	Name	Gender	Date of Election	Shareholdings		Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/Education Background	Post concurrently occupied in other companies at present	Manager with the relationship of spouse or that within the second degree of kinship		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
Chief Strategy Officer	The Republic of China	CHEN LI-FEN	Female	October 19, 1998	3,320,379	4.50%	5,072,126	6.87%	0	0	Art History of Universität Stuttgart, Founding President of National Cheng Kung University, Alumni Association of The National Tainan Girls Senior High School	Chief Strategy Officer of Chieftek Precision CO., Ltd., Chairman of Deneng Sunshine Investment Co., Ltd, Chairman of Deyuan Management Consulting Co., Ltd, Board Director of Ever Advanced Precision Technologies Co., Ltd., Chairman of Zhenshanmeihui Investment Co., Ltd, Board Director of Sunshine Bio Technology Co., Ltd, Chairman of Situjia Food Co., Ltd., Chairman of Gueirendefu Investment Co., Ltd, Chairman of Yijihde Management Consulting Co., Ltd, Vice Chairman of The Allied Association for Science Park Industries, Vice Chairman of Sino-German Cultural and Economic Association, Standing Director of Academia-Industry Consortium for Southern Taiwan Science Park, Founding President of National Cheng Kung University Innovation & Incubation Tainan Traditional Chinese Cultural College Foundation (Note 2)	General Manager and R&D Supervisor	HSU MING-CHE	Spouse
General Manager and R&D Supervisor	The Republic of China	HSU MING-CHENG	Male	October 19, 1998	5,072,126	6.87%	3,320,379	4.50%	0	0	Master of Mechanical Engineering of Universität Stuttgart	Nil	Chairman and Chief Strategy Officer	CHEN LI-FEN	Spouse
Vice-General Manager of Domestic Business Department	The Republic of China	CHEN MIN-CHANG	Male	March 12, 2014	31,651	0.04%	0	0	0	0	WYGL Textile Machinery Department; Manager of Domestic Business Department of Chieftek Precision CO., Ltd.	General Manager of CHIEFTEK Machinery (Kunshan) Co., Ltd	Nil	Nil	Nil
Assistant Manager of International Sales Department	The Republic of China	PENG CHIUNG-YIN	Female	December 17, 2010	463,670	0.63%	0	0	0	0	German Department of Universität Trier	Assistant Business Manager of cpc Europa GmbH	Nil	Nil	Nil

Chief Financial Officer	The Republic of China	LI PAI-TSANG	Male	June 8, 2012	2,018	0%	0	0	0	0	NCKU Department of Accountancy; Financial Manager of Univacco Technology Inc.	Supervisor of CHIEFTEK Machinery(Kunshan) Co., Ltd	Nil	Nil	Nil
HR manager	The Republic of China	YEH CHING-CHING	Female	July 7, 2011	462,627	0.63%	0	0	0	0	German Language Teaching Department of Universität Trier	Nil	Nil	Nil	Nil
Manager of Linear Motor Product	The Republic of China	WU HSUAN-CHUN	Male	March 31, 2015	0	0%	0	0	0	0	National Cheng Kung University, Department of Mechanical Engineering; Linear Motor Section Manager of Chieftek Precision CO., Ltd.	Nil	Nil	Nil	Nil
R&D Manager of Electronic Control	The Republic of China	FANG SHAO-KUANG	Male	April 1, 2015	0	0%	0	0	0	0	Master of University of Queensland Engineering Science	Nil	Nil	Nil	Nil
Manager of Domestic Business Department	The Republic of China	Shen DONG-YI	Male	August 03, 2011	6,073	0.01%	0	0	0	0	Department of Business Administration, Far East University	Nil	Nil	Nil	Nil
Manager of Accounting Department	The Republic of China	WU CHIA-YU-NG	Female	January 01, 2019	0	0%	0	0	0	0	Bachelor of Department of Accounting Information, Shih Chien University Assistant manager of Deloitte Touche Union Accountants firm	Nil	Nil	Nil	Nil
Audit Supervisor	The Republic of China	CHENG HSIU-YU-HEH	Female	September 24, 2010	0	0%	0	0	0	0	Department of Accounting Information of Kun Shan University of Technology; Chief Accountant of Catcher Technology Co., Ltd.; Financial Attache of Xinshichang Metal Co., Ltd; Auditor of Haoji Certified Public Accountants	Nil	Nil	Nil	Nil

Note 1: General Manager, Vice-General Manager, Assistant General Manager and Heads of Each Department and Each Branch of the company didn't take office in CPA Firm or its affiliated enterprise during the past year.

Note 2: Posts concurrently occupied in the company and other companies at present by Chairman CHEN LI-FEN include: Board Director of subsidiary corporations like CHIEFTEK PRECISION HOLDING CO., LTD., cpc Europa GmbH, Chieftek Precision (Hong Kong) Co., Limited, CHIEFTEK PRECISION USA CO., LTD, CHIEFTEK Machinery (Kunshan) Co., Ltd, CSM Maschinen GmbH and Chieftek Precision International LLC, etc.

(III) Remuneration paid to Director (including Independent Director), Supervisor, General Manager and Vice-General Manager in the Most Recent Fiscal Year
1. Remuneration paid to Director (including Independent Director)

Unit: NT\$ thousand dollar/share in thousand

Job Title	Name	Director's remuneration								Proportion of total amount of A, B, C and D in profit after tax (%)		Remuneration received by employee concurrently served								Proportion of total amount of the first seven items (A, B, C, D, E, F and G) in profit after tax (%)		Whether receiving the remuneration from re-investment career beyond the subsidiary company			
		Remuneration (A)		Resignation retirement pay (B)		Director's remuneration (C)		Business execution cost (D)				Salary, bonus, extraneous charges, etc. (E)		Resignation retirement pay (F)		Employee rewards (G)									
		The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company		All companies in the financial reports		The company	All companies in the financial reports				
Chairman and Chief Strategy Officer	CHEN LI-FEN																								
Board Director, General Manager and R&D Supervisor	HSU MING-CHE																								
Board Director	LI AN																								
Board Director	CHENG SHENG-FEN	0	0	0	0	10,624	10,624	336	336	2.32%	2.33%	10,582	10,582	0	0	8,448	0	8448	0	6.34%	6.36%	Nil			
Board Director	WANG CHEN PI-HSIA																								
Independent Director	HO MING-ZIH																								
Independent Director	WU CHUNG-JEN																								
Independent Director	WEI NAI-CHANG																								

Note 1: It refers to subscribed shares (excluding the executed part) on employee stock option certificates that board directors with additional post of employees (including general manager, vice-general manager, other managers and employees) gain as of the date of annual report print.

Note 2: The Company provide a vehicle to CHEN LI-FEN, Chairman and Chief Strategy Officer, Annual rental cost paid in 2018 is 411 thousand, fuel expense is around 16 thousand.

Note 3: The Company provide a vehicle to HSU MING-CHE, Board Director and concurrently occupied of General Manager and R&D supervisor. Annual rental cost paid in 2018 is 701 thousand, fuel expense is around 16 thousand.

Note 4: Proposed employee rewards and directors' remuneration in 2018 haven been adopted by the decision of the Compensation Committee and board of directors' meeting.

Note 5: Remuneration and salary are calculated by salary and meal allowance.

Note 6: Business execution fee means traffic allowance.

Remuneration Interval Table

Interval of remuneration paid to each board directors of the company	Names of board directors			
	The amount of remuneration of the first four items (A+B+C+D)		The amount of remuneration of the first four items (A+B+C+D)	
	The company	All companies in the financial reports	The company	All companies in the financial reports
<NT\$2,000,000 dollars	LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA, WU CHUNG-JEN, WEI NAI-CHANG and HO MING-ZIH	LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA, WU CHUNG-JEN, WEI NAI-CHANG and HO MING-ZIH	LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA, WU CHUNG-JEN, WEI NAI-CHANG and HO MING-ZIH	LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA, WU CHUNG-JEN, WEI NAI-CHANG and HO MING-ZIH
NT\$2,000,000 dollars (included) ~ NT\$5,000,000 dollars (excluding)	CHEN LI-FEN, HSU MING-CHE	CHEN LI-FEN, HSU MING-CHE	0	0
NT\$5,000,000 dollars (included) ~ NT\$10,000,000 dollars (excluding)	0	0	CHEN LI-FEN, HSU MING-CHE	CHEN LI-FEN, HSU MING-CHE
NT\$10,000,000 dollars (included) ~ NT\$15,000,000 dollars (excluding)	0	0	0	0
NT\$15,000,000 dollars (included) ~ NT\$30,000,000 dollars (excluding)	0	0	0	0
NT\$30,000,000 dollars (included) ~ NT\$50,000,000 dollars (excluding)	0	0	0	0
NT\$50,000,000 dollars (included) ~ NT\$100,000,000 dollars (excluding)	0	0	0	0
>NT\$100,000,000 dollars	0	0	0	0
In total	8 persons	8 persons	8 persons	8 persons

2. Remuneration of supervisors

Unit: NT\$ in thousand

Job Title	Name	Remuneration of supervisors						Proportion of total amount of the first three items (A, B and C) in profit after tax (%)		Whether receiving the remuneration from re-investment career beyond the subsidiary company
		Remuneration (A)		Remuneration (B)		Business execution fee (C)		The company	All companies in the financial reports	
		The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports			
Supervisor	KUAN HIS-HUI (Note 2)									
Supervisor with independent functions	TSENG HSU-WEN	0	0	2,839	2,839	102	102	0.62%	0.62%	Nil
Supervisor	LI MEI									

Note 1: Business execution fee means traffic allowance.

Note 2: The Company's supervisor, KUANG HSI-HUI, resigned as supervisor in 2019.01.25 because of her personal family.

Remuneration Interval Table

Interval of remuneration paid to each supervisor of the company	Names of supervisors	
	Total amount of remuneration of the first three items (A+B+C)	
	The company	The company
<NT\$2,000,000 dollars	KUANG HSI-HUI, TSENG HSU-WEN and LI MEI	KUANG HSI-HUI, TSENG HSU-WEN and LI MEI
NT\$2,000,000 dollars (included) ~ NT\$5,000,000 dollars (excluding)	0	0
NT\$5,000,000 dollars (included) ~ NT\$10,000,000 dollars (excluding)	0	0
NT\$10,000,000 dollars (included) ~ NT\$15,000,000 dollars (excluding)	0	0
NT\$15,000,000 dollars (included) ~ NT\$30,000,000 dollars (excluding)	0	0
NT\$30,000,000 dollars (included) ~ NT\$50,000,000 dollars (excluding)	0	0
NT\$50,000,000 dollars (included) ~ NT\$100,000,000 dollars (excluding)	0	0
NT\$100,000,000 dollars (included) or above	0	0
In total	3 persons	3 persons

3. Remuneration of General Managers and Vice-General Managers

Unit: NT\$ in thousand

Job Title	Name	Salary (A)		Resignation retirement pay (B)		Bonus, extraneous charges, etc. (C)		Employee rewards (D)				Proportion of total amount of the first four items (A, B, C, D) in profit after tax (%)		Whether receiving the remuneration from re-investment career beyond the subsidiary company	
		The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company		All companies in the financial reports		The company	All companies in the financial reports		
								Cash Amount	Stock Amount	Cash Amount	Stock Amount				
General manager	HSU MING-CHE														
Vice-General Manager of Domestic Business Department	CHEN MIN-CHANG	6,307	7,028	0	0	1,706	1,706	7,224	0	7,224	0	3.22%	3.39%	Nil	

Remuneration Interval Table

Interval of remuneration paid to each general manager and vice-general manager of the compan	Names of general managers and vice-general managers	
	The company	All the companies in the Financial reports(E)
<NT\$2,000,000 dollars	0	0
NT\$2,000,000 dollars (included) ~ NT\$5,000,000 dollars (excluding)	0	0
NT\$5,000,000 dollars (included) ~ 10,000,000 dollars (excluding)	HSU MING-CHE and CHEN MIN-CHANG	HSU MING-CHE and CHEN MIN-CHANG
NT\$10,000,000 dollars (included) ~ 15,000,000 dollars (excluding)	0	0
NT\$15,000,000 dollars (included) ~ 30,000,000 dollars (excluding)	0	0
NT\$30,000,000 dollars (included) ~ 50,000,000 dollars (excluding)	0	0
NT\$50,000,000 dollars (included) ~ 100,000,000 dollars (excluding)	0	0
NT\$100,000,000 dollars or above	0	0
In Total	2 persons	2 persons

4. Name and Distributed Status of the Manager Who Distributed the Employee's Remuneration May 10, 2019; Unit: NT\$ in thousand

	Job Title	Name	Stock amount	Cash amount	In total	Proportion of total amount in profit after tax (%)
Manager	Chief Strategy Officer	CHEN LI-FEN	0	14,400	14,400	3.05%
	General Manager and R&D Supervisor	HSU MING-CHE				
	Vice-General Manager of Domestic Business Department	CHEN MIN-CHANG				
	Assistant Manager of International Sales Department	PENG CHIUNG-YIN				
	Chief Financial Officer (Financial and Accounting Manager)	LI PAI-TSANG				

(IV) Separately compare and describe total remuneration paid by this Company and by each other Company included in the consolidated financial statements to Directors, Supervisors, General Managers, and Vice-General Managers during the most recent 2 fiscal years, as a percentage of net profit stated in the un-consolidated financial reports or individual financial reports, and analyze remuneration policies, standards, and packages, the procedure for determining remuneration of the Company, and its linkage to operating performance and future risk exposure:

1. Analysis on the total remuneration paid by this Company and by each other Company included in the consolidated financial statements to Directors, Supervisors, General Managers, and Vice-General Managers during the most recent 2 fiscal years, as a

percentage of net profit stated in the un-consolidated financial reports:

Summary	2017		2016	
	Proportion in profit after tax (%)		Proportion in profit after tax (%)	
	The company	All companies in the Financial reports	The company	All companies in the Financial reports
Board Director	6.34%	6.36%	7.52%	7.52%
Supervisor	0.62%	0.62%	0.70%	0.70%
General Manager and Vice-general Manager	3.22%	3.39%	2.88%	3.19%

2. Remuneration policies, standards, and packages, the procedure for determining remuneration of the Company, and its linkage to operating performance and future risk exposure:

- (1) Remuneration of board directors and supervisors of the company is propounded to the board of directors for reference of decision-making by the Compensation Committee after related meeting and discussion are made, and is negotiated and discussed by the board of directors based on the participation degree and contribution of board directors and supervisors for the company operation as well as the level in the same business.
- (2) Appointment, dismissal and remuneration of general manager and vice-general manager of the company are handled according to relevant regulations of the company, remuneration payment standard is submitted to the Compensation Committee for review by HR Department in accordance with related regulations of personnel performance evaluation in the company, individual performance, contribution degree for the entire company operation as well as the level in the same business, then sent to the board of directors, and finally executed after passed through discussion.
- (3) Remuneration policy of the company:
 - A. Personal ability, contribution degree for the company and performance are positively correlated with the business performance, and future risk are considered, controlled and managed, so the relevance between remuneration policy and future risk is relatively low.
 - B. Overall salary combination mainly includes fixed salary, short-term incentive reward (such as performance bonus and employee stock bonus) and long-term incentive compensation (such as employee stock option certificates and transfer of treasury stock to employees)

III. Status of the Company's implementation of corporate governance

- (I) Information of operation and situation of the board of directors: 8 meetings (A) were held by the board of directors in 2018, and attendance situation of board directors and supervisors is as follows:

Job Title	Name	Actual attendance time (B)	Entrusted attendance time	Actual attendance ratio (%) (B/A)	Remark
Chairman	CHEN LI-FEN	8	0	100.00%	
Director	HSU MING-CHE	8	0	100.00%	
Director	CHENG SHENG-FEN	8	0	100.00%	
Board Director	WANG CHEN PI-HSIA	8	0	100.00%	
Director	LIAN	8	0	100.00%	
Independent Director	HO MING-ZIH	8	0	100.00%	
Independent Director	WU CHUNG-JEN	5	3	62.50%	
Independent Director	WEI NAI-CHANG	8	0	100.00%	
Supervisor	KUANG HSI-HUI	7	0	87.50%	Note 1
Supervisor	LI MEI	8	0	100.00%	
Supervisor	TSENG HSU-WEN	5	0	62.50%	

Note 1 : The Company's supervisor, KUANG HSI-HUI, resigned as supervisor in 2019.01.25 because of her personal family.

Other matters that require reporting:

I. Under one of the following situations occurs to the board operation, it shall detail the date of board meeting, term, proposal content, opinions of all independent directors and handling by the Company:

(I) Items listed under Item 3, Article 14 of Securities Exchange Act:

- On February 9, 2018, the Board of Directors discussed the "proposal for 2017 fiscal year-end bonus distribution of managers reviewed by the Compensation Committee". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
- On February 9, 2018, the Board of Directors discussed the "proposal for 2017 fiscal year Remuneration Projects and Related Regulations of Managers". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
- On February 9, 2018, the Board of Directors discussed the "proposal for revise the regulations of manager's remuneration and review the adjustment of manager's remuneration". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
- On May 11, 2018, the Board of Directors discussed the "proposal for manager's allotment of the employees' remuneration of 2017 fiscal year reviewed by the Compensation Committee". Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
- On May 11, 2018, the Board of Directors discussed the "proposal for Directors and Supervisors' Remuneration of 2017 fiscal year reviewed by the Compensation Committee". Except for the directors of

- CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
6. On January 25, 2019, the Board of Directors discussed the “proposal for 2018 fiscal year-end Bonus of the Managers reviewed by the Compensation Committee”. Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
 7. On January 25, 2019, the Board of Directors discussed the “proposal for the manager's remuneration and related regulations of 2018 fiscal year”. Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
 8. On May 2, 2019, the Board of Directors discussed the “proposal for Directors and Supervisors' Remuneration of 2017 fiscal year reviewed by the Compensation Committee”. Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
 9. On May 2, 2019, the Board of Directors discussed the “proposal for manager's allotment of the employees' remuneration of 2017 fiscal year reviewed by the Compensation Committee”. Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors (including independent directors) agreed and passed the proposal without any dissent.
- (II) Other resolution matters of the board of directors that independent directors hold the objection or reservations and have related record or written statement:
The decisions of the independent directors at the 107th Board of Directors are summarized as follows:
1. Independent director's opinion: Nil.
 2. The company's handling of the opinions of independent directors: Nil.
 3. Results of the resolution: All attending the independent directors agreed to pass
- II. As for the execution situation that board directors avoid the proposal in which they have a stake, items like director name, proposal content, avoidance cause and voting participation situation shall be detailed: It shall refer to sub item 1 of the first item.
- III. Objectives to enhance the function of the board of directors (such as setting audit committee and promoting information transparency) in the current year and in the most recent fiscal year and related execution situation evaluation:
- (I) The Company has set the Compensation Committee to assist in its responsibility execution of the board of directors;
 - (II) It is stipulated in Article 13 of the articles of association that: the company shall set the audit committee according to the regulations of Securities Exchange Act; the audit committee shall be composed of the whole independent directors, whose number shall be not less than 3, besides, at least 1 person shall have the accounting or financial expertise; function and power execution, organizational rules and other observable matters of the audit committee shall be handled according to relevant decrees or the company regulations; the company is planning to set the audit committee in proper time, and further set various functional committees in accordance with Articles of Association, so as to perfect the decision-making function and strengthen the management mechanism.
 - (III) Internal audit supervisor of the company shall regularly provide the independent directors with the internal audit reports and report the checking outcome of internal audit to the board directors and supervisors in the routine board of directors.
 - (IV) The communication between the independent directors and the internal audit supervisors or accountants (such as the methods, matters and results on the Company's financial reports and financial and business conditions) is disclosed on the Company's website?
 1. The internal audit supervisor of the Company regularly reports the internal audit report to the independent directors, and the independent directors have no dissent.
 2. The internal audit supervisor is present at the board of directors and reports the auditing results of the internal audit to the independent directors. The supervisors have no dissent.
 3. When an independent director attends the board of directors, he or she will directly consult with the accountant. If necessary, he or she must contact the accountant directly to communicate with the financial condition.
 4. Disclosed on the Company's website in due course.
 - (V) Promotion of information transparency
 1. After each directors board meeting is held, important resolutions of the board of directors shall be handled for announcement and regularly updated on the company website according to relevant

regulations.

2. The Company has established a performance appraisal system for the Board of Directors. On February 9, 2018, the Board of Directors discussed and approved the “Measures for the Performance Appraisal of the Board of Directors”, and completed the performance evaluation of the internal board of directors for the 2018 year in January, 2019, and disclosed it on the company website. An internal board performance appraisal should be performed at least once a year, and a performance appraisal should be performed every three years by an external professional independent institution or a team of external experts and scholars.

(II) Operation situation of audit committee or operation situation of supervisors’ participating in the board of directors:

1. Operation situation of audit committee: It is stipulated in the Articles of Association that the company shall set the audit committee; the audit committee shall be composed of the whole independent directors, whose number shall be not less than 3, besides, at least 1 person shall have the accounting or financial expertise; the company is planning to set the audit committee in proper time, and further set various functional committees in accordance with the Articles of Association, so as to perfect the decision-making function and strengthen the management mechanism.
2. Operation situation of supervisors’ participating in the board of directors:
8 meetings (A) were held by the board of directors in 2018, and attendance situation is as follows:

Job Title	Name	Actual attendance time (B)	Actual attendance ratio (%) (B/A)	Remark
Supervisor	KUANG HSI-HUI	7	87.50%	
Supervisor	LI MEI	8	100.00%	
Supervisor	TSENG HSU-WEN	5	62.50%	

Other matters that require reporting:

- (I) Communication situation of supervisors with employees and shareholders: the supervisors of the Company attend the board of directors, regularly check the audit report, review the financial statements and check the internal control system of the company; the communication channel with the company employees and shareholders shall be unblocked.
 - (II) Communication situation of supervisors with the internal audit supervisor and CPA:
 1. Internal audit supervisor of the company regularly submits the internal audit reports, and supervisors have no objection;
 2. Internal audit supervisor attends the board of directors, reports the checking outcome of internal audit to the board directors and supervisors, and supervisors have no objection;
 3. Supervisors shall directly contact the CPA when considering necessary to communicate regarding the financial condition.
- II. In case of any statement during attending the board of directors by supervisors, items like date, term, proposal contents and resolution results of the board of directors, and handling for supervisors’ statement shall be specified: if there is no any significant abnormal situation, please refer to important resolutions of the board of directors related to the annual report.

(III) Operation situation of corporate governance and situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
I. Whether the company formulates and discloses the Corporate Governance Best Practice based on “Corporate Governance Best Practice Principles for Listed Companies”?	V		The company has formulated the “Corporate Governance Codes” according to “Corporate Governance Best Practice Principles for Listed Companies”, including the provisions of guaranteeing the shareholder’s equity, enhancing of functions of the Board, taking advantages of supervisor’s functions, respecting stakeholder’s rights and benefits, and improving information transparency. For more details, please visit the corporate website (www.chieftek.com).	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
II. Corporate equity structure and shareholders' equity (I) Whether the company formulates the internal operation procedure to handle shareholder proposal, doubt, dispute and litigation and implements it in accordance with the procedure?	V		(I) The company has formulated related internal operation procedures to handle the shareholders related matters. There are also spokesperson and agent spokesperson system, and the Chairman’s Office and the Financial Department are in charge of the related matters, so as to guarantee the timely and proper information disclosure. In addition, the special mailbox is set up to handle shareholder’s proposal, doubt, dispute and litigation affairs.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(II) Whether the company masters the principal shareholders actually controlling the company and the final controller list of principal shareholders?	V		(II) Change situation of stock rights held by insiders including board directors, supervisors, managers and major shareholders holding 10% of shares is declared in the MOPS public as required by the competent authority.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(III) Whether the company establishes and executes the risk control and firewall mechanism with the affiliated enterprise?	V		(III) Assets, finance and accounting of the Company and affiliated enterprise are operated independently, besides, the company formulates “Management on Transactions with Related Parties” and “Management Method on Subsidiary Corporations”, handles related matters according to the regulations of the internal control	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
(IV) Whether the company formulates the internal specification to prohibit the corporate insiders to buy or sell negotiable securities by using the information undisclosed in market?	V		<p>system of the Company, and shall be able to really execute the risk control and firewall mechanism.</p> <p>(IV) The company formulates “Management Method to Prevent Insider Trading], “Ethics Codes” and other internal control methods to standardize all employees, managers, board directors, supervisors and all people knowing about the company information based on occupation or control relation and prohibit any behavior involving insider trading and irregularly makes internal training education and advocacy.</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
<p>III. Composition and duties of the board of directors</p> <p>(I) Whether the board of directors drafts the diversification policy and implements it in terms of the member composition?</p>	V		<p>1. The “Corporate Governance Codes” is carried out practically.</p> <p>2. Currently, all board members are specialists in various fields or personnel experienced in corporate businesses. It shall meet the diversification policy of composition of the Board and implement it in practice.</p> <p>3. As required in Article 20 of the “Corporate Governance Codes”: The Board of the Company shall provide instruction for the corporate strategic, and supervision management level, which shall report to the Company and the shareholder’s meeting. In terms of various operations and arrangements related to corporate governance system, it shall ensure the Board to exercise rights based on the applicable laws, the regulations of the Articles of Association or the resolution of the shareholder’s meeting.</p> <p>As for the structure of the Board, it shall consider the business development scale of the company and the shareholding of the major shareholders, as well as the practical demands of operation, which shall</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies.

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
			<p>determine the appropriate number of members more than 5.</p> <p>The composition of the Board shall consider diversification. The number of directors concurrently serving as the manager shall not exceed one third of the total number. Moreover, it shall formulate appropriate diversification policies based on the business, operation pattern and development demands, including but not limited to the standards of the following two dimensions:</p> <p>(1) Basic conditions and values: gender, age, nationality, culture, and etc.</p> <p>(2) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience.</p> <p>The members of the Board shall acquire the knowledge, skills and character required to exercise the rights. To achieve the ideal goal of corporate governance, the overall Board shall possess the abilities as listed below:</p> <p>(1) Operating adjustment. (2) Accounting and financial analysis (3) Business management (4) Crisis handling (5) Industrial knowledge (6) International market view (7) Leadership (8) Decision-making</p> <p>The diversification policies of the board composition are disclosed on the official website of the Company and MOPS.</p> <p>4. The company amended articles of association through pass the board director meeting discussion on May 9, 2017: Since the company listed electronic method as one of voting execution, the candidate election of board director and supervisor perform through nomination election</p>	

Item evaluated	Operation situation (Note)		Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	
(II) Whether the company voluntarily sets other functional committees apart from the Compensation Committee and Audit Committee?	V	<p>from candidate list by board of director.</p> <p>5. According to the list of directors of the 7th board of the Company, including 3 women and 5 men, and the list of supervisors, including 2 women and 1 man, it can be seen that the policy of balancing women and men, as well as according to the academic experience of the directors and supervisors, it can also be seen that the directors and supervisors have rich experience in leadership, operational judgment, management and crisis management, and all have industrial knowledge and international perspective.</p> <p>(II) To perfect the decision-making function and enhance the management mechanism, the company has set various functional committees in Articles of Association, and organizational rules of various committees are decided by the Board. Apart from setting the Compensation Committee according to law, the Company will also set other functional committees in proper time.</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies.
(III) Whether the company formulates the performance evaluation method and evaluation way of the board of directors, and regularly carries out performance evaluation each year?	V	<p>(III) In order to implement corporate governance and enhance the functions of the board of directors of the Company, and establish performance targets to enhance the efficiency of the board of directors, the Company has discussed and approved the “BMeasures for the Performance Appraisal of the Board of Directors” on February 9, 2018, and completed the 2018 year’s internal appraisal of the board's performance in January 2019. In the future, the Company will perform the internal appraisal of the board's performance at least once every year, as well as perform the external appraisal of the</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies.

Item evaluated	Operation situation (Note)		Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies			
	YES	NO				
(IV) Whether the company regularly evaluates the independence of certified public accountant?	V	<p>board's performance by an independent professional independent institution or a team of external experts and scholars once every three years.</p> <p>(IV) The Accounting Department of the Company regularly evaluates the independence of the CPA, and report the evaluation result to the Board after obtaining the CPA's Absolute Independence Statement. Prior to appointing the accountant by the Board resolution each year, the Company shall first review his/her independence; the accountant appointment can be reviewed after the Company confirms that the accountant has no other financial interest and business relations with the company except for expenses of visa, fiscal and taxation cases, etc., and family members of the CPA also do not violate the independence requirement.</p> <ol style="list-style-type: none"> To regulate the review of CPA appointment of the Company and build good corporate governance system, Article 29 of the "Corporate Governance Codes" of the Company shall be based to evaluate the independence of CPA and handle, enhance and promote financial report quality. The company proceeds with the review and evaluation on independence elements, independence operation, competence and so on related to CPA LIN TZU-YU and CPA LIUYONG-ZHI. All CPAs are appointed upon the resolution by the Board on January 25,2019 . The CPA review and evaluation content are listed as below: <table border="1" data-bbox="730 1944 1204 2016"> <tr> <td>I. Review of independence elements</td> <td>YES</td> <td>NO</td> </tr> </table>	I. Review of independence elements	YES	NO	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies.
I. Review of independence elements	YES	NO				

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
			01 The CPA, or the spouse or a minor child thereof, has invested in the Company, or shares in financial gains therewith.	V
			02 The CPA, or the spouse or a minor child thereof, has lent or borrowed funds to or from the Company. However, this does not apply if the client is a financial institution and the borrowing or lending is part of a normal business relationship.	V
			03 The accounting firm doesn't present the assurance service report for the effective operation of the designed or assistive executing financial information system.	V
			04 The CPA or the members of the Audit Service Team are not appointed as the director, or manager, or take up the post that has material influence on the audit case currently or in the last two years.	V
			05 There is no key item of non-audit service provided by the Company that will show direct influence on the audit case.	V
			06 The CPA or the members of the Audit Service Team is no engaged in the publicity or brokerage for the shares or other securities issued by the Company.	V
			07 Except for the businesses permitted by laws, the CPA or the members of the Audit Service Team doesn't serve as the defender for the Company, or coordinate the conflict with a third party on behalf of the Company.	V
			08 The CPA or the members of the Audit Service Team has relationship of spouse, direct kinship, direct affinity or sub blood kinship within two degrees with the personnel who are appointed as the director or manager of the Company or take up the post that shows material influence on the audit case.	V
			09 A former partner of CPA doesn't serve as the director or manager of the Company or take up the post that shows material influence on the audit case within one year of the disappointment.	V
			10 The CPA or the members of the Audit Service Team doesn't accept valuable gifts or preferential treatment from the Company, the director, manager, or major stockholder.	V
			11 The CPA is not employed by the client or the audit subject to take up a regular post with fixed payment or is appointed as director or supervisor.	V
			12 Publicly listed companies: The CPA doesn't provide audit service for the Company for 7 consecutive years.	V
			II. Review of independence operation	
			1 The CPA shall avoid and shall not accept the engagement when s/he may have involved in any direct or material indirect interests which may impair	V

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies																																												
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IV. Does the publicly listed company set up special (concurrent) unit or personnel responsible for the corporate governance related affairs (including not limited to providing the data required by the directors and supervisors to implement business, dealing with the matters related to the board meeting and shareholders' meeting, handling the corporate registration and change registration, making minutes of board meeting and shareholders' meeting)?	V		<p>1. According to the discussion in the board meeting on March 23, 2017, the Financial Department is the special (concurrent) unit responsible for promoting corporate governance, which is in charge of the related affairs. At the meantime, the Chairman's Office and other departments shall provide necessary assistance to carry out the affairs related to corporate governance in practice, including:</p> <p>(1) Handle the registration of the Company and the corporate change.</p> <p>(2) Handle the affairs related to holding</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies																																												

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
			<p>a board meeting and shareholders' meeting, and assist the Company comply with the laws related to the board meeting and the shareholders' meeting.</p> <p>(3) Make minutes of the board meeting and the shareholders' meeting.</p> <p>(4) Providing the data required by the directors and supervisors to implement business, as well as the latest law development related to corporate operation, so as to assist the directors and supervisors in regulatory compliance.</p> <p>(5) Affairs related to investor's relationship.</p> <p>(6) Other items agreed based on the Articles of Association or the contract.</p> <p>2. The Financial Department shall work out and plan appropriate corporate systems and organizational architecture to promote the independence of the Board, the corporate transparency, and the regulatory compliance.</p>	
V. Whether the company establishes the communication channel with the interested parties (including but not limited to the shareholders, employees, customers and suppliers), sets the interested party zone on the corporate website, and properly responds the enterprise social responsibility issues concerned by the interested parties?	V		The company sets spokesperson and agent spokesperson according to law, and properly responds issues concerned by the interested parties. Moreover, it sets the interested party zone on the corporate website to disclose the channel information for the complaints made by others rather than the investors. Also, it properly responds the enterprise social responsibility issues concerned by the interested parties.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
VI. Whether the company entrusts the professional stock service agent to handle the affairs of shareholder meeting?	V		The company has entrusted the professional service agent- Fubon Securities Co., Ltd to handle the shareholders' meeting affairs and various share affairs of the company.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
VII. Information disclosure (I) Whether the company sets up the website, discloses the financial business and corporate governance information?	V		(I) The company has set website (www.chieftek.com) to introduce the company, related financial business and corporate governance information.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
(II) Whether the company implements other forms of information disclosure (for instance, setting English website, assigning special person to take charge of collection and disclosure of corporate information, implementing spokesperson system, placing the legal person explanation meeting on the corporate website)?	V		(II) The company website has Chinese, English and Japanese versions. It sets 1 spokesperson and 1 agent spokesperson and assigns special person to take charge of collection and disclosure of corporate information; related information of law explanation meeting held will be disclosed on the website.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
VIII. Whether the company has other important information helping to understand the corporate governance operation situation (including but not limited to rights and interests of employees, employee caring, investor relations, supplier relationship, right of interested party, study situation of board directors and supervisors, execution situation of risk management policy and risk measurement standard, execution situation of customer policy, situation of liability insurance purchased by the company for board directors and supervisors)?	V		(I) Rights and interests of employees: with the establishment of healthy and safe work environment as the duty, the company abides by the corporate social responsibility policy and environmental and occupational health and safety regulations, implements emission reduction and energy saving, guarantees employee benefit and operation safety, and safeguards legitimate interest of employees according to the Labor Standard Law. (II) Employee caring: Measures like tidying work environment, guaranteeing personal safety, regularly implementing employees' health examination, arranging consultation of occupational physician are adopted, besides, employee life is enriched by welfare system and excellent educational training system, finally establishing a good relation with mutual trust and interdependence. (III) Investor relations: The company honestly discloses the company information according to the related regulations to ensure basic rights and interests of investors, fulfills its duty to shareholders, handles the suggestions of shareholders through the company spokesperson and agent spokesperson, sets "investors zone" on the company website to help investors understand the financial and business situation of the company, replies the questions	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)		Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	
		<p>of shareholders in detail, increases the communication with investors of professional institutes and promotes transparency of the company operation.</p> <p>(IV) Supplier relationships: The company exchanges experience with suppliers concerning environment, health, safety, enterprise social responsibility and other related issues, and maintain a smooth communication channel and good relationship with suppliers.</p> <p>(V) Rights of interested parties: The company discloses the company financial and business information according to regulations, besides, correspondent banks, creditors, employees, shareholders and other interested parties may understand the company operation situation through the company spokesperson and agent spokesperson. Moreover, it sets the “interested party zone” on the official website to disclose the channel and contact information for complaints made by others rather than the investors, and properly responds the enterprise social responsibility issues concerned by the interested parties.</p> <p>(VI) Study situation of board directors and supervisors: To implement the corporate governance system, the company actively notices board directors and supervisors of corporate governance information and study message, besides, the 6th session of board directors and supervisors have studied in accordance with “Practicable Main Points for Board Directors and Supervisors of Listed Companies”; please see the following table for detail.</p> <p>(VII) Execution situation of risk management policy and risk measurement standard: The</p>	

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
			<p>company evaluates the response and solutions in consideration of suppliers, customers, manufacturing technology, demand of creditors, strategies of competitors, economic environment, manpower resource and other factors as well as production and marketing meeting and reflecting channel, additionally, risk of the operation level is handled via internal audit system and annual audit plan, so as to ensure the smooth realization of various objectives.</p> <p>(VIII) Execution situation of customer policy: The company maintains a stable and good relation with clients, attaches great importance to the customer satisfaction and takes the promotion of client value and competitive power as target. Apart from mastering and checking the delivery situation at any time and conducting real-time improvement, the company also regularly conducts the satisfaction survey for clients, striving to become the long-term partner of clients' career and creating a win-win result.</p> <p>(IX) Situation of liability insurance purchased by the company for board directors and supervisors: The company has purchased liability insurance for board directors and supervisors. Report of the Board of Directors on November 9, 2018.</p>	

Study situations of board directors, supervisors and managers of the company in 2018:

Job Title	Name	Sponsor	Refresher course	Study hours
Board Director	CHEN LI-FEN	Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
		Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
Board Director	HSU MING-CHE	Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
		Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
Board Director	CHENG SHENG-FEN	Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3
		Taiwan Corporate Governance Association	Corporate Governance and Practice of Tax Management	3
Board Director	WANG CHEN PI-HSIA	Taiwan Corporate Governance Association	Insiders' shareholding compliance meeting and related regulatory compliance	3

Item evaluated			Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
			YES	NO	Summary documentation	
			Taiwan Corporate Governance Association		Corporate Governance and Practice of Tax Management	3
Board Director	Li An		Taiwan Corporate Governance Association		Insiders' shareholding compliance meeting and related regulatory compliance	3
			Taiwan Corporate Governance Association		Corporate Governance and Practice of Tax Management	3
Independent Director	HO MING-ZIH		Taiwan Corporate Governance Association		Insiders' shareholding compliance meeting and related regulatory compliance	3
			Taiwan Corporate Governance Association		Corporate Governance and Practice of Tax Management	3
Independent Director	WU CHUNG-JEN		Taiwan Corporate Governance Association		Insiders' shareholding compliance meeting and related regulatory compliance	3
			Taiwan Corporate Governance Association		Corporate Governance and Practice of Tax Management	3
Independent Director	WEI NAI-CHANG		Taiwan Corporate Governance Association		Insiders' shareholding compliance meeting and related regulatory compliance	3
			Taiwan Corporate Governance Association		Corporate Governance and Practice of Tax Management	3
Supervisor	KUANG HIS-HUI		Taiwan Corporate Governance Association		Insiders' shareholding compliance meeting and related regulatory compliance	3
			Taiwan Corporate Governance Association		Corporate Governance and Practice of Tax Management	3
Supervisor	LI MEI		Taiwan Corporate Governance Association		Insiders' shareholding compliance meeting and related regulatory compliance	3
			Taiwan Corporate Governance Association		Corporate Governance and Practice of Tax Management	3
Supervisor	TSENG HSU-WEN		Taiwan Corporate Governance Association		Insiders' shareholding compliance meeting and related regulatory compliance	3
			Taiwan Corporate Governance Association		Corporate Governance and Practice of Tax Management	3
Chief Financial Officer	LI PAI-TSANG		Taiwan Corporate Governance Association		Insiders' shareholding compliance meeting and related regulatory compliance	3
			Taiwan Corporate Governance Association		Corporate Governance and Practice of Tax Management	3
			National Cheng Kung University		Ethical law seminar	3
			National Cheng Kung University		Advanced study for Accounting Supervisor	3
			National Cheng Kung University		The latest IFRS accounting bulletin seminar	3
			National Cheng Kung University		Corporate Governance (Corporate Social Responsibility) Seminar	3
Audit Manager	ZHENG XIU-YUE		Financial Supervisory Commission R.O.C(Twain)		The 12th Taipei Corporate Governance Forum	6
			Taiwan Corporate Governance Association		Insiders' shareholding compliance meeting and related regulatory compliance	3
			Taiwan Corporate Governance Association		Corporate Governance and Practice of Tax Management	3
			The Institute of Internal Auditor-Chinese Taiwan		Experience sharing of procurement audit	6
		Securities and Futures Institute		Practice of procurement and produce cycle inspection process, and fraud audit food products	6	

IX. Detail the improvement based on the corporate governance assessment result announced by the TWSE Corporate Governance Center in the latest year; propose the urgent matters and actions for the items not improved:

According to the 3rd corporate governance assessment result announced by the TWSE Corporate Governance Center in the latest year, the Company was ranked the top 20% for the first time, and the score obtained as much higher than that of the previous year. It won the "Improvement Award" for encouragement. It implies the efforts made by the Company in the field of corporate governance. Moreover, it has not been informed of any new item and action to the improved or takes the priority for enhancement.

In addition, the company's evaluation of other unscoring evaluations for the 5th Corporate Governance, so as to improve the corporate governance and increase the assessment score, such as:

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO		
1. Whether the company establish audit committee which meet the regulation? The company has amended “the Articles of Association” and finished the change registration procedure. In the future, it will set up the committee in proper time and put it into use as soon as possible.				
2. Whether the company make the performance evaluation method of procedure of board director, and rule to implement external evaluation at least every 1 years? (1) “performance evaluation method of board director” passed through board director meeting on February 9, 2018, and which listed in article 3 of “performance evaluation of board director” as following: The execution of performance evaluation of board director should be performed by external profession independent institution or external professional group every 3 years, and execute the performance evaluation of present year by the end of the year. (2) The board of directors of the company completed its self-assessment in early 108.				
3. Does the company simultaneously report major English messages? Will be listed as a priority improvement program.				
4. Is the company invited (self-conceived) to hold at least two briefings for legal persons, and the two first-time legal briefings for the first year of the year are more than three months apart? Will be listed as a priority improvement program.				
5. Does the company disclose in detail the opinions of the independent directors on the important resolutions of the board of directors in the annual report and the company's handling of the opinions of the independent directors? It was revealed in the 107 annual report. Summarized the above, the company has activelt improve and shows the results.				

(IV) If the Compensation Committee is set, the Company must disclose its composition, duties and operation situation:

To perfect the corporate governance, enhance the remuneration management function of the board of directors, assist in executing and evaluating the remuneration of the company board directors and managers, the company set the Compensation Committee through the resolution of the board resolution on December 22, 2011, and passed the organizational rules of the Compensation Committee. Composition, duties and operation situation of the Compensation Committee are and follows:

1. Members data of the Compensation Committee (3rd term)

Identity (Note 1)	Conditions Name	Whether having work experience with over 5 years and the following professional qualifications			Independence situation (Note 2)								Number of independent director concurrently occupied in other public offering companies	Remark (Note 3)	
		Lecturer or above of public colleges and universities in academic department of business, legal affair, finance, accounting or that required by the company business.	Judge, procurator, lawyer, accountant or other special professions and technicians passing the national examination and obtaining certificates required by the company business	Work experience of business, legal affair, finance, accounting or that required by the company business.	1	2	3	4	5	6	7	8			
Independent Director	WEI NAI-CHANG			ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	0	Not Applicable
Independent Director	WU CHUNG-JEN			ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	0	Not Applicable
Independent Director	HO MING-ZIH	ü		ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	0	Not Applicable

Note 1: please respectively fill in board director, independent director or other in the column of identity.

Note 2: for the member who meets the following conditions 2 years before election and during the tenure, tick “ü” in the box under the condition code.

- (1) Employees who don't belong to the company or its affiliated enterprises.
- (2) Board directors and supervisors who don't belong to the company or its affiliated enterprises. However, it doesn't apply to the independent directors who belong to the company or its parent company, or the subsidiary, or are set up based on the local laws.
- (3) Not the person, his/her spouse and minor children, or natural person shareholders who hold in the name of others over 1% of the issued shares of the company or whose shareholding ranks top 10.
- (4) Spouse and direct lineal relatives within the second degree of kinship or the third degree of kinship who don't belong to the personnel listed in the first three items.
- (5) Board directors, supervisors or employees of corporate shareholders who don't directly hold more than 5% of issued shares of the company or whose shareholding ranks top 5.
- (6) Board directors, supervisors, managers or shareholders holding over 5% of shares in specific companies or institutions who don't have financial or business transaction with the company.
- (7) Entrepreneurs, partner, board directors, supervisors, managers and his/her spouse in the sole or Partnership Company or institution and professionals who don't provide business, legal affair, finance, accounting and other services or consultations for the company or its affiliated enterprises.
- (8) Do not have any of various situations in Article 30 of the Company Law.

2. Duties of the Compensation Committee

The committee shall follow the duties of good administrator, faithfully perform the following functions and power and submit the recommendations to the board of directors for discussion. As to the suggestion on salary and remuneration of supervisors which is submitted to the board of directors for discussion, it shall be subject to that the remuneration of supervisors is explicitly stipulated in articles of association or that the board of directors is authorized to handle by shareholder meeting:

- (1) Draft the proposal of remuneration of board directors, supervisors and managers and its regular evaluation report;
- (2) Draft and regularly review the performance evaluation of board directors, supervisors and managers;

- (3) Draft and regularly review the remuneration related policy, system, standard and structure of the company;
- (4) Other cases handed over and decided by the board of directors.

3. Information of operation situation of the Compensation Committee

- (1) Compensation Committee of the company includes 3 members.
- (2) Tenure of this term of members: the 3rd term was run from July 11, 2017 to June 21, 2020, 8 meetings (A) were held by the Compensation Committee as of May 10, 2018. Qualification and attendance situation of the 3rd committee members are as follows:

Job Title	Name	Actual attendance time (B)	Entrusted attendance time	Actual attendance ratio (%) (B/A) (Note)	Remark
Convener	WEI NAI-CHANG	8	0	100.00%	
Committee	WU CHUNG-JEN	6	2	75.00%	
Committee	HO MING-ZIH	8	0	100.00%	
<p>Other matters that require reporting:</p> <p>1. If the Board of Directors does not adopt or amend the suggestions of the Compensation Committee, it shall state the date, term, proposal content, resolution results of the Board of Directors and the Company's handling of the opinions of the Compensation Committee (such as the remuneration approved by the Board of Directors is better than the suggestions of the Compensation Committee, should explain the discrepancy and its reasons): None.</p> <p>2. As for the resolutions of the Compensation Committee, if any member has objection or reservation and has a record or written statement, it shall state the date, term, proposal content, the opinions of all members and the handling of the members' opinions: None.</p>					

- (V) Social responsibility fulfillment: system and measures implemented and taken by the company for environmental protection, participation in community activities, social contribution, social service, social welfare, consumer rights & interests, human rights, safety & health and other social responsibility activities, and its fulfillment.

Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
<p>I. The implementation of corporate governance</p> <p>(I) Whether the company makes policies or systems for corporate social responsibility and makes a self-criticism for its implementation effects?</p>	ü		<p>(I) The company has developed the Code of Practice of Enterprise Social Responsibility and Enterprise Social Responsibility Policy based on the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprise, which were approved by the board of directors in May 9, 2014 through discussion after submission. Moreover, the amendments of the</p>	<p>Comply with the code of practice of social responsibility of listed and OTC companies and</p>

Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
(II) Whether the company arranges social responsibility education and training on a regular basis?	ü		Code of Practice of Enterprise Social Responsibility and Enterprise Social Responsibility Policy was passed in the board meeting held on January 20, 2017. Also the implementation effect of 2017 will report on the board meeting hold on March 12, 2018. (II) It is explained as below: 1. The company shall arrange internal social responsibility education and training regularly and explain environmental safety and health courses, developing direction of the company, operation principle and relevant policies as well as the idea of corporate social responsibility. 2. Arrange further-study courses for directors and supervisors according to Practicable Main Points of Refresher Courses for Directors and Supervisors of Listed and OTC Companies.	enterprises. Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
(III) Whether the company has special (concurrent) unit to promote corporate social responsibility, which is managed by top management under authorization from board of directors, and to report to board of directors?	ü		(III) On May 9, 2014, the board of directors approved that the Chairman's Office should act as the unit in charge of promoting corporate social responsibility. 1. The Chairman acts as the convener, and the CSR promotion team is composed of the Financial Department, Business Department, Purchasing Department and the Occupational Safety Department, which holds meeting regularly. It is responsible for the promotion of the corporate social responsibilities. 2. The team CSR promotion team sorts and reports the 2018 implementation effect and the opinions put forward by the interested parties in the board meeting held on March 12, 2019. 3. It communicates with trade association in Science Park, promotes prosperity of Chinese traditional culture and cares for vulnerable groups in communities. In 2003, the company set up a factory in Tainan Science Park. Over more than a decade, the Chairman has earned herself the nickname "Tainan science park Sunny Aunt" by holding meetings in the park to maintain good relations with colleagues and neighbors on a monthly or quarterly basis, laying stress on physical & mental communication and supplemented by professional interaction; teaching colleagues in the company to overcome evil with good & kindheartedness and build an ideal realm of life of "happiness and harmony"!	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
(IV) Whether the company makes reasonable remuneration policy, combines employee performance assessment system with enterprise social responsibility policy and lays down well-defined and effective reward and punishment system?	ü		(IV) Related measures are taken as follows: 1. The major remuneration principle of the company takes department responsibility and performance & result into account, hoping to recruiting and retaining talents by making reasonable remuneration policy. 2. The code of conduct and related reward and punishment system are clearly incorporated into employee manual of the Company. 3. The Compensation Committee set by the Company consists of three independent directors. These three committee members with different background, high academic qualification and rich experience fully get hold of industrial dynamics at home and abroad and gradually and persistently promote the integration of the above systems and enterprise social responsibility policy through meetings held more than twice annually and irregular discussion & communication and examining reasonable remuneration policy and performance assessment system. Following the operation dynamic, it constantly improves the integration of above systems and the corporate social responsibility policies, so as to sharpen the competitive edge of the company at each stage.	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
II. Develop sustainable environment (I) Whether the company is dedicated to improving utilization efficiency of various resources and making use of renewable materials with low environmental load impact? (II) Whether the company establishes applicable environmental management system based on its industrial characteristics?	ü ü		(I) The company is dedicated to lifting utilization efficiency of various resources, such as recycling pallets and wooden boxes as shipment package or for inventory management. Furthermore, the company also carries out the campaign of classified garbage recovery and sets up rainwater recycling system for on-site process water recovery, both reducing cost and environmental load & impact. (II) 1. The Occupational Safety Department of the company shall take charge of environmental management, establishing and controlling environmental management system, setting up safety and health committee and jointly dealing with environmental safety problems. 2. Besides observing environmental laws earnestly, the Company passed ISO14001 environmental management system, OHSAS 18001 occupational safety and health management system and CNS15506 Taiwan occupational safety and health management system in September, 2014.	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises. Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
(III) Whether the company is aware of the influences of climatic variation on operational activities, detects greenhouse gases and formulates energy saving and carbon & greenhouse gases reduction strategies?	ü		<p>3. In August, 2017, the company passed ISO 9001:2015 version quality management system, ISO 14001:2015 version environmental management system, OHSAS 18001:2017 version occupational safety and health management system and version renewal certification of CNS15506 Taiwan occupational safety and health management system.</p> <p>(III) The company aims to decrease in-plant temperature, replace air conditioning system and save electricity by raised design, adding outer walls and adopting natural circulation for ventilation & heat dissipation based on energy saving and carbon reduction during factory design.</p> <p>1. Energy saving target The Company follows the ISO 50001 standard and in accordance with the provisions of Articles 8, 9 and 12 of the Energy Administration Act, the energy user whose energy consumption meets the level stipulated by the central Competent authority, shall establish its own energy audit system and set objectives for energy conservation and execution, in order to achieve annual energy saving rate should be more than one percent.</p> <p>2. Energy saving measures We replaced the motor of the production line machine for energy saving measures in this year. We have replaced the old motor with a high-efficiency motor, and its efficiency has been increased from 75% to 91%, which each unit can be increased by 16% to achieve energy-saving ways to improve power efficiency and reduce power consumption. First of all, we have replaced the old motor with a high-efficiency motor, and its efficiency has been increased from 75% to 91%, which each unit can increase the efficiency by 16%. It is estimated to reduce the loss of 88,409.2 degrees, which is expected that the annual power saving rate will reach 1%.</p> <p>3. Carbon reduction target According to the data of Energy Bureau of the Ministry of Economic Affairs, 0.638 kg</p>	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes															
	Yes	No	Abstract Statement																
			<p>CO₂ emission per kWh energy generated. This year's power saving is 88,409.2 kWhs. Therefore, the target of carbon reduction this year is expected to be 56,405.06kg.</p> <p>4. Greenhouse gas emission For greenhouse gas emitted by the Company, its indirect emission source stems mainly from outsourced power, which is 6,970 MWh, 6,866.8MWh 8,600.2MWh and 11,536.8 MWh, respectively between 2015 and 2018. The total emissions of greenhouse gases of the company were about 4,447.111 mt of CO₂e/year in 2015, while that in 2016 was roughly 4,381.018mt CO₂e/year, 2017 was roughly 5,486.928mt CO₂e/year and 2018 was 7,360.478mt CO₂e/year separately. In response to environmental impact caused by greenhouse gases, measures for reducing greenhouse gas emissions shall be promoted in future to accomplish sustainable energy development in consideration of cost & resource efficiency, energy saving and environmental protection.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Total Power Consumption (KWh)</td> <td>6,970,393</td> <td>6,866,800</td> <td>8,600,200</td> <td>11,536,800</td> </tr> <tr> <td>CO₂Emissions (mt)</td> <td>4,447.111</td> <td>4,381.018</td> <td>5,486.928</td> <td>5,486.928</td> </tr> </tbody> </table> <p>Note : According to the data of Energy Bureau of the Ministry of Economic Affairs, 0.638 kg CO₂ emission per kWh energy generated.</p>	Year	2015	2016	2017	2018	Total Power Consumption (KWh)	6,970,393	6,866,800	8,600,200	11,536,800	CO ₂ Emissions (mt)	4,447.111	4,381.018	5,486.928	5,486.928	
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<p>III. Maintaining social welfare</p> <p>(I) Whether the company makes related management policy and procedure pursuant to relevant regulations and international covenants of human rights?</p>	ü		<p>(I)The company formulates relevant complete system and administrative measures in compliance with labor standard act and related government decrees, which are in the charge of specially-assigned personnel, to guarantee legal labor rights of employees, employment policy, nondiscrimination and other management principles. In the meantime, in the most important principle of caring for employees and employee welfare, the company shall set aside retirement pension and set up employee welfare committee by law; in the principle of stable operation, the company shall provide all kinds of welfare benefits superior to legal conditions and take various measures to the greatest extent. What's more, the company shall make</p>	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.															

Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes								
	Yes	No	Abstract Statement									
(II) Whether the company establishes employee complaint mechanism and channel and makes a settlement properly?	ü		<p>announcement and launch an advocacy in the factory to cope with changes in decrees.</p> <p>(II) In a bid to realize friendly communication between the employees and the company, complaint mechanism and communication channel have been established as follows:</p> <ol style="list-style-type: none"> 1. Tangible suggestion boxes are set on the first floor and in dining hall of the factory. 2. Special E-mail service is offered to senior executives, HR department, department heads and leaders of all units. 3. Communication meetings associated with labor-management relations are held. 4. Questionnaire survey is conducted irregularly. 5. Formulate and advocate code of conduct, integrity management, safety & health and practice of enterprise social responsibility. 	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.								
(III) Whether the company creates a safe and healthy working environment and implements safety and health education for employees regularly?	ü		<p>(III) The company shall set up Labor Safety and Health Committee as per labor safety and health law, convene labor safety and health meeting regularly, persistently assist the factory in completing various tasks related to environmental safety and health to make sure the safety and health of working environment. Explanation of only relevant items is made below:</p> <table border="1"> <thead> <tr> <th>Items</th> <th>Contents</th> </tr> </thead> <tbody> <tr> <td>Entrance Guard</td> <td>1. Strict entrance guard monitoring system is set up in the daytime and nighttime. 2. Connect with police organs online to take precaution.</td> </tr> <tr> <td>Maintenance and Inspection of Various Equipments</td> <td>1. In accordance with buildings public safety inspection and visa & declaration regulations, entrust specialized company to carry out public safety inspection every year or every four years. 2. According to fire protection law, conduct fire safety inspection by outsourcing every year. 3. Maintain and check such equipment as electrical equipment, lift, air conditioner, water dispenser, automobile, and fire apparatus in terms of Code of Practice of Safety and Health in the company.</td> </tr> <tr> <td>Contingency Measures for Disaster Prevention</td> <td>1. Develop emergency preparedness and response procedure, emergency response plan, Code of Practice of Labor Safety and Health, accident investigation and management procedure together with other disaster prevention, rescue precautions and accident & disaster reporting procedure, well define responsibilities of personnel at all</td> </tr> </tbody> </table>	Items	Contents	Entrance Guard	1. Strict entrance guard monitoring system is set up in the daytime and nighttime. 2. Connect with police organs online to take precaution.	Maintenance and Inspection of Various Equipments	1. In accordance with buildings public safety inspection and visa & declaration regulations, entrust specialized company to carry out public safety inspection every year or every four years. 2. According to fire protection law, conduct fire safety inspection by outsourcing every year. 3. Maintain and check such equipment as electrical equipment, lift, air conditioner, water dispenser, automobile, and fire apparatus in terms of Code of Practice of Safety and Health in the company.	Contingency Measures for Disaster Prevention	1. Develop emergency preparedness and response procedure, emergency response plan, Code of Practice of Labor Safety and Health, accident investigation and management procedure together with other disaster prevention, rescue precautions and accident & disaster reporting procedure, well define responsibilities of personnel at all	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
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Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
			<p>levels for such important incidents and accidents as acts of God and fire disaster and corresponding tasks and arrange safety protection drills as required.</p> <p>2. Entrust fire competent authority to carry out fire control & disaster prevention training.</p> <p>Physiological Health</p> <p>1. Perform periodic health examination on a yearly basis in accordance with Occupational Safety and Health Law.</p> <p>2. Health in working environment: Ban smoking entirely in working environment, hold health lecture, arrange CPR training and regularly conduct office environment cleaning and sterilization.</p> <p>Mental Health</p> <p>1. Educational training: provide communication skill and emotion management courses as well as employee psychological adjustment and profession skill strengthening training.</p> <p>2. Expression of opinion: set employee suggestion zone and provide various manuals, educational training announcement and channels for employee's expression of opinion and interactive learning.</p> <p>3. Sexual harassment prevention: set forth complaint and punishment terms.</p> <p>Insurance and Medical Condition</p> <p>1. Buy labor insurance (including occupational hazard insurance) and health insurance by law.</p> <p>2. Buy officers liability insurance.</p> <p>3. Buy group insurance.</p> <p>Contractor Management</p> <p>1. Inform contractors of hazard factors during working and hold meetings for contractor agreement in accordance with Occupational Safety and Health Law.</p> <p>2. Set contractor management procedure and provide related forms for contractor applying and filling out.</p> <p>Educational Training</p> <p>Implement pertinent safety & health educational training, such as the general safety & health educational training and hazardous chemical manufacturing, disposal and using educational training and add safety and health trainings 3h before operation of manufacturing machine or equipment, aerial working vehicle, winch and electric welding as well as working in oxygen deficient environment in accordance with Occupational Safety and Health Law.</p>	
			<p>Healthy and safe working environment</p> <p>The company shall provide employees with safe and sound working environment, earnestly observe fire regulations and take the following measures to protect personal safety and health in the working</p>	

Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
			<p>environment:</p> <ol style="list-style-type: none"> 1. ISO 14001/OHSAS 18001/CNS 15506 environmental safety and health management system: set up a management system to evaluate performance and efficiency of environmental and occupational safety & health and enhance environmental safety & health, thus guaranteeing personal safety of employees. 2. Identify environmental considerations and various hazards in all activities, products and services of the Company, evaluate the risks of major environmental considerations and its hazards, judge the priority action level and control unacceptable environmental safety and health risks that may facilitate the planning, management and implementation of environmental and occupational safety and health. 3. Establish unified regulations for hazardous labeling of chemicals in compliance with regulations and requirements; be able to take emergency measures immediately upon occurrence of hazard and leakage during working through effective reminders to prevent from occurrence of hazards and extension of accidents. 4. For industrial wastes produced, establish resources recovery and related management mechanism to realize waste recycling, stabilization, hazard-free treatment, economization and satisfy the requirements of decree by improving environmental sanitation. 5. Raise contingency ability of employees under emergency circumstances and define correct handling procedure to make sure personal safety and normal operation of the company in the hope of minimizing loss in case of accident. 6. Check the fire apparatuses on a regular basis to reduce the losses after accident occurrence and guarantee personal safety of employees. 7. Lay down <i>Code of Practice of Safety and Health</i> to avoid occupational accident, maintain the safety and health of employees and ensure the normal operation of working place, further reaching the target of sustainable business operation. 8. Appoint <i>Safety and health Personnel</i> to take charge of planning and advancing environmental safety and health policies and management 	

Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
(IV) Whether the company establishes regular communication mechanism for employees and informs rationally employee of operational changes that have significant impact on them?	ü		<p>system of the company and checking their performance. Train occupational safety personnel for occupational safety, including A Grade occupational safety and health manager, B Grade occupational safety and health specialist, A Grade occupational safety and health executive, first-aid personnel and fire controller, to strengthen environmental safety and health management in workplace and maintain a safe and healthy workplace.</p> <p>9. Conduct Annual Health Examination for Employees on a regular basis to protect their safety and health.</p> <p>10. Conduct Working Environment Monitoring twice a year, get hold of working environment dynamics, evaluate exposure hazard, measure physical and chemical factors in environment and improve the working environment based on measured results to meet the requirements.</p> <p>11. Regular inspection, key inspection and work inspection: conduct automatic inspection every year, 3 months, monthly, daily based on automatic inspection management procedure and examine potential hazards in workplace by means of automatic inspection for the purpose of preventing disasters and protecting company property and personal operation safety.</p> <p>12. Field inspection: conduct regular or irregular inspection for in-plant safety and health to eliminate actual or potential hazards and risks.</p> <p>13. Objective and scheme of environmental sanitary and hygiene: improvement scheme in 2018 included: on-site wind tunnel adapter improvement scheme, emergency exit light repair scheme and aid personnel supplementary scheme, all of which have been accomplished.</p>	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
(V) Whether the company develops efficient career capability development training plan?	ü		<p>(IV) In order to achieve all-around communication between employee and the Company, the Company shall convene meetings with regard to labor-management relations regularly, set up tangible suggestion boxes and bulletin board in the factory and provide special E-mail service for senior officers, department heads and leaders of all units as the media publishing significant information.</p> <p>(V) The company has been committed to creating a learning environment providing endless talent force and increasing remarkable competitive power, set <i>Educational Training Management</i></p>	Comply with the code of practice of social

Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
(VI) Whether the company makes relevant consumer's interest protection policy and complaint procedure with regard to R&D, purchase, production, working and service procedure?	ü		<p><i>and Operational Procedure</i> and cultivated right talents by virtue of internal and external training resources.</p> <p>Currently, the company has provided a series of educational trainings for common knowledge, professional skill and management to stimulate employee's potential and occupational development ability, realize close coordination between enterprise development and talent development plan of colleagues and heighten awareness of production efficiency and enterprise social responsibility. Training plan mainly implemented is composed of general training, educational training for labor safety, operation & management and traditional culture, professional training, training for employees dispatched to foreign subsidiaries, Internship training for international exchange. The company shall train head of all units and senior colleagues as internal lecturer to inherit company culture and skills and invite external experts, directors, supervisors to give lessons irregularly.</p>	responsibility of listed and OTC companies and enterprises.
(VII) Whether the company observes relevant regulations and international standards for product and service marketing and marking?	ü		<p>(VI)The company shall hold the attitude of specialty-related innovation and honesty & integrity to improve product efficiency and serve customers in hope of providing products and services to the satisfaction of customers. Therefore, the company shall formulate standard customer complaint operating procedure, properly judge the responsibility problems, develop preventive measures to prevent from such problems, regularly investigate and track customer satisfaction to understand demands and problems of customers and take the above investigation results as basis of developing improvement strategy.</p> <p>(VII) For products of the company which fall within mechanical parts, there are related international standards. The company shall conform to related regulations and international standards and implement them in aspects of processing and management of raw materials.</p>	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.

Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
(VIII) Whether the company evaluates previous records of suppliers (namely, impact on environment and society) before making a deal?	ü		(VIII) The company possesses tight and complete supply chain system and can assist suppliers in improving product quality by integration. For suppliers of contract project, the 2-IS-2-K-001 contractor management procedure shall be followed. Apart from implementation of safety & sanitation autonomous management, educational training, agreement organization, factory-entering hazard notification and other safety managements, requirements of physical environmental management shall also be met to fulfill the enterprise social responsibility of safety and environmental protection he company has closed and integrated supply chain system, and able to integrate and assist suppliers improve product quality. As to the contractor who carry the engineering were perform management according to 2-IS-2-K-001 contractor management procedure. In addition to adhesive perform. In addition, according to the 1-AD-2-B-001 supplier management program, the environmental management assessment and social responsibility assessment and evaluation of suppliers and new outsourcing processing plants include whether the manufacturer is ISO14001 environmental management system or SA8000 corporate social responsibility certification.	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
(IX) Whether the contract between company and key supplier includes terms that need to be terminated or rescinded in case suppliers fail to perform its enterprise social responsibility and has significant impact on environment and society?	ü		(IX) The company apply the evaluation procedure of “manufacturer environmental management evaluation table” and “social responsibility evaluation table “to supplier and new outsourcing process manufacturer according to 1-AD-2-B-001 supplier management procedure. In accordance with contract between the company and key suppliers, the suppliers and contractors must comply with labor standard act and relevant human rights provisions, including prohibition of child labor and forced labor. In the event of involving into violation of enterprise social responsibility policy and exerting significant impact on environment and the society, the company shall terminate and cancel the contract at any time.	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.

Evaluation Items	Operation Situation			The difference from the Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
IV. Strengthen information disclosure Whether the company disclose relevant reliable information concerned with enterprise social responsibility at its website and information disclosure observation station ?	ü		The company has been adhering to information disclosure and transparency on corporate governance level. The company has explicitly disclosed information concerned with enterprise social responsibility in annual report and at company's website and been developing and creating enterprise social responsibility webpage. Besides, the company has appointed seed cadres to facilitate educational training inside the company based on enterprise social responsibility policy and disclose relevant information at the right moment in future, in spite of not preparing enterprise social responsibility report.	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
V. In case the Company lays down the Code of Practice of Corporate Social Responsibility of its own in accordance with Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises, please detail the difference between its operation and the code laid down: The company laid down the Code of Practice of Corporate Social Responsibility in accordance with connotation and relevant regulations of Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises through discussion in the board meeting on May 9, 2014. The amended version was passed in the board meeting on January 20, 2017. The operation of the corporate social responsibility is subject to the connotation and related regulations of the Code, which will be carried out continuously.				
VI. Other important information conducive to understanding the operation of the corporate social responsibility: (I) In terms of participation in social activities and social contribution, the company actively cooperates with various universities and colleges in Tainan (such as National Cheng Kung University (NCKU), Southern Taiwan University of Technology (STUST), Kunshan University, Far East University and Nan Jeon Institute of Technology) to provide opportunity of observation learning and internship and enhance industry-university collaboration, with the aim to accelerate the regional prosperity and bring more employment opportunities. In addition, the Company also cooperates with communities to establish prize for moral excellence and provide financial aid for students in community colleges. (II) In response to the resource recovery policy of the government, do the sort garbage and recycle indeed. (III) Turn the document form into electronic and reduce the amount of paper used. (IV) Give emergency allowances for employees and help employees overcome the difficulties. (V) It is prohibited to employ child workers as labor.				
VII. If the enterprise social responsibility report of the company passes the verification standards of related certification authorities, please make a description: (I) The company's product has passed ISO9001: 2008 certification. (II) In September, 2014, the company passed ISO14001 environmental management system, OHSAS 18001 occupational safety and health management system and CNS15506 Taiwan occupational safety and health management system. (III) In August, 2017, the company passed ISO 9001:2015 version quality management system, ISO 14001:2015 version environmental management system, OHSAS 18001:2007 version occupational safety and health management system and version renewal certification of CNS15506 Taiwan occupational safety and health management system.				

- (VI) Circumstances of the company's performance of faithful management and implementation measures:
In accordance with "Code of Faithful Management of the Listed and Over-The-Counter Companies" released by the competent authority, based on the management ideas of integrity,

transparency and accountability, this company formulated the integrity-based policy, established a good corporate governance and risk management mechanism to create a business environment with sustainable development, and formulated the code of faithful management of this company. The “Code of Faithful Management” was passed by the resolution of the board of directors on March 21, 2012, and reported by the general meeting of shareholders on June 20, 2012. The “Code of Faithful Management” was passed by the resolution of the board of directors on March 21, 2012, and the revised “Faithful Management Procedures and Behavioral Guidelines” was passed by the resolution of the board of directors on March 26, 2015. In addition, to carry out the faithful management policy, through the resolution of the board of directors on May 9, 2014, the chairman room should serve as the unit responsible for promoting enterprise faithful management, and adopt this management idea to sincerely serve all customers and suppliers, and continuously strengthen the company’s business information transparency to make shareholders know the company’s operation more clearly.

Evaluation item	Operation situation			Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
I. Formulation of faithful management policy and scheme				
(I) Does the company clearly specify the policy, practice of faithful management in the rules and external files, and does the board of directors, management level actively implement the commitment of faithful management?	ü		(I) This company passed the stipulated “Code of Faithful Management” through the board of directors on March 21, 2012, reported through the general meeting of shareholders on June 20, 2012, and passed the revised “Faithful Management Procedures and Behavioral Guidelines” through the resolution of the board of directors on March 26, 2015 to specifically regulate the matters needing attention when the company’s personnel are performing the business, and serve as the commitment of the board of directors and management level to actively implement the management policy.	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
(II) Does the company formulate the scheme of preventing dishonest behaviors, clearly specify the operation procedures, behavioral guidelines, violation punishment and appeal system, and carry out the implementation?	ü		(II) The company clearly formulates the code of practice of enterprise social responsibility, code of employee behavior, code of faithful management, relevant specification of preventing insider trading procedures, carries out the management ideas of “Integrity and Fairness, Integrity and Ability” and other principles of faithful management, continues to review, revise the relevant operation procedures, behavioral guideline,	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.

Evaluation item	Operation situation			Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
(III) Does the company implement prevention measures for the business activities with high risk of dishonest behaviors in each clause of Item II of Article 7 of “Code of Faithful Management of the Listed and Over-The-Counter Companies” or within the other business scope?	ü		<p>violation punishment and appeal system in each stage, and supplements the internal training, external training, independent director special instruction and other education training to gradually implement and conform to the relevant provisions.</p> <p>(III) The company formulates the “Code of Faithful Management” according to the “Code of Faithful Management of the Listed and Over-The-Counter Companies” released by the competent authority as the basis to abide by, and clearly specifies the prohibition of dishonest behaviors. The directors, supervisors, manager, employees or those with substantial control ability of this company shall not directly or indirectly provide, promise, request or accept any illegitimate benefits, or have other dishonest behaviors of violation of good faith, illegitimacy or breach of the trustee obligation, etc. to gain or maintain the interests. The relevant prevention measures include operation procedures, behavioral guidelines and education training, etc.</p> <p>The prevention scheme formulated by this company covers the prevention measures for the following behaviors:</p> <p>I. Offer bribes and accept bribes.</p> <p>II. Provide illegal political contributions.</p> <p>III. Improper charitable donation or sponsorship.</p> <p>IV. Provide or accept unreasonable gift, hospitality or other improper benefits.</p>	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
<p>II. Implementation of faithful management</p> <p>(I) Does the company assess the credit records of trading objects, and clearly specify the honesty behavior clauses in the contract signed with the trading objects?</p>	ü		<p>(I) Before the establishment of commercial relation, firstly assess the Legality of this trading object, policy of faithful management, and assess whether there ever exist the records of dishonest behaviors to ensure its business operation mode fair, transparent, and no behavior of asking for, offering or accepting</p>	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.

Evaluation item	Operation situation			Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
(II) Does the company set up a full-time (part-time) unit affiliated to the board of directors to promote the enterprise faithful management, and regularly report its performance situation to the board of directors?	ü		<p>bribes.</p> <p>(II) This company has designated the Chairman's Office through the board of directors as a special responsible unit:</p> <ol style="list-style-type: none"> 1. It handles the revision, implementation, interpretation, consultation service, reporting content registration document and other relevant operation, will supervise its performance and regularly report to the Board of Directors. 2. It continuously conducts related training courses covering food safety, law safety and asset safety to practice business integrity. 	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
(III) Does the company formulate the policy of preventing conflict of interest, provide the proper statement channel, and carry out the implementation?	ü		(III) To prevent the conflict of interests and provide appropriate statement channels, the "Code of Faithful Management" formulated by this company requests that the directors should adhere to high self-discipline, and should state opinions, reply to inquiries for the proposal listed by the board of directors when such proposal has the interest relationship with himself or his represented entity, and brings damage to the company's interests, without involving in discussion and voting, and the directors shall avoid at the time of discussion and voting.	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
(IV) Has the company established the effective accounting system, internal control system to implement the faithful management, and are these systems regularly checked by the internal audit unit, or by the entrusted accountant?	ü		(IV) This company sets up 3 independent directors to strengthen the corporate governance spirit. The board of directors set up the compensation committee bill on December 22, 2011 to reach the supervision on the company's implementation of management ideas. In addition, to ensure the implementation of faithful management ideas, this company has established the effective internal control system, relevant management measures and accounting system to perform. This company handles the self-inspection once every year, then the internal audit unit will recheck the	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.

Evaluation item	Operation situation			Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
(V) Does the company hold the internal, external education training of faithful management regularly?	ü		<p>self-inspection report of each unit and subsidiary, including control environment, risk assessment, control operation, information and communication and supervision, etc. as well as lack of internal control and abnormal matter improvement situation discovered by the audit unit, thus to serve as the main basis for the board of directors and general manager to assess the effectiveness of the overall internal control system and issue the statement of internal control system.</p> <p>(V) In addition to regularly holding the internal education training of business integrity, the Company also participates in external similar courses to serve as a channel for the employees' absorption of new knowledge and provision of decision-making assistance.</p>	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
<p>III. Operation situation of the company's reporting system</p> <p>(I) Does the company formulate the specific reporting and reward system, establish the convenient reporting channel, and designate the specifically responsible personnel aiming at the reported object?</p>	ü		<p>(I) The company incorporates the faithful management in the employee performance assessment and human resource policy, and sets up a clear, effective reward and punishment and appeal system. The complaints procedure is as follows: Any violation of government decree or any fraud discovered shall be reported to the manager, internal audit personnel through the dedicated e-mail address of senior executives, internal audit personnel or in writing. The relevant personnel after receiving the reporting shall submit it to the general manager or chairman for deciding. Any severe violations shall be reported to the board of directors, and the unit or department head of the reported object shall be designated to be specifically responsible for acceptance to deal with the follow-up properly.</p>	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
(II) Does the company formulate the survey standard operation procedure and relevant	ü		<p>(II) The company formulates the reporting system in "Code of</p>	Conform to the provisions of

Evaluation item	Operation situation		Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons	
	Yes	No		Explanatory memorandum
<p>confidentiality mechanism for accepting the reporting matters?</p> <p>(III) Does the company adopt the measures to protect the reporter from suffering the improper treatment due to reporting?</p>	ü		<p>Employee Behaviors”. In case of illegal (including corruption) and wrong conduct or suspicious event of violating the code of employee behaviors, the employees shall have the obligation to report to the management level, and request the relevant supervisors and corresponding personnel to keep strictly confidential. For severe violation of this company’s personnel of honest behavior, it shall be handled according to the relevant laws or according to the company’s personnel regulations. The survey standard operation procedures for relevant acceptance of reporting matters shall be continuously established and improved.</p> <p>(III)The company provides protection measures for the reporters in the formulated “Code of Employee Behaviors” to ensure the survey quality, and avoid the reporter suffering unfair revenge or treatment.</p>	<p>code of faithful management of the listed and over-the-counter companies.</p> <p>Conform to the provisions of code of faithful management of the listed and over-the-counter companies.</p>
<p>IV. Strengthening the disclosure of information</p> <p>(I) Does the company disclose the content of its formulated code of faithful management and promotion effect on its website and public information observation station?</p>	ü		<p>(I)The amended Business Integrity Operation Procedure and Code of Conduct was passed upon the resolution of the board meeting on March 26, 2015. Moreover, the information related to business integrity is disclosed under the Investor Relations on the official site of the Company.</p> <p>(II) This company shall disclose the policy of faithful management on the internal regulations, annual report or other statement, and make declarations on the product presentation, legal person illustration meeting and other external activity to make its suppliers, customers or other business related institutions and personnel clearly know the company’s idea and specification of faithful management.</p>	<p>Conform to the provisions of code of faithful management of the listed and over-the-counter companies.</p>
<p>V. If the company formulates its own code of faithful management according to the “Code of Faithful Management of the Listed and Over-The-Counter Companies”, please explain the differences between its operation and the</p>				

Evaluation item	Operation situation			Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
<p>formulated code:</p> <p>This company has formulated the code of faithful management of the company (already having been revised as “Faithful Management Procedures and Behavioral Guidelines”) to specifically regulate the matters needing attention for the company’s personnel when performing the business, without major difference.</p> <p>Prohibition of dishonest behavior</p> <p>In the process of being engaged in business activities, it shall not directly or indirectly provide, promise, request, or accept any illegitimate benefits, or have other dishonest behavior of violating integrity, illegitimacy or breach of trustee obligation, etc. to gain or maintain the interests.</p> <p>Faithful management of commercial activity</p> <p>It shall carry on the commercial activities in the manner of fairness and transparency. Before the commercial intercourse, it shall consider the legitimacy of agents, suppliers, customers or other commercial trading objects and consider whether there exist the records of dishonest behavior. It shall avoid trading with those who have the records of dishonest behavior.</p> <p>Prohibition of offering bribes or accepting bribes</p> <p>When performing the business, it shall not directly or indirectly provide, promise, request or accept the illegitimate interests of any forms.</p> <p>Prohibition of providing political illegal contributions</p> <p>It shall conform to the Political Donations Act and the company’s internal related operation procedures, and shall not there out gain commercial interests or trading advantages.</p> <p>Prohibition of improper charitable donation or sponsorship</p> <p>It shall conform to the relevant laws and internal operation procedures, instead of disguised bribery.</p> <p>It shall not directly or indirectly provide or accept any unreasonable gift, hospitality or other improper benefits to there out establish the commercial relations or affect the business transactions.</p> <p>Accounting and internal control</p> <p>It shall establish the effective accounting system and internal control system for the business activities with high risk of dishonest behavior, without any external account or keeping any secret account, and shall check at any time to ensure the design and performance of this system continuously effective.</p> <p>The internal audit personnel of this company shall regularly check the conformance situation of the previous system, and shall make it into the audit report to be submitted to the board of directors.</p> <p>Information disclosure</p> <p>It shall disclose the performance situation of its code of faithful management on the company website, annual report and prospectus.</p>				
<p>VI. Other important information that contributes to understanding of the company’s operation situation of faithful management: (such as the company’s inspection, revision of its formulated code of faithful management, etc.)</p> <p>(1) As an important enterprise culture of this company, the integrity has been simultaneously implemented to the company’s employees, directors and supervisors, suppliers, etc.</p> <p>(2) Announce the company's related information on time according to the regulations of the competent authority</p>				

(VII) If the company formulates the corporate governance code and relevant regulations, it shall disclose its inquiry mode:

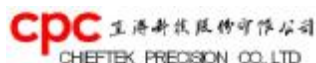
The Company has formulated the Code of Corporate Governance and relevant regulations, and has released them under the Investor’s Zone, the CSR Zone on the company website (company website: <http://www.chieftek.com>) or the special zone on MOPS.

(VIII) Other important information enough to promote the understanding of operation situation of corporate governance:

This Company will disclose significant information to the investors according to laws to promote the understanding of the Company.

(IX) Implementation situation of Internal control Systems

1. Statement of Internal control Systems



CHIEFTEK PRECISION CO., LTD.

Date: March 12, 2019

The internal control system of this company in 2018 is hereby stated as follows according to the self-assessment results:

- I. This company acknowledges that to establish, implement and maintain the internal control system is the responsibility of the company's board of directors and manager, and this company has established such system. Its purpose is to provide reasonable assurance for reaching the goals of effective and efficient operation (including making profits, achieving performance and ensuring the safety of assets, etc.), reliable, timely, transparent guidance and conforming to relevant specification, namely relevant laws and regulations, etc.
- II. The internal control system has natural limits. No matter how perfect the design is, the effective internal control system can also provide reasonable assurance only for reaching the above three goals. Moreover, due to the change of environment and situation, the effectiveness of internal control system may also change. Only the internal control system of this company is set with the self-supervision mechanism, and once the negligence is identified, this company will take the corrective action.
- III. This company is basing on the judgment items for the effectiveness of internal control system stipulated by "Standard for Treatment of Establishment of Internal Control System of the Public Offering Company" (hereinafter referred to as "Standard for Treatment") to judge whether the design and implementation of the internal control system are effective. This internal control system judgment items adopted for "Standard for Treatment" are dividing the internal control system into five components in accordance with the process of management control: 1. Control environment; 2. Risk assessment; 3. Control operation; 4. Information and communication; and 5. Supervision operation. Each component further includes several items. Please refer to the provisions of "Standard for Treatment" for the above items.
- IV. This company has adopted the above internal control system judgment items to assess the effectiveness of design and performance of the internal control system.
- V. Based on the assessment results of the preceding paragraph, the Company considers the internal control system (including the supervision and management of subsidiaries) on December 31, 2018 includes understanding the goal realization degree of effective and efficient operation, and reporting the effective design and implementation of internal control system that is reliable, timely, transparent, and conforming to the relevant specification, namely the relevant laws and regulations, which can reasonably ensure the realization of the above goals.
- VI. This statement will become main contents of annual report and public instruction book prospectus of this company, and will be opened to the public. If the above disclosed contents have any misrepresentation, omission and other illegal matter, the legal liability of Article 20, Article 32, Article 171 and Article 174, etc. in the Securities Exchange Act will be involved.
- VII. This statement had been passed on March 12, 2019 by the board of directors of this company. Among 8 attending directors, no one objects; all of them agree the content of this statement, and hereby state.

CHIEFTEK PRECISION CO., LTD.

Chairman: CHEN LI-FEN

General Manager: HSU MING-CHE

2. If the accountant is entrusted for project review of internal control system, the accountant review report shall be disclosed: None.

(X) From the nearest year to the print date of annual report, circumstances of the company and internal personnel being punished according to law, and the company's punishment, main negligence and improvement for the internal personnel who violate the internal control system:

1. In the year of 2018 and by the date of printing the annual report, the Company and internal personnel have no punishment case due to major violation of the provisions of internal control system.
2. In addition to strengthening the personnel education and training, this company requests the internal audit personnel to check at any time to reduce the occurrence of negligence.

(XI) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. Material resolutions content and implementation situation of the regular meeting of shareholders in 2018 fiscal year

Date	Material resolutions
2018.05.28	<p>(1) Passed the ratification of business report and financial statement for 2017 fiscal year.</p> <p>(2) Passed the ratification of proposal for surplus distribution for 2017 fiscal year. Implementation status: Specify July 12, 2018 as the ex-dividend date, and September 9, 2018 as the payment date (2.5 distributed as stock dividend and NT\$1.0 distributed as cash dividend per share), which was the same with the resolution of regular meeting of shareholders.</p> <p>(3) Passed the amendment of partial provisions for "Article of Association". Implementation status: Approved by NS Zi No. 1070016041 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on June 6, 2018, and announced on the Company website.</p> <p>(4) Passed the proposal for a new share issuing through capitalization of surplus for 2017 fiscal year. Implementation status: Carried out effective registration to Financial Supervisory Commission (FSC) on June 15, 2018. Approved the change registration by NS Zi No. 1070023518 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on August 14, 2018, and then obtained the approval of Taipei Exchange (TPEX) official listing and transacting on the Over the Counter (OTC) on September 3, 2018.</p>

2. Material resolutions of the Board of Director

Material resolutions of the 7th period of board of directors' meeting during the 2018 fiscal year and 2019 fiscal year up to the date of publication of the annual report:

Date	Material resolutions	Resolution Results
2018.02.09 (2018, 1st)	<p>Matters to be Reported :</p> <p>(1) A Report on the last meeting minutes and its implementation situation.</p> <p>(2) A summary report for the meeting of the Compensation Committee.</p> <p>Matters to be Discussed :</p> <p>(1) Passed the proposal for 2017 fiscal year-end Bonus distribution of Managers.</p> <p>(2) Passed the proposal for the review of 2017 fiscal year Remuneration Projects and Related Regulations of Managers.</p> <p>(3) Passed the proposal for revise the regulations of manager's remuneration and review the adjustment of manager's remuneration</p> <p>(4) Passed the proposal for treasury stock shall be cancelled and specify the base date of reduction capital, while the treasure stock purchase by the Company and didn't transfer to employees in the period of 3 years.</p> <p>(5) Passed the proposal for enacting the "Measures for performance appraisal of board directors" of the Company.</p> <p>(6) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(2) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(3) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(6) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
2018.03.09 (2018, 2nd)	<p>Matters to be Reported :</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A Report on the implementation of the Company's in response to the introduction of the International Financial Reporting Standard 16 (IFRS 16) "Leases".</p> <p>(3) A report on matters of Internal audit.</p> <p>(4) A summary report for the meeting of the Compensation Committee.</p> <p>(5) A report on the implementation of Corporate Social Responsibility.</p> <p>Matters to be Discussed :</p> <p>(1) Proposal for distribution of Remuneration of director and supervisor and Remuneration of employee of the 2017 fiscal year reviewed by the Compensation Committee.</p> <p>(2) Passed the proposal for "Assessing the Effectiveness of Internal Control Systems" and "Statement of Internal Control Systems" of 2017 fiscal year of the Company.</p> <p>(3) Passed the proposal for "Business report and Financial report of 2017 fiscal year" of the Company.</p> <p>(4) Passed the proposal for convening shareholders' regular meeting of 2018 fiscal year of the Company.</p> <p>(5) Passed the proposal for the budget of 2018 fiscal year of the Company.</p> <p>(6) Passed the proposal for increase of endorsement and guarantee for investment in subsidiary.</p> <p>(7) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(6) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(7) Passed the proposal after the discussion of all attended directors, without any dissent.</p>

2018.04.16 (2018, 3rd)	<p>Matters to be Reported :</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on the acceptance of proposal of shareholder for the Company shareholders' regular meeting of 2018 fiscal year.</p> <p>Matters to be Discussed :</p> <p>(1) Passed the proposal for distribution of surplus for 2017 fiscal year of the Company.</p> <p>(2) Passed the proposal for surplus distribution for 2017 fiscal year.</p> <p>(3) Passed the proposal for the amendment of partial provisions for "Article of Association".</p> <p>(4) Passed the proposal for adding the cause(s) of meeting to convene the shareholders' regular meeting of the 2018 fiscal year.</p> <p>(5) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
2018.05.11 (2018, 4th)	<p>Matters to be Reported :</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on 2018, 1st quarterly Consolidated Financial Statements of the Company.</p> <p>(3) A report on internal audit.</p> <p>(4) A summary report for the meeting of the Compensation Committee.</p> <p>Matters to be Discussed :</p> <p>(1) Passed the proposal for manager's allotment of the employees' remuneration of 2017 fiscal year reviewed by the Compensation Committee.</p> <p>(2) Passed the proposal for Directors and Supervisors' Remuneration of 2017 fiscal year reviewed by the Compensation Committee.</p> <p>(3) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(2) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
2018.07.12 (2018, 5th)	<p>Matters to be Reported :</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on internal audit.</p> <p>Matters to be Discussed :</p> <p>(1) Passed the proposal for Specifying the ex-dividend date and date of cash capital increase.</p> <p>(2) Passed the proposal for increase of endorsement and guarantee for subsidiary.</p> <p>(3) Passed the proposal for subsidiary's application to banks for the Loan Credit Line.</p> <p>(4) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
2018.08.09 (2018, 6th)	<p>Matters to be Reported :</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on 2018, 2nd quarterly Consolidated Financial Statements of the Company.</p> <p>(3) A report on internal audit.</p> <p>Matters to be Discussed :</p> <p>(1) Passed the proposal for increase of endorsement and guarantee for subsidiary.</p> <p>(2) Passed the proposal for subsidiary's application to banks for the Loan Credit Line.</p> <p>(3) Passed the proposal for the purchase of machinery and equipment.</p> <p>(4) Passed the proposal for the purchasing plan of phase-II Plant Construction Project in Tree Valley Park and machinery and equipment.</p> <p>(5) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent.</p>

2018.10.17 (2018, 7th)	<p>Matters to be Reported :</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on internal audit.</p> <p>Matters to be Discussed :</p> <p>(1) Passed the proposal for increase of shareholding for subsidiary.</p> <p>(2) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
2018.11.09 (2018, 8th)	<p>Matters to be Reported :</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on 2018, 3rd quarterly Consolidated Financial Statements of the Company.</p> <p>(3) A report on the material content of Purchasing the Directors and Officers (D & O) liability insurance.</p> <p>(4) A report on internal audit.</p> <p>Matters to be Discussed :</p> <p>(1) Passed the proposal for enacting the audit plan of 2019 fiscal year.</p> <p>(2) Passed the proposal for increase of endorsement and guarantee for subsidiary.</p> <p>(3) Passed the proposal for subsidiary's application to banks for the Loan Credit Line.</p> <p>(4) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
2019.01.25 (2019, 1st)	<p>Matters to be Reported :</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on internal audit.</p> <p>(3) A summary report for the meeting of the Compensation Committee.</p> <p>Matters to be Discussed :</p> <p>(1) Passed the proposal for 2018 fiscal year-end Bonus distribution of Managers.</p> <p>(2) Passed the proposal for the 2018 fiscal year Remuneration and Related Regulations of Managers.</p> <p>(3) Passed the proposal for the Evaluation of independence of CPA of the Company.</p> <p>(4) Passed the proposal for increase of endorsement and guarantee for subsidiary.</p> <p>(5) Passed the proposal for Lending Funds to subsidiary.</p> <p>(6) Passed the proposal for subsidiary's application to banks for the Loan Credit Line.</p> <p>(7) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(2) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(6) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(7) Passed the proposal after the discussion of all attended directors, without any dissent.</p>

<p>2019.03.12 (2019, 2nd)</p>	<p>Matters to be Reported :</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on internal audit.</p> <p>(3) A summary report for the meeting of the Compensation Committee.</p> <p>(4) A report on the implementation situation of Corporate Governance.</p> <p>(5) A report on the implementation situation of Corporate Social Responsibility.</p> <p>(6) A report on the implementation situation of Ethical Corporate Management.</p> <p>Matters to be Discussed :</p> <p>(1) Passed the proposal for distribution of remuneration of director and supervisor and remuneration of employee of the 2018 fiscal year.</p> <p>(2) Passed the proposal for "Assessing the Effectiveness of Internal Control Systems" and "Statement of Internal Control Systems" of 2018 fiscal year of the Company.</p> <p>(3) Passed the proposal for "Business report and Financial report of 2018 fiscal year" of the Company.</p> <p>(4) Passed the proposal for the amendment of partial provisions for "Article of Association".</p> <p>(5) Passed the proposal for the amendment of partial articles of "Procedures for Acquisition or Disposal of Assets".</p> <p>(6) Passed the proposal for the amendment of partial articles of "Procedures for Endorsement & Guarantee" and "Procedures for Lending Funds to Other Parties".</p> <p>(7) Passed the proposal for the amendment of partial articles of "Corporate Governance Best-Practice Principles".</p> <p>(8) Passed the proposal for convening shareholders' regular meeting of 2019 fiscal year of the Company.</p> <p>(9) Passed the proposal for the budget of 2019 fiscal year of the Company.</p> <p>(10) Passed the proposal for entrusting E.SUN Bank as the arranger to organize the syndicated loan bank club, and applying the loan with the total amount of NT\$5 billion granted by the syndicated loan bank club.</p> <p>(11) Passed the proposal for the cancellation of endorsement and guarantee for subsidiary.</p> <p>(12) Passed the proposal for increase of endorsement and guarantee for subsidiary.</p> <p>(13) Passed the proposal for subsidiary's application to banks for the Loan Credit Line.</p> <p>(14) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(2) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(6) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(7) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(8) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(9) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(10) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(11) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(12) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(13) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(14) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
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2019.05.02 (2019, 3rd)	<p>Matters to be Reported :</p> <p>(1) A report on the last meeting minutes and its implementation situation.</p> <p>(2) A report on 2019, 1st quarterly Consolidated Financial Statements of the Company.</p> <p>(3) A report on internal audit.</p> <p>(4) A summary report for the meeting of the Compensation Committee.</p> <p>(5) A report on the acceptance of proposal of shareholder for the Company shareholders' regular meeting of 2019 fiscal year.</p> <p>Matters to be Discussed :</p> <p>(1) Passed the proposal for Directors and Supervisors' Remuneration of 2018 fiscal year reviewed by the Compensation Committee.</p> <p>(2) Passed the proposal for manager's allotment of the employees' remuneration of 2018 fiscal year reviewed by the Compensation Committee.</p> <p>(3) Passed the proposal for distribution of surplus for 2018 fiscal year of the Company.</p> <p>(4) Passed the proposal for surplus distribution for 2018 fiscal year.</p> <p>(5) Passed the proposal for adding the cause(s) of meeting to convene the shareholders' regular meeting of the 2018 fiscal year.</p> <p>(6) Passed the proposal for setting up the Corporate Governance Supervisor.</p> <p>(7) Passed the proposal for the change of the Company's deputy spokesperson.</p> <p>(8) Passed the proposal for the cancellation of endorsement and guarantee for subsidiary.</p> <p>(9) Passed the proposal for increase of endorsement and guarantee for subsidiary.</p> <p>(10) Passed the proposal for subsidiary's application to banks for the Loan Credit Line.</p> <p>(11) Passed the proposal for application to banks for the Loan Credit Line.</p>	<p>(1) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(2) Except for the directors of CHEN LI-FEN and HSU MING-CHE who did not participate in the discussion and voting due to involving their own interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(3) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(4) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(5) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(6) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(7) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(8) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(9) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(10) Passed the proposal after the discussion of all attended directors, without any dissent.</p> <p>(11) Passed the proposal after the discussion of all attended directors, without any dissent.</p>
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(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer: None.

IV. Information on CPA professional fees:

Accounting Firm's Name	CPA's Name		Audit Period	Remark
PricewaterhouseCoopers (PwC) Taiwan	LIN YUNG-CHIH	LIN TZU-YU	2017	
PricewaterhouseCoopers (PwC) Taiwan	LIN YUNG-CHIH	LIN TZU-YU	2018	

(I) Class interval table of information for CPA professional fees:

Unit: NT\$ in thousand

Amount Interval		Fee Items	Audit Fee	Non-audit Fee	Total
1	Lower than 2,000 thousand dollar		-	412	412
2	2,000 thousand (inclusive) ~ 4,000 thousand dollar		3,350	-	3,350
3	4,000 thousand (inclusive) ~ 6,000 thousand dollar		-	-	-
4	6,000 thousand (inclusive) ~ 8,000 thousand dollar		-	-	-
5	8,000 thousand (inclusive) ~ 10,000 thousand dollar		-	-	-
6	10,000 thousand (inclusive) above		-	-	-
Amount			3,350	412	3,762

(II) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliates of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: None.

Unit: NT\$ in thousand

Accounting Firm's Name	CPA's Name	Audit Fee	Non-audit Fee					Audit Period	Remark
			System design	Business registration	HR	Others	Sub-total		
PwC Taiwan	LIN YUNG-CHIH	3,350	-	135	-	277	3,762	2018.1.1~2018.12.31	Other includes Transfer Pricing Report 200 and Tax Consultation 77
	LIN TZU-YU								

(III) If the accounting firm is changed and the audit public expense paid in the year of change is less than the audit public expense of the previous year of change, the decreased amount, proportion and reason before and after the change shall be disclosed: No such situation.

(IV) If the audit public expense is decreased of more than 15% compared with that of the previous year, the decreased amount, proportion and reason of the audit public expense shall be disclosed: No such situation.

V. Information of change of CPA: None.

VI. Information of the company's chairman, general manager, manager in charge of finance or accounting affairs working in the certified accountant affiliated firm or its associated enterprise in the recent one year: None.

VII. From the nearest year to the print date of annual report, circumstance of changes in equity transfer and equity change of the directors, supervisors, managers and shareholders who hold more than 10% shares:

(I) Circumstances of changes in equity of directors, supervisors, managers and Substantial shareholders:

Unit: Share

Job Title	Name	2018 fiscal year		Current fiscal year up to May 10	
		increase (or decrease) number of shares transferred	increase (or decrease) number of shares pledged	increase (or decrease) number of shares transferred	increase (or decrease) number of shares pledged
Chairman	CHEN LI-FEN	664,574	0	0	0
Director & General manager	HSU MING-CHE	1,014,425	0	0	0
Director	CHENG SHENG-FEN	128,861	0	0	0
Director	WANG CHEN PI-HSIA	81,337	0	0	0
Director	LI AN	195,507	0	0	0
Independent director	WU CHUNG-JEN	5,346	0	0	0
Independent director	WEI NAI-CHANG	0	0	0	0
Independent director	HO MING-ZIH	0	0	0	0
Supervisor	KUANG HIS-HUI	41,085	0	(Note 1)	0
Supervisor	TSENG HSU-WEN	11,412	0	84,000	0
Supervisor	LI MEI	73,735	0	0	0
Manager	CHEN MIN-CHANG	(47,270)	0	0	0
Manager	PENG CHIUNG-YIN	92,734	0	0	0
Financial executive & Accounting supervisor	LI PAI-TSANG	403	0	0	0

Note 1: The Company's supervisor, KUANG HSI-HUI, resigned as supervisor in 2019.01.25 because of her personal family.

Note 2: This Company has no Substantial shareholders who holds more than 10% shares.

(II) Status about Share Transfer

Name	Reason for transfer of shares	Date	Counterparty	Relationship between that party and the company, director, supervisor or 10% shareholders	Number of Shares	Trading price
Director WANG CHEN PI-HSIA	Disposal (Transfer via gift)	December 20, 2018	WANG HAO-YU	Mother and Son	25,000	79.2

(III) Status about Share Pledge: None.

VIII. Information about Shareholding: Among the Company's 10 Largest Shareholders is Related Party or a Relative within the Second Degree of Kinship of Another

May 10, 2019

Name	Shareholding by Self		Shareholding by Spouses, Minor Children		Shareholding Through Nominees		10 Largest Shareholders is Related Party or A Relative Within The Second Degree of Kinship of Another		Remark
	Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio	Name (or Name)	Relationship	
HSU MING-CHE	5,072,126	6.87%	3,320,379	4.50%	0	0%	CHEN LI-FE HSU CHENG-PU	Spouse Daughter	
CHEN LI-FE	3,320,379	4.50%	5,072,126	6.87%	0	0%	HSU MING-CHE HSU CHENG-PU DENENG SUNSHINE INVESTMENT CO., LTD. DEYUAN MANAGEMENT CONSULTANTS CO., LTD.	Spouse Daughter Chairman of this company Chairman of this company	
DAVID ENTERPRISE CO., LTD.	3,043,433	4.12%	0	0%	0	0%	None	None	
DENENG SUNSHINE INVESTMENT CO., LTD.	1,600,787	2.17%	0	0%	0	0%	CHEN LI-FE	Chairman of this company	
DEYUAN MANAGEMENT CONSULTANTS CO., LTD.	1,314,612	1.78%	0	0%	0	0%	CHEN LI-FE	Chairman of this company	
WANG CHANG-FENG	1,275,333	1.73%	0	0%	0	0%	None	None	
HSU CHENG-PU	1,122,302	1.52%	0	0%	0	0%	HSU MING-CHE CHEN LI-FE	Father Mother	
LIAN	977,537	1.32%	0	0%	0	0%	None	None	
FUBON LIFE INSURANCE CO., LTD.	948,000	1.28%	0	0%	0	0%	None	None	
ZUO KE-JHONG	874,983	1.19%	0	0%	0	0%	None	None	

IX. The Total Number of Shares of the Same Invested Enterprise Held by the Company, Company's Director, Supervisor, Manager or the Company Directly or Indirectly Controlled by the Company, All of Its Shareholding Ratios are Combined and Calculated

May 10, 2019 ; Unit: Share; %

Investments in Other Enterprises (Note)	The Investments by the Company		The Investments by Director, Supervisor, Manager or Directly or Indirectly controlled		Total investment	
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)
CHIEFTEK PRECISION HOLDING CO., LTD.	6,760,000	100.00	-	-	6,760,000	100.00
CHIEFTEK PRECISION (HONG KONG) CO., LTD.	5,100,000	100.00	-	-	5,100,000	100.00
CHIEFTEK PRECISION USA CO., LTD.	1,660,000	100.00	-	-	1,660,000	100.00
Chieftek Machinery Kunshan Co., Ltd	Non-joint-stock system	100.00	-	-	Non-joint-stock system	100.00
cpc Europa GmbH	Non-joint-stock system	100.00	-	-	Non-joint-stock system	100.00
CSM Maschinen GmbH	Non-joint-stock system	100.00	-	-	Non-joint-stock system	100.00
Chieftek Precision International LLC	Non-joint-stock system	100.00	-	-	Non-joint-stock system	100.00

Note: These companies are the Company's long-term investment which is used the equity method.

IV. Fundraising Status

I. Source of Share and Capital Status

(I) Source of Capital

Unit: NT\$ in thousand; share in thousand

MM/YY	Issue price	Authorized capital stock		Paid-in capital stock		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Capital	Property other than cash is paid by subscribers	Other
1998.10	10	500	5,000	500	5,000	Cash establishment of capital stock	None	Note 1
1999.10	10	2,500	25,000	2,500	25,000	Increment of cash NT\$20,000 thousand	None	Note 2
2000.4	10	4,120	41,200	4,120	41,200	Increment of cash NT\$16,200 thousand	None	Note 3
2000.9	10	9,900	99,000	9,900	99,000	Increment of cash NT\$57,800 thousand	None	Note 4
2001.7	10	15,000	150,000	15,000	150,000	Increment of cash NT\$51,000 thousand	None	Note 5
2002.7	10	21,000	210,000	21,000	210,000	Tech stock NT\$ 60,000 thousand	Tech stock 6,000,000 shares	Note 6
2003.8	18	27,000	270,000	27,000	270,000	Increment of cash NT\$ 60,000 thousand	None	Note 7
2003.10	18	29,000	290,000	29,000	290,000	Increment of cash NT\$20,000 thousand	None	Note 8
2004.1	18	36,000	360,000	34,000	340,000	Increment of cash NT\$50,000 thousand	None	Note 9
2004.3	18	36,000	360,000	36,000	360,000	Increment of cash NT\$20,000 thousand	None	Note 10
2009.12	30	50,000	500,000	36,056	360,560	Increment of cash NT\$560 thousand	None	Note 11
2010.11	10	50,000	500,000	37,859	378,588	Capital increase by transferring of surplus NT\$18,028 thousand	None	Note 12
2011.9	10	50,000	500,000	40,888	408,875	Capital increase by transferring of surplus NT\$30,287 thousand	None	Note 13

MM/YY	Issue price	Authorized capital stock		Paid-in capital stock		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Capital	Property other than cash is paid by subscribers	Other
2011.12	83	50,000	500,000	43,388	433,875	Increment of cash NT\$25,000 thousand	None	Note 14
2012.04	24	50,000	500,000	44,008	440,079	Employee stock options NT\$6,204 thousand	None	Note 15
2012.10	10	50,000	500,000	48,409	484,087	Capital increase by transferring of surplus NT\$44,008 thousand	None	Note 16
2013.01	40	80,000	800,000	53,042	530,417	Increment of cash NT\$46,330 thousand	None	Note 17
2013.02	24	80,000	800,000	53,297	532,973	Employee stock options NT\$2,556 thousand	None	Note 18
2013.09	10	80,000	800,000	55,962	559,622	Capital increase by transferring of surplus NT\$26,649 thousand	None	Note 19
2014.03	24	80,000	800,000	56,208	562,086	Employee stock options NT\$ 2,464 thousand	None	Note 20
2014.06	10	80,000	800,000	59,019	590,190	Capital increase by transferring of surplus 28,104 thousand	None	Note 21
2014.12	24	80,000	800,000	59,234	592,338	Employee stock options 2,148 thousand	None	Note 22
2016.08	10	80,000	800,000	62,045	620,455	Capital increase by transferring of surplus 28,117 thousand	None	Note 23
2018.02	10	80,000	800,000	59,045	590,455	Treasury share reduction 30,000 thousand	None	Note 24
2018.08	10	80,000	800,000	73,807	738,069	Capital increase by transferring of surplus 147,614 thousand	None	Note 25

Note 1: Approval of JY Zi No. 87340468 of Construction Bureau of Taipei City Government on October 19, 1998.

Note 2: Approval of BSJSE Zi No. 88345971 of Construction Bureau of Taipei City Government on October 25, 1999.

Note 3: Approval of BSJSE Zi No. 89280975 of Construction Bureau of Taipei City Government on April 28, 2000.

Note 4: Approval of BSJSE Zi No. 89325503 of Construction Bureau of Taipei City Government on September 27, 2000.

Note 5: Approval of J(2001)S Zi No. 09001228200 of Civil Services of Doc, MOEA on July 3, 2001.

Note 6: Approval of J(2002)S Zi No. 09101304180 of Civil Services of Doc, MOEA on July 31, 2002.
 Note 7: Approval of JSZ Zi No. 09232488100 of Civil Services of Doc, MOEA on August 8, 2003.
 Note 8: Approval of JSZ Zi No. 09232808800 of Civil Services of Doc, MOEA on October 20, 2003.
 Note 9: Approval of JSZ Zi No. 09331593930 of Civil Services of Doc, MOEA on January 29, 2004.
 Note 10: Approval of JSZ Zi No. 09331877650 of Civil Services of Doc, MOEA on March 29, 2004.
 Note 11: Approval of NS Zi No. 0980028767 of Southern Taiwan Science Park Administration on December 25, 2009.
 Note 12: Approval of NS Zi No. 0990024356 of Southern Taiwan Science Park Administration on November 5, 2010.
 Note 13: Approval of NS Zi No. 1000023845 of Southern Taiwan Science Park Administration on September 23, 2011.
 Note 14: Approval of NS Zi No. 1000029971 of Southern Taiwan Science Park Administration on December 6, 2011.
 Note 15: Approval of NS Zi No. 1010007820 of Southern Taiwan Science Park Administration on April 6, 2012.
 Note 16: Approval of NS Zi No. 1010026797 of Southern Taiwan Science Park Administration on October 30, 2012.
 Note 17: Approval of NS Zi No. 1020000730 of Southern Taiwan Science Park Administration on January 11, 2013.
 Note 18: Approval of NS Zi No. 1020003932 of Southern Taiwan Science Park Administration on February 18, 2013.
 Note 19: Approval of NS Zi No. 1020022718 of Southern Taiwan Science Park Administration on September 11, 2013.
 Note 20: Approval of NS Zi No. 1030007680 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on March 28, 2014.
 Note 21: Approval of NS Zi No. 1030022837 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 5, 2014.
 Note 22: Approval of NS Zi No. 1040001256 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on January 15, 2015.
 Note 23: Approval of NS Zi No. 1050023001 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 07, 2016.
 Note 24: Approval of NS Zi No. 1070006680 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on February 27, 2018.
 Note 25: Approval of NS Zi No. 1070023518 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on August 14, 2018.

(II) Shares and Capital

May 10, 2019/Unit: share

Stock class	Authorized capital stock (Note 1)			Remark
	Outstanding stock	Unissued Stock	Total	
Registered common stock(stock of over-the counter stock)	73,806,862	46,193,138	120,000,000	Limit of employee stock options 3,000,000 Shares

Note 1: On June 25, 2015, the regular shareholders' meeting passed the amendments of the Articles of Association and increase of the nominal capital amount to NT\$1,200,000 thousand (120,000,000 shares), which had obtained the approval of NS Zi No. 1050023001 Letter of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 7, 2016 (except for the increase of capital sum in Article 5 of the Articles of Association that will not be registered temporarily).

Note 2: Shelf Registration system related information: Not applicable.

(III) Shareholder structure

May 10, 2019/Unit: share

Shareholder structure Number	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions & Foreigners	Amount
Number(people)	0	0	52	12,362	35	12,449
Shareholding Number(share)	0	0	9,871,270	61,201,764	2,733,828	73,806,862
Shareholding Percentage	0.00%	0.00%	13.37%	82.92%	3.70%	100.00%

Note: There is no any Mainland China investor invest in the Company.

(IV) Diffusion of ownership

May 10, 2019/Unit: share

Shareholding Interval	Number of shareholders	Shareholding Number (share)	Shareholding Percentage (%)
1 ~ 999	2,415	614,809	0.83%
1,000 ~ 5,000	8,762	15,975,302	21.65%
5,001 ~ 10,000	718	5,377,411	7.29%
10,001 ~ 15,000	193	2,450,097	3.32%
15,001 ~ 20,000	76	1,371,028	1.86%
20,001 ~ 30,000	91	2,276,955	3.09%
30,001 ~ 50,000	70	2,842,684	3.85%
50,001 ~ 100,000	49	3,499,745	4.74%
100,001 ~ 200,000	24	3,454,240	4.68%
200,001 ~ 400,000	23	6,454,473	8.75%
400,001 ~ 600,000	13	6,215,628	8.42%
600,001 ~ 800,000	2	1,223,487	1.66%
800,001 ~ 1,000,000	6	5,302,031	7.18%
1,000,001 the above	7	16,748,972	22.69%
Amount	12,449	73,806,862	100.00%

(V) List of major shareholders

The names, number and percentage of the shareholding of the shareholders with a stake of 5 percent or top ten shareholders:

May 10, 2019/Unit: share

Name of major shareholders	Share	Number of shares held	Shareholding ratio
HSU MING-CHE		5,072,126	6.87%
CHEN LI-FE		3,320,379	4.50%
DAVID ENTERPRISE CO., LTD.		3,043,433	4.12%
DENENG SUNSHINE INVESTMENT CO., LTD.		1,600,787	2.17%
DEYUAN MANAGEMENT CONSULTANTS CO., LTD.		1,314,612	1.78%
WANG CHANG-FENG		1,275,333	1.73%
HSU CHENG-PU		1,122,302	1.52%
LI AN		977,537	1.32%
FUBON LIFE INSURANCE CO., LTD.		948,000	1.28%
ZUO KE-JHONG		874,983	1.19%

(VI) Share prices for the past 2 fiscal years, net worth per share, earnings per share, dividends per share, and related information

Items	Fiscal Year	2017	2018	As of May 10, 2019
Market price of each share (Note 1)	Highest	109.00	211.00	121.00
	Lowest	30.70	66.00	72.10
	Average	73.41	142.09	99.81
Net value of each share (Note 2)	Before distribution	24.66	26.23	27.16
	After distribution	21.21	(Note 9)	Not applicable
Surplus of each share	Weighted average number of shares	59,046	73,807	73,807

	Surplus of each share (Note 3)	Before adjustment	4.03	6.40	0.61
		After adjustment	-	(Note 9)	Not applicable
Dividend of each share	Cash dividend		1.00	(Note 9)	Not applicable
	Stock grants	Stock Dividend from Retained Earnings	2.50	(Note 9)	Not applicable
		Stock Dividend from Capital Reserve	-	(Note 9)	Not applicable
	Cumulative unpaid dividend (Note 4)		-	-	-
Analysis investment reward	Price-earning ration (Note 5)		14.78	20.02	37.78
	Price-dividend ratio (Note 6)		59.56	(Note 9)	Not applicable
	Yield to maturity of cash dividend (Note 7)		1.68%	(Note 9)	Not applicable

*In case of the allotment of shares through transfer of surplus or capital reserve to increase the capital, the market price and cash dividend information of the issued shares retroactively adjusted shall be disclosed.

Note 1: List the highest and lowest market price of common stock of each year, and calculate the average market price of each year according to the trading value and trading volume of each year.

Note 2: Please fill in based on the number of shares issued at the end of the year and the resolution of distribution of the board of shareholders in next year.

Note 3: If the retroactive adjustment is required due to stock grants, etc., the surplus of each share before and after adjustment shall be listed.

Note 4: If the issuance condition of equity securities requests the unissued dividend of that year should be accumulated to the issuance of surplus year, the cumulative unissued dividend by the end of current year shall be respectively disclosed.

Note 5: Price-earnings ratio=Average closing price of each share of current year / Surplus of each share.

Note 6: Price-dividend ratio=Average closing price of each share of current year / Cash dividend of each share.

Note 7: Yield to maturity of cash dividend=Cash dividend of each share / Average closing price of each share of current year.

Note 8: The net value of each share, surplus of each share shall be filled in with the data checked (checked and approved) by the accountant in the nearest quarter by the end of print date of annual report, while the rest of field shall be filled in with the data of current year by the end of print date of annual report.

Note 9: 2017 surplus distribution plan has not passed by 2018 general shareholders' meeting.

(VII) The Company's dividend policy and implementation thereof

1. Dividend policy:

The general final accounts of current year of this company shall be distributed according to the following order in case of surplus:

- (1) Pay duties and taxes.
- (2) Cover the deficit.
- (3) Withdraw 10% as the statutory surplus reserve.
- (4) If necessary, withdraw or transfer back the special surplus reserve in accordance with the provisions of laws or competent authorities.
- (5) For the balance after deduction of the amount withdrawn from the above four items, as well as the undistributed surplus of the previous years, the board of directors shall draft a distribution proposal, and submit it to the shareholders' meeting to decide whether to distribute the shareholder dividend or reserve it, but the dividend distribution amount shall not be lower than 20% of the remaining amount after deduction of the profit of current year according to the provisions of above paragraph 1~4.

In order to continuously expand the operation scale, enhance the competitive strength, and cooperate with the company's long-term business development, future fund demand and

long-term financial planning, the dividend distribution policy shall give priority to stock dividend and collocation of part of the cash dividend. The cash dividend distribution sum shall not be lower than 10% of the sum of shareholder dividend to be distributed.

2. Implementation situation:

The proposal for distribution of surplus of 2018 fiscal year for the Company had been passed by the resolution of board of directors on May 2, 2019, the distribution of surplus of 2018 fiscal year is as following table:

CHIEFTEK PRECISION CO., LTD.

2018 Surplus distribution table

Unit: NT\$ in dollar

Item	Amount	
	Subtotal	Total
Undistributed surplus balance at the beginning of the period		\$261,014,366
Decrease: Actuarial losses of defined benefit plans		(1,421,826)
Reserved surplus at the beginning of the period after adjustment		(66,159,764)
Distributable surplus available of this year		(1,630,611)
Current net income after tax	472,717,241	191,802,165
Decrease: Drawing of 10% statutory surplus reserve	(47,271,724)	
Decrease: Drawing of special surplus reserve	(4,680,148)	
Cumulative distributable surplus		420,765,369
Listed allotment of this year		612,567,534
Shareholder dividend-Cash (distribution of NT\$1.0 for each share)	(73,806,862)	
Shareholder bonus-Stock share (distribution of NT\$1.0 for each share)	(73,806,870)	
Subtotal of distribution amount		(147,613,732)
Distribution surplus balance		<u>\$464,953,802</u>
Notes:		
1. The surplus distribution for this time will give priority to distribution of 2017 surplus.		
2. The cash dividend shall be calculated according to the shareholding ratio of shareholders recorded in the shareholders ledger on the dividend distribution base date, until distributed to NT\$1 (neglecting all those less than NT\$1). After the above dividend distribution is passed by the general meeting of shareholders, the board of directors shall be authorized to further arrange the dividend distribution base date and designate special persons for handling all the cash dividend of less than NT\$1.		

(VIII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting

1. The Company didn't disclose any financial forecast in 2018 fiscal year, so this provision does not apply.
2. On May 2, 2019, the Company had been passed the proposal for distribution of surplus of 2018 fiscal year by the resolution of the board of directors, Capital surplus transferred to common stock is NT\$73,806,870 (100 shares per thousand share), and the paid-in capital is NT\$811,875,490 after increase capital. Surplus per share is NT\$6.40 in 2018, and the

surplus per share is NT\$5.82 after adjustment, the dilution proportion is around 9.06%. However,

- (1) The Company is building the new factory in Tree Valley Park at present, which needs the long-term funds very much to support it.
- (2) After the factory completed, it could be promote the Company's operational development by increasing the production capacity.

(IX) Remuneration of employees, directors, and supervisors

1. The percentages or ranges with respect to employee, director, and supervisor remuneration in accordance with the Company's Articles of Association:

The Company shall pay employees as the remuneration of 3 to 15 percent of the profitability of the current fiscal year, and shall pay the directors and supervisors as the remuneration of not more than 3 percent of the profitability of the current fiscal year, in accordance with the provisions of the articles of association of the company. However, the company's accumulated losses shall have been covered. The employees' remuneration could be paid in cash or shares, which obtained qualification could include the employees of the subsidiary that meet certain specific requirements, which the certain specific requirements are set up by the board of directors.

2. The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

In accordance with the provisions of (2007) JM Zi No. 052 Letter released by Accounting Research and Development Foundation of the Republic of China in March 2007, this Company should take the employee bonus, remuneration of directors, supervisors as the expenses, instead of surplus distribution. For the remuneration of directors, supervisors and employee bonus of current period, if the actually distributed amount through the resolution of the board of shareholders and the estimated amount with discrepancy, it will be regarded as changes in the accounting estimate, and listed as the profit/loss of 2019. 2018 EPS has fully reflected the effects of employee bonus, remuneration of directors, supervisors on profit-making, thus this will not affect the estimated calculation of EPS.

3. Status of the remuneration distribution passed by the board of directors:

- (1) The remuneration and remuneration amount of employee, directors, supervisors distributed in cash or shares: If there's any discrepancies with the annual estimated amount of recognized expenses, the amount, reason and treatment of discrepancy shall be disclosed:

This Company passed the remuneration of employee and remuneration of directors and supervisors through the resolution of the board of directors on March 12, 2019, shows as following:

- A. The Company plans to distribute the remuneration of directors, supervisors of NT\$13,023,223 in cash, which equals 2.01% of the year profit situation in 2018. Same as the estimated amount listed on the account book was NT\$13,023,223 for the directors and supervisors.
 - B. The Company plans to distribute the remuneration of employee NT\$ 48,000,000 in cash, which equals 7.40% of the current year profit situation in 2018. Same as the estimated amount listed on the account book was NT\$ 48,000,000 for the employee.
- (2) Amount of employee remuneration distributed in shares and proportion occupied in sum of un-consolidated or individual financial reporting profit (loss) for the year and total amount of employee remuneration of current period: The cash method is adopted for this time, therefore it is not applicable.

4. Status of actual distribution of remuneration of employee, directors and supervisors of the previous year (including the number of shares distributed, amount and share price), any discrepancies with the recognized remuneration of employees, directors and supervisors, and detailed description of amount, reason and treatment of discrepancy:

- (1) The employee bonus actually distributed by this company in 2017 was NT\$24,654,126.
- (2) The remuneration of directors and supervisors actually distributed by this company in 2017 was NT\$7,087,085.
- (3) The original board of directors passed the employee bonus, remuneration of directors and supervisors of 2017, and such remuneration had distribute to employees, directors and supervisors; meanwhile, the proposed distribution amount passed by the original board of directors was same with the actually distributed amount.

(X) Share repurchases

Repurchase time	First time (period)
Repurchase purpose	Transfer shares to employees.
Repurchase period	From November 12, 2014 to January 9, 2015
Price range of repurchase	NT\$ 22.30 to NT\$50.40 for each share
Class and quantity of repurchased shares	Common stock of 3,000,000 shares.
Amount of repurchased shares	NT\$118,543,503
Quantity of shares having already been handled with elimination and transfer	Common stock of 3,000,000 shares.
Quantity of shares of this company cumulatively held	0 share
Ratio (%) of quantity of shares of this company cumulatively held in total shares issued	0%

II. Handling circumstance of Corporate Bonds: None.

III. Handling circumstance of Preferred Share: None.

IV. Handling circumstance of Global Depositary Receipts (GDR): None.

V. Handling circumstance of the Employee Share Subscription Warrants and New Restricted Employee Shares:

- (I) Circumstance of handling the Company's unexpired Employee Share Subscription Warrants: None.
- (II) Accumulated to the print date of annual report, name, obtaining and subscription circumstance of the manager who obtains the Employee Share Subscription Warrants and the employee who obtains the voucher, and can subscribe top 10 shares: None.
- (III) Circumstance of handling the privately placed Employee Share Subscription Warrants in the

most recent three years: None.

(IV) Circumstance of handling the New Restricted Employee Shares in the most recent year to the print date of annual report: None.

VI. Handling circumstance of Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VII. Implementation of the Company's Capital Allocation Plans: None.

The Company has no any each uncompleted public issue or private placement of securities, or to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits.

V. Operations Summary

I. Business Content

(I) Business scope:

1. Business scope:

(1) Main content of the operating business:

CB01990 other mechanical manufacturing industry.

F401010 international trade.

Research, develop, manufacture and sell the following products:

A. Miniature and standard type linear guide.

B. Miniature and standard type linear module.

C. Photovoltaic and semiconductor process equipment.

D. Concurrently engaged in international trade related to the above products.

(2) Business proportion:

Unit: NT\$ in thousand

Product Name	2018		2017	
	Amount	%	Amount	%
Linear Guide	2,002,336	96.32%	1,435,757	96.47%
Liner Motor	76,565	3.68%	52,502	3.53%
Amount	2,078,901	100.00%	1,488,259	100.00%

(3) Commodity (service) items of the company at present:

- A. All series linear guide.
- B. All series linear motor.
- C. Linear motor servo driver.
- D. Linear motor module and subsystem.
- E. Industry robot.
- F. Magnetic encoder component.
- G. DD Motor.
- H. EtherCAT communicative driver.
- I. Anti-interference module for driver.
- J. All series water-cooled linear motor.
- K. Magnetic encoder.
- L. Driver function expansion.
- M. Miniature high power DC driver.

(4) Commodity (service) items of the company in the future:

- A. All series water-cooled linear motor specification expansion.
- B. DD motor series specification expansion.
- C. Driver function expansion.
- D. EtherCAT Motion for Windows systems.
- E. Upper control platform and PLC module for Windows systems.

2. Industry introduction

(1) Current situation and development of the industry

A. Linear guide

The Linear guide is low friction component that takes the linear motion rolling bearing and guidance as the purpose. The characteristics of the linear guide superiority lie in high load capacity, high service life, high precision, high rigidity, high speed, low friction resistance, small energy consumption small space, standardization, and low cost.

In the linear motion, the linear guide is main component for load bearing and linear guidance. As the industry has increasing requirements for yield rate, speed and space application, etc., the linear guide must have high load capacity, small energy consumption, small space, standardization, low cost and other conditions to meet the industry requirements.

(A)The linear guide can be divided into the following according to different rolling elements:

- l Ball type linear guide.
- l Roller type linear guide.

(B)According to the size, it can be divided into:

- l Miniature type linear guide (size 1, 2, 3, 5, 7, 9, 12, 15).
- l Standard type linear guide (size 15, 20, 25, 30, 35, 45, 55, 65).
- l Ultra-large type linear guide (size 85, 100, 125).
- l Wide type linear guide (size 17, 21, 27, 35).

In different areas, and according to different industry types, the linear guide is widely used in the straight-line motion mechanism of precision machinery and equipment, automation equipment, medical instrument, food and aerospace science and technology equipment, etc. Because of the rapid development of mobile phone, tablet personal computer and other handheld type 3C products, the application of its main manufacturing equipment and non-standard automation equipment is continuously increasing, and the requirement for precision and efficiency, etc. of equipment is also relatively increasing. In addition, with the progress of medical technology and other precision equipment, the application of micro machinery is also relatively increasing, and the space application and precision of miniature type linear guide in space also become relatively important. Therefore, the linear guide has a significant impact on precision, efficiency, quality and cost, etc. of equipment and product manufacturing.

As the linear guide is applied to all mechanical equipment needing the linear actuation, each manufacturing industry belongs to the application range.

(C)It is classified as follows according to the characteristics:

- l High precision requirement: Tool room machine, measuring instrument, semiconductor equipment.
- l High speed requirement: Automation machinery and equipment, tool room machine, electronic industry machinery, packaging and printing equipment, optoelectronics industry.
- l High load requirement: Large-scale tool room machine, shock absorption system.
- l High rigidity requirement: Tool room machine.
- l Miniaturization requirement: Semiconductor equipment, electronic machinery,

biotechnology, medical equipment, optoelectronics industry.

▮ Low noise requirement: Semiconductor equipment, electronic machinery, mechanical arm, measuring instrument.

▮ Low cost requirement: General industry, mechanical arm, handling machinery.

Those belonging to the bulk include the tool room machine industry, automation industry, semiconductor packaging equipment, LCD panel and solar cell process equipment, electronic machine, testing and measuring equipment, biomedical instrument, handling equipment, printing machine, wood-working machine, etc.

In 2017, the requirement of new living industry such as 3C products and electric car market is increasing, that brings development of related industry. The equipment required by those industry processing belongs to high-end equipment. The automation of Industry 4.0 has been developed naturally in the market. The performance and reliability of equipment required by either automation equipment or high level industry is stricter, therefore the requirement for accuracy, durability, reliability of key components is improved relatively. It means the price is not the only requirement of key components, but also include reliability and quality which will be the one of key index.

B. Electronic and mechanical components: Motor (generator)

The motor has a very wide range of types, which is closely related to our daily life, such as 3C and electrical appliances, industrial products of motor vehicles, aerospace, medical, electronics, automatic tools, machines and equipment, etc., that are absolutely necessary.

It can be roughly divided into induction motor, step motor, servo motor, linear motor and even micro motor according to the type, with the power varying from mini Watt to mega Watt.

The advantages and disadvantages of motor performance can be judged from: motor constant (specific value of power/heat), power density (specify value of power/volume), insulating property, waterproofness, durability, reliability, etc.

The latest development trend of motor is intelligent motor currently, which is the new type products accompanied with Industry 4.0. It combines driver and motor, that different from put drivers into power control chest which cause increased space required by room layout and wiring layout. The strengths of combination of both by intelligent motor is as follows: system layout is more specific (can correspond to the driver – motor clearly), flexibility of layout is higher, simplified the wiring work and saving space in wire chest. There is this type product in the market in current.

C. Control components:

Such components include frequency converter, driver, controller (shafe clip), PLC and other accessories, such as communication adapter card, security system module, power supply, relay, switch, wire and cable, etc. The development of controller was focus on processing technique before, Industry 4.0 now emphasise intergrating “existing” industrial-related technique, data exchanging ability among equipment and process cability of data analysis, and control by intelligent control. Therefore this exhibit onto the products, that the trend of development will focus on the collection and analysis of big data, compatiblilty cross different equipments and communicate rapidly, good communication quality (low noise interfeencee), strengthen in-build functional development of machinery (for example: more customerized function that allowed users to setup “condition-reaction” openly, software module function that easy to use, and so on) to process the received information in time and make the purpose of intelligent control.

D. Sensing components

There are such components like human's nerve, including encoder, optical scale, image recognition, accelerometer, gyroscope, strain gauge and other components known very well, and there are all other components that can sense the information of different source, and analyze, conclude it into available signal. With the development of technology, the innovation of this aspect quickly changes at a tremendous pace and is limitless.

Follows development trending of Industry 4.0, the sensing element of various type, higher precision and multi-signal transmitting format is required to match the requirement of automation equipment, intelligent factory.

E. Mechanical components:

Bearing guidance components: Bearing, linear guide. Power transmission components: Gear, rack, belt, oil and gas pressure cylinder, balls crew.

There are many other components of different properties, such as locking joint, leak-proof, braking, spring, etc.

The development of manufacturer means the quantity required by industry robot is increasing. Because industry robot is not just improve the performance, product quality, and also reduce human resource cost. The required performance of imance are stilIndustrial robot by enterprises is going higher at present, which is expected to increase production proformance and product quality in advance. Therefore, modulize of high speed, high precision and intelligence for industry robot is the major develop trad.

The key components are critical foundation for the development of industry robots, which also determines the quality of industry robots. Generally, the speed reducer, the motor and driver, plus the controller, account for more than 70% of the cost of the entire industry robot, which are mainly imported from Germany and Japan. Although some enterprises in Taiwan realize the localization, the performance stability, reliability and perforl in need of improvement.

In addition, the specifications of 3C products are getting diverse and changing constantly, and even the machine tools that are developed maturely in Taiwan start to think about how to make technological breakthroughs. It gives rise to the application of DD motor technology on the dividing plate of machine tool, which increase the scenarios of using turbo modules and shortens the machining cycle greatly.

In terms of control, the manufacturers of key parts and components have respective advantages of products. Thus, the entire industry gradually improves the machining technology in the way of cooperation and professional labor division. To improve the reliability of the entire cooperation system, it doesn't execute purely based on digital signal, but transforms into communication and transmission. Therefore, the open communication format and operating system platform become key fields for the development of intelligent industry in the following years.

(2) Relevance of industry upstream, midstream, downstream

- A. Upstream: Raw material supply: Alloy steel / Stainless steel / Copper wire / Magnet.
Processing industry: Cold drawing, forging, heat treatment, precision cutting processing, PCB panel layout processing, SMT assembly.
Material supply: Precision ball, roller, precision injection molded parts, electronic component (IC component, passive component).
- B. Midstream industry: Manufacturing of linear motion components.
Linear guide, ball screw, linear motor, linear module / stage.
Supporting cooperation industry: Mould designing and manufacturing, special processing machiner.
Precision spindle, high frequency spindle, controller, driver.
- C. Downstream: Toolroom machine industry, automation industry, semiconductor industry.
LCD panel and solar cell industry, electronic industry.
Medical and biotechnology industry, optical instrument industry.
Aerospace and defense industry, general machinery industry.

3. Each development trend and competition circumstance of products

(1) Product development trend

To become a professional manufacturer of key components for industry robot, cpc plans to continue to develop the following products horizontally:

- A. Linear guide: It will continuously develop the roller-type linear guide with higher load and higher precision. With the exclusive patented technology of cpc, it will increase the product life span to the No. 1 in the industry.
- B. Linear motor: Due to the direct drive system, the linear motor is favored by the equipment manufacturers who have high capacity, high precision requirements, and the market acceptance also becomes increasingly high. Although the overall linear motor module is gradually traded in the market, many other experienced customers choose components for self-assembly; both ironcore series and ironless series have their respective suitable market. For example, as the ironless series has no cogging force, it has smooth speed ripple, and is especially suitable for application of scanning. As the suction between mobile stator is 0, the mechanism volume can be shortened to save space; while the ironcore series has the advantage of high thrust density, it is suitable for using in the occasion of point-to-point motion.
The development roadmap of cpc can divide into two directions of manufacture processing:
 - a. Special industrial processes:
To develop the miniature motor with the pulling force less than 10N, and the special motor that is applicable to bio-tech and IC packaging processes.
 - b. Tool machine processes:
To respond to the increasing demands for the application scenarios of using linear motor on the tool machine, cpc has developed the Ironcore linear motor with the maximum pulling force above 20,000N. Moreover, since the temperature of the motor in working affects the machining precision, it designs the cooling device loaded to control temperature rise.
- C. Servo driver: With the arrival of industry 4.0, the demand for industry 3.0 is

increasing greatly. The industry 3.0 mainly lies in the capacity of industrial automation, the demand of domestic equipment manufacturers for localized components increases rapidly. CHIEFTEK PRECISION has always been a manufacturer of key components of precision machinery in the internal market; for example, linear guide, linear motor, linear motor module, motor serco driver, and even industry robot are all independently developed and manufactured.

In the aspect of drive control technology, for the linear motor driver, there is almost no completely independently developed product in the domestic, and most of them are matched with the system of Europe and the United States, causing the price competitiveness decreases significantly, and the independent technology is restricted. From the perspective of practical experience, when the marketing strategy of matching with the European driver is adopted, the existing linear motor market development generally concentrates on the sale of complete system, thus the biggest advantage is that the customer can maintain the fixed technology window, but may be also easily closed by the technology like Japanese brands to implement the price bundling, which may reduce the competitiveness on the contrary. For this situation, CHIEFTEK PRECISION will develop the linear motor driver truly meet the market demand with many years' experience in mechanical and electrical integration. Such driver can not only match with the linear motor module produced by CHIEFTEK, but also can freely match with the linear motor module, linear guide, and optical scale. In addition, by using the existing sales channel, CHIEF PRECISION has established the driver brand of proprietary technology in the domestic,

In the aspect of machinery communication, to adopt information exchanging capability emphasized by Industry 4.0 trend, in addition CANopen communicative interface in the related-industry, CHIEFTEK PRECISION is also developed the driver equip with EtherCAT communicative interface. With efficient and real-time communication performance, EtherCAT is gradually valued and preferred in the industry. Its bottom layer is the architecture of industrial communication protocol based on the Ethernet, which can support multi-axis real-time control function. In view of this, cpc will take the driver based on EtherCAT communication as the slave. In the future, it will develop the motion controller with master identity vertically.

- D. Driver software function update: Linear motor has high speed, high precision properties, the demand for auxiliary software function of linear motor (such as friction compensation, interference filter) is increased with increased user. Short the response time is become the one of main develop technique for many axial application particularly, in view of this, CHIEFTEK PRECISION have developed a special algorithm to measure the resistance value of the motor, as well as generate motor parameters that can shorten the response time. Considering the safety and electronic components, we have also added compensation and estimation to the current loop. In addition, we have added a number of supported encoders in the driver

graphic user interface (e.g. Sine/Cosine, Resolver, EnDat, Nikon, etc.), and we will add Nyquist plot and Nichole's chart to enhance the image visualization and analysis of the data in the future. We have also expanded the streamlined orders supporting underlying virtual machine, and look forward to the future development of features that allow users to write C-language scripts directly. In addition, Two-axis on-board Driver's decoupling function for Gantry Stage is also our development project in response to market demand.

E. Sensor: Sensor like the nerve which make machine can sense outside, in charge of message transmission. One of the key link of intelligent industrialized is how to obtain required information and transmit through whole inflation network. So the sensor is the critical component to decide whether the data is correct directly. The reliability, resolution and anti-dirt of sensor is the key index of quality. Now CHIEFTEK PRECISION has already develop and mass produce magnetic position sensing component with resolution up to 0.5μ . In the future, will use the micro mechanic and electronic design, and extend to acceleration ruler, force ruler and sensor-related products. Developing directions are focus as follows:

- a. Higher responding.
- b. Can filter outside noise.
- c. Origin signal is stable (no noise from its own).

F. DD motor: With demand of processing machine increased, direct drive rotated component (such as DD motor) is one of the develop item in necessary. CHIEFTEK PRECISION has developed DR-105 and RP-120 series of DD motor for the demand of light load (such as wafer equipment), high precision to use specifically. CHIEFTEK PRECISION will develop frameless and framed all series DD motors in the future, which can be divided into multi-axials articulate robot, machine tool and automation industry. With the increasing demand for processing large-sized components with special shapes, the direct-drive rotary motors required for the A and C axes are essential critical components. We will develop and mass produce frameless DD motors with outer diameters of 70-300 mm. When users have its space and price considerations, they will be able to purchase the purely rotor-stator products for their own design. Of course, we can also customize the straight-rotating platform that is most suitable for customers according to the customer's requirements for different loads, speeds and precision, which is designed for light load (such as wafer equipment) and high precision needs. In the future, we will develop a full range of frameless or housed type DD motors, which can be applied to multi-axis joint robots, machine tools and automation industries. Its main technical threshold is to achieve the highest motor efficiency and maximum torque in a limited space, and to provide high-speed DD motors for customers' requirements, so that we can become a professional manufacturer of rotary direct drive motors.

G. Communication processing equipment: At the current stage of automation industry, the format of signal is still transmitting by simple digital signal mostly, correspond to communication method of high-level machine tool , adapt character string package method to raise the

reliability of system. Now automation industry is flourishing, the system trends to whole factory network control. CHIEFTEK PRECISION set the development of string adapt chassis as the beginning. The function is output incremental analog or digital differ signal of current encoder to Biss C common rule universal format of the industry and provide to driver and controller for using through this device.

H. PLC and controller: So far, the operating system mostly used in industrial control is Microsoft's Windows operating system. However, Microsoft's Windows operating system cannot control the motor at high speed and precision. Therefore, RTOS (Instant Operating System) is generally used on the motor controller. The reason why we developed the Windows operating system to provide instant control, mainly to facilitate the integration of human-machine interface and controller into a single device, as well as to combine various software control modules, in order to reduce unnecessary communication lines.

(2) Competition circumstance:

A. Linear guide

The world's first largest linear guide company is Japan's THK, and the second is Germany's Bosch Rexroth, then Schaeffler, HIWIN, IKO, PMI, Schneeberger, **cpc**, NB, etc. The quality leaders are mainly THK, Bosch Rexroth, INA, then IKO, Schneeberger, **cpc**.; while the price leaders are HIWIN, PMI, TBI, etc.

When the linear guide manufacturers continuously increase the company establishment in the mainland with some large factories, in addition to the quality, the price competition is also increasingly fierce. **cpc** has actively put into development of large-scale high load and high rigidity linear guide, and improved the process and design to increase profits. Meanwhile, in response to the fiercely competitive market price, it has also actively developed the high-tech products, such as the linear guide with the miniature size of 1mm and 2mm, to provide the market demand of high precision and micro machine.

B. Linear motor

Regarding the development of manufacturing of key components of industry robots, the products such as encoder, motor component, linear guide and driver are all made by **cpc**. It can combine with the practical application in market to optimize the performance of the parts and components. Moreover, it puts into more efforts in the development of process equipment. While improving the entire scale of volume production, it can reduce the yield rate of products. This can control the entire costs better. Moreover, the core technologies are expanded to customer needs, and better products quality are taken as the primary goal, providing innovative and optimal service for customers.

C. DD motor

Multi-axis is another aspect of precision processing. To reduce the consumption occurred by the time spend of workpiece turnover and material feed in/out and avoid precision difference and cost spend of core changing. At present, rotary axis of five-axis processing machine use a large number of DD motor progressively to achieve high speed, high precision processing. The structure of DD motor may be imagined the linear motor packaged into one object. Therefore, in the terms of DD motor research

and production, it can take over the development experience of linear motor. Which cause the DD motor of CHIEFTEK PRECISION compared with competitor has higher motor performance and reliability. Now cpc stresses the optimization of procedure to have more efficient control of the product cost.

D.Sensor

Germany, Japan are the most automatization countries. Germany and Japan are mature to produce sensor as sensing components of automation, the acuteness and quality are reliable but price is several times more than brand of other countries. Among most of force, visual and distance of sensors, CHIEFTEK PRECISION choose magnetic encoder which can be the feedback devise directly in linear motor system, sale through original owned market channel of linear motor to accumulate practice experience of encoder. It is believed to be the foundation of development of other type sensors.

E.Servo driver

Driver is one of critical components to perform motor control. To correspond the processing requirement of high perision specification at present, capability of driver to control outside factors is higher, also bring the upgrade and response of whole driver hardware to speed up. Now international market share of domestic automation is more than 70%. Facing such mature industrial technique, CHIEFTEK PRECISION developed high price-performance ratio driver products through the view of users to accumulate experience step by step and improve performance specification continuously.

F.PLC and controller

The trend of software controllers has been integrated on an integrated development platform to integrate multi-party modules or ready-to-install models on a single development platform for plant line configuration, EtherCAT communication configuration, and editing the PLC script and on-site information monitoring. As for the R&D and manufacturing of controllers, CHIEFTEK PRECISION will use fully autonomous technology, through the Company's professional talents, which develop from the underlying operating system, packet transmission mechanism and optimal path planning, in order to enhance the competitiveness of domestic control technology.

(II) Technology and research and development situation

1.Technological level and research and development of the operated business

As a professional manufacturer of linear motion mechanical and electronic components, cpc has obtained several invention patents for its products of Taiwan, Mainland China, Germany, the United States and Japan.

The linear guide products have complete size, from size 3(2W) to size 55, all in the range of mass production. Among them, the ball type products are included. Now cpc is carrying on the mass production of roller type products, ultra-long, ultra-short, wide type products step by step. The products produced take the realization of best function in the same industry as the goal. In the aspect of load capacity, high-speed operation, low-noise design, self-lubrication design, retaining chain design and miniaturization design, cpc has also reached the above goals.

In terms of linear motor components, we will continue to develop more specifications to directly replace the competitor market as the target. In addition, we have also begun to develop water-cooled iron core linear motors to maximize the thrust of the motor.

In terms of industrial robots, our research and development types include single-axis, double-axis, orthogonal platform, open frame and Gantry Stage systems with speeds up to 10 m/s, acceleration of 10 G, reproducibility of less than 0.3 μ m, and movable stroke even up to 8 meters.

As for the DD motor, we aim at the humanoid articulated robot. In addition to developing the DD motor used in the large-diameter machine tool, we have also designed a DD motor with an outer diameter of 30 mm or less, which is very suitable for driving the palm joint motor.

In the aspect of controller, the goal design is multi-axis controlling to realize real-time control through EtherCAT. In the first step, the automation industry is settled as the major target market and provide humanized user UI. Helps customers' complete rapid and precision working items with smooth data transmission, high-level operating path plan.

2. Research and development expenditure invested each year in recent five years

Unit: NT\$ in thousand

Year	2014	2015	2016	2017	2018
Research and development expenditure (A)	30,775	36,985	43,775	65,382	87,175
Net sales revenue (B)	1,016,920	1,021,983	982,536	1,488,259	2,078,901
Proportion (A)/(B)	3.03%	3.62%	4.46%	4.39%	4.19%

3. Successfully developed technology or product from the recent five years to the print date of annual report

Year	Research result
2013	Four raw ball wide rail type linear guide. Hole caps structure of the linear guide. Iron core series linear motor. Linear motor module.
2014	Roller type linear guide. CLS linear motor module. Linear motor servo driver.
2015	Roller type linear guide of each size. CLMS dual-track type linear motor module. MMLS magnet motive linear motor module. 20A linear servo driver.
2016	MMLS linear motor module.
2017	ME1 magnetic encoder. DR-105 series frameless DD motor. RP-120 series framed DD motor. Expansion of driver functions. Large 45 roller type linear guide. MXL series enlarge high load linear guide.
2018	DD motor specification expansion (140mm). Customized industrial robots and linear motor modules. EtherCAT communication drive.
2019	DD motor size expansion (175 mm, 210 mm). Ultra-thin linear motor module. DC servo drive.

(IV) Long and short-term business development plan:

1. Short-term business development plan.

- (1) Sales strategy
 - A. Conduct global marketing for self-brand cpc, to improve brand awareness and value.
 - B. Enhance the management of existing customers and establish good interaction.
 - Continuously strengthen the operation function of each region to improve the overall revenues.
 - D. Actively extend market to increase market share.
- (2) Production strategy
 - A. Actively develop optimization of procedure.
 - B. Quality is the result of design, manufacturer and management.
 - B. Revive, manufacturer and distribute no non-performing product.
 - C. Quality improvement is an uninterrupted activity of the entire personnel.
- (3) Research and development strategy
 - A. Expansion of specification range of linear guide continuously, provide service of integrated product line with exquisite technology.
 - B. Improve the automation and autonomy degree.
 - C. Improve precision grade of component.
 - D. Take Taiwan as the center of core technology and product development.
- (4) Operation strategy
 - A. Strengthen the personnel training, attract excellent talents, and intensify the concept of profession and working.
 - B. Implement the quality policy constantly improved to increase the competitiveness of products.
 - C. Implement each management system to strengthen the management performance.
- (5) Environment and occupational safety and health policy
 - A. Providing a working environment with high quality and available for maintaining physical and psychological health, and reach the goal of no disaster, no accident.
 - B. Protec the environment, maintain the natural ecology, and realize the energy conservation and waste reduction.
 - C. In accordance with the laws, implement the risk management, prevent the pollution, and carry out 6S activities.
 - D. The environmental protection safety is an uninterrupted activity of entire personnel.

2. Long-term business development plan

- (1) Research and development strategy
 - A. Development of new products: DR-175, 210 series frameless type DD motor, RP-160 series framed direct drive motor, Two-axis Control Drive, Gantry System and High-Power DC Servo Drive.
 - B. Closely cooperate with the upstream, midstream, downstream manufacturers to grow together.
 - C. Implement the role of creator continuously on the international stage for a long term.
- (2) Marketing strategy
 - A. Conduct global marketing for self-brand cpc, to improve brand awareness and value.
 - B. Enhance the management of existing customers and establish good interaction.
 - C. Continuously strengthen the operation function of each region to improve the overall revenues.
 - D. Actively extend market to increase market share.
- (3) Operation strategy
 - A. Firmly strengthen the operational performance of subsidiaries. °
 - B. Implement the constant improvement, constant cultivation of personnel quality, and establish the best management team.

C. Strengthen the cooperation of the related products and industry.

Implement the industrial division, vertical integration, and strengthen the integration of upstream, downstream industry to establish a powerful product supply chain, and give full play to the advantage of mass production scale economy.

D. Strengthen the patent layout.

II. Summary of Market and Production/Sales

(I)Market Analysis

1. Sales Region of Main Products

Unit: NT\$ in thousand; %

Sales Area \ Item		2018		2017	
		Net sales Revenue	Percentage	Net sales Revenue	Percentage
Export	America	116,361	5.60%	155,065	10.42%
	Europe	305,142	14.68%	273,956	18.40%
	Asia	1,230,241	59.18%	718,554	48.28%
	Others	6,346	0.30%	2,022	0.14%
	Subtotal	1,658,090	79.76%	1,149,597	77.24%
Local		420,811	20.24%	20.24%	22.76%
Total		2,078,901	100.00%	1,488,259	100.00%

2. Market Share

Cpc mainly engages in the research and development, manufacture and sale of precision linear motion components, which belongs to the mechanical drive industry of machinery industry. According to the industrial production statistics of Ministry of Economic Affairs, the mechanical drive industry output value of Taiwan in 2018 was about NT\$ 77.818 billion, while consolidated revenue of the Company in 2018 was NT\$2.079 billion, so it could find the market share of the Company in 2018 was about 2.67%. However, component of mechanical drive includes axis, gear, roll bearing and linear guide, so as to the market share of linear guide could be 8% above.

3. Supply and Demand Status as well as Growth of Future Market

(1) Requirement of global automatization, intelligent automatization are growing up constantly. Industry 4.0 is rising, and the industrial automation is an unstoppable trend, which provides fundamental driving force of the growing demands for linear guide rail. Moreover, the machine and equipment are developing towards miniature design, which is a piece of good news for the miniature linear guide rail.

(2) Government was pushed "AI Robotics Hub at Park". Tainan Science Park will invest huge outlays, in addition to forming the operation pattern of "center-satellite base network pattern", also build an international flagship of self-manufacture base of intelligent robot, and extend the business potential. The cpc product aims at improving the client machinery product performance, and increasing the client machinery equipment production efficiency. Under the tendency of rapid automation, intelligentization and energy saving of the industry, the using demand of cpc series product shall grow vigorously.

(3) Requirement of digital control machine tools for traditional industry transformation and upgrade, and emerging industry is increase, which has obvious help of orders of machine tool, as well as bring linear guide rail related to mechanical drive industry growing up. °

- (4) According to estimation of profession institution, the growth of mechanical drive industry of our country should be 25% and above in 2018.

4. Competition Niche

- (1) High competitiveness of quality and technology
- A. With the goal of “product quality” and “product function”, cpc increase the value added of the products, and controls the cost strictly.
 - B. Based on the rich R&D experience, and fast reaction to client and market demand.
- (2) Continuously improve technology and develop new products
- A. The **cpc** linear electrical product technology development trends to the “precision”, “speed/efficiency”, “reliability / quality”, “durability/ service time”, “micromation / multifunction”, “flexibility / diversity” and “energy conservation / environmental protection”, which are the product development tendency of “big data integration”, “information processing / communication / transmission / confidentiality...”, “remote control”, “AI intelligentization”.
 - B. In the field of linear motor industrial robots, we have mastered the mechanical experience of the lowest level of critical components and processing technology, and long-term sales channels, we can provide customers with the best solution for their most suitable for its application, and with our plant expansion plan, in order to meet the customer's capacity needs.
 - C. In today's energy-saving era, the efficiency of the motor is often an important indicator of the use of the factory. Therefore, will extend the patented technology to the development of rotary products based on our development experience of linear motors, in order to improve the efficiency of the motor to the top.
 - D. Both of controller software which is developed from bottom level, real-time operation system are going to catch up the realization of industry 4.0.
- (3) Good service quality
- A. Good customer service quality can provide the best foundation for the competitiveness of the Company.
 - B. Keep good customer relationship to win the trust from the customers.

5. Favorable and Unfavorable Factors and Countermeasures in the Long Term Development Vision

(1) Favorable Factors:

Since founded, cpc has invested in the precise linear motion component R&D, manufacture and marketing, which started from the manufacture of miniature linear guide rail, and then the linear guide rail became the main product. In order to expand the future business opportunity, cpc has launched the development of linear motor product since 2009, and dedicated to the development of control component “linear motor driver” with high added value, as well as the integrated development of linear motor module with the linear guide rail, to satisfy the demand of automated equipment.

Along with the manpower cost increasing and market competition fierce, to reduce the production cost, promote the product manufacture speed and new product development speed becomes the target of the manufacture industry, thus the production equipment automation, numerical control (CNC/NC) and factory automation (FA) have become the goal of manufacture industry input and improvement. Aiming at the demand of production equipment and factory automation (FA), cpc could provide the electromechanical integrated system product and service.

The cpc product is widely applied to the CNC processing machine, testing platform,

LCD processing equipment, optical measuring instrument, handling machine, mechanical arm / automatic machinery equipment, PCB drilling machine, automatic card machine (SMT), Die Bonder, Wire Bonder, laser imprinter, laser cutting machine, nano micromachining equipment. CHIEFTEK PRECISION has invested large amount of resources for innovative R&D, to deeply explore the technology field, accumulate its own patent, and market the cpc of own brand to global, which has established the good reputation in the precise machine market monopolized by Japan and Germany for a long time.

The product competitive advantage, core key technology and main product key technology are described respectively as below:

A. Product competitive advantages of cpc are as below:

- (A) Unique production and manufacture technology: cpc's product quality is stable, because our patent design could reduce the manufacture cost in processing.
- (B) Product R&D capacity advantage: cpc's product is developed and designed by R&D team, and acquires the patent, to make the product functional quality leading in the industry through the quality control of production personnel.
- (C) Complete independent R&D in machinery motor specialized technology: R&D team of cpc controls the key core technology, with excellent integrating capacity.
- (D) Positive input for patent layout: cpc has acquired several innovation patents, and shall input the patent layout continuously to protect the technology and intellectual property in the future.
- (E) Electromechanical integration system engineering.

B. Core key technologies of cpc are as below:

- (A) Bearing technology engineering.
- (B) Manufacture processing technology engineering.
- (C) Motor technology engineering.
- (D) Drive control technology engineering.

C. Key technologies of main products of cpc are described respectively as below:

(A) Miniature linear guide rail

a. Mass production capacity leading in the industry.

Cpc had made the mass production of linear guide rail of size 3 in 2004, which was the pioneer in the industry. Moreover, it is making breakthroughs towards the more advanced linear guide rail of size 2.

b. Design leading in the industry

(a) Embedded patent design:

- i. Greatly simplify the processing, to make the product with absolute competitive advantage in the manufacture cost. °
- ii. Make the product extremely micro, unable to cause processing difficulty.

(b) Embedded lubrication pad design: to make the product with permanent lubricating effect.

(c) Exclusive reinforced pad patent design: to make the product running speed reaching 10 m/sec, higher than the general running speed of 3~5m/sec.

(d) Operating smoothness could realize the optimal performance.

(B) Standard linear guide rail

a. Design leading in the industry.

b. German heavy load capacity design: cpc's product mainly adopts the German design, to make the product load capacity higher, and service life longer.

c. Reinforcing plate patent design: cpc has the unique reinforcing plate design, to

- make the running speed reaching 10 m/sec.
 - d. Embedded lubrication pad patent design: to make the product with permanent lubricating effect.
 - e. Waterproof, iron scrape preventive and sealed design: to make the product running smoothness realizes the optimal performance.
 - f. Product service life is longer than other competitor.
- (C) Ironless linear motor
 - a. Design leading in the industry
 - (a) High-efficiency design:

The cpc adopts the own researched and developed coil stacking patent technology, with the professional magnetic recording analysis software, to manufacture the maximum motor efficiency of maximum thrust generated under energy consumption per unit of same specification and dimension.
 - (b) Patented heat dissipation design:

With compact internal design matching the heat dissipation patent technology of special material, cpc's linear motor is featured in the heat dissipation of low thermal resistance.
 - (c) High thrust density design:

The cpc linear motor featured in high efficiency and low thermal resistance, presents the high thrust in the same dimension compared to the competitor, to make the client saving the needed space for motor installation.
 - (d) Production technology guarantee:

Since the linear motor belongs to the key component of high-precision application industry, all the processes are researched, developed and manufactured by cpc own, thus it could indeed control the manufacture quality and quick customized response.
- (D) Ironcore linear motor
 - a. Design leading in the industry
 - (a) Low-pause-power design / low-adsorption design:

Although the ironcore linear motor has high thrust density compared to the ironless type, there also goes along with the pause power, while the pause power would increase the difficulty in the motor running stability and control; thus, cpc adopts the special structure design matching the practice and simulation to realize the ironcore linear motor with low pause power.

The adsorption force of ironcore linear motor with special design structure is below 1/2 of that of the industry under the same thrust.
 - (b) Structure design maximum motor constant:

Optimize the ironcore linear motor's structure group, and build the Hall component sensor inside the forcer, to achieve the minimum dimension and high heat dissipation capacity to realize the maximum motor constant.
- (E) CHIEFTEK PRECISION follows the extension of linear guide rail product, to develop the water-cooled linear motor suitable for machine tool and PCB drilling machine, featured in controlling the motor temperature rising degree by the cooling liquid under the high-load operation, to avoid influencing the processing plane temperature for thermal expansion. While in the direct drive system, the common component DD motor in the rotational motion is also one of the development key products.
- (F) DD motor
 - a. Highest motor efficiency:

The design of DD motor still takes the maximum motor efficiency as the

development goal, which can make the entire system achieve the energy-saving goal effectively.

b. Low cogging:

In the application of ironcore motor, the silicon steel plate will generate cogging when moving from N pole to S pole as the magnetic field has 180-degree magnetic rotation direction. Generally, it should design the cogging within 2% of rated torque, which can obtain high response for controlling.

c. Large hollow external diameter:

The application of DD motor mostly fixes the load on the motor. The central hole of DD motor is usually used as the path of flat cable. With the increasing integration of the device, the wiring becomes more and more complicated. In this case, the size of hollow diameter is one of the indicators considered by the user.

d. Guarantee of production technology:

The performance of cpc DD motor is far superior to other competitors in the market. Aside from the leading design, another key is the powerful process that can realize more strict processing conditions than other competitors. Besides the precision machining of fixture, the entire processing devices are self-designed and manufactured. Thus, the production technology is mastered by its own.

(G) Magnetic encoder

High resolution and high precision: The magnetic encoders CHIEFTEK PRECISION developed which have been able to achieve the resolution up to 0.5 μm , and achieve the precision up to 10 $\mu\text{m}/\text{muse}$ with our own unique calibration method, so we can provide another type of linear encoder in the market.

As for different applications, we have also designed the read head to be able to directly combine with the slide, and even directly read the magnetic pole of the stator for position feedback.

(H) PLC and controller

Technology was completely independent development, from the bottom operation system software to UI control interface all can be handled totally. Which will establish efficiency channel onto the good foundation of electromechanical business.

(I) Servo Drive

With the demand for mobile machinery has increased significantly (such as AGV, Drone, etc.), increasingly importance has been attached to DC drives, especially with the advent of Harmonic Driver, the maximum speed of the motor itself has also been greatly challenged, so high current drive devices is required to achieve the application conditions at this time. Therefore, CHIEFTEK PRECISION will use fully autonomous technology to develop small-volume, high-power servo drives.

(J) EtherCAT transfer box

The device is an EtherCAT motor controller, which replaces the traditional pulse wave signal controlled by PLC, improves the anti-noise ability, enhances the stability of the system, and provides simultaneous conversion support of up to 12 axes. The device communicates with the existing PLC, which obtains the data of the internal components of the PLC, and then converts the corresponding commands, which are transmitted from the EtherCAT of the device to the cpc

driver. In addition, the driver information can be collected by EtherCAT and written to the specified PLC component in order to achieve command and feedback the bus signal.

(2) Unfavorable Factors and Countermeasures

A. Difficulty in talent acquisition and cultivation

Industry 4.0 need more development talent, the trend of manpower towards simplified and high quality. This cause difficulty in talent acquisition, as well as the government policy such as “one fixed day off and flexible rest day” increased the cost of human resource.

Countermeasures:

(A) Cpc’s main technology is developed on its own, thus the internal training mechanism shall be independent; in the handling principle of divided management, clear rights and liabilities, distinct right and wrong, encouraging innovations, and continuing improvements.

(B) With the excellent brand image of the Company, to attract more talents to join the Company.

(C) It should promote the welfare system of the Company, to attract and retain the talents.

(D) Promote the Company's welfare system, and attract and retain good talents.

B. The development of International marketing channel is not easy.

Countermeasures:

(A) Actively participate in international merchandise exhibitions to increase the visibility and brand awareness of the “cpc” our own private brand.

(B) Strengthen the global marketing network nearby to provide service to customers.

(II) Important Uses and Production Procedures of Main Products:

1. Important Uses of Main Products

(1) Linear guide rail

Mainly apply to the automation industry, machine tool industry, TFT-LCD, photoelectrical manufacture detection and carrier, electronic industry machinery equipment, and semiconductor manufacture detection/packaging/handling equipments, medical instrument, printing and packaging machine, industrial machine and aerospace industry, and national defense industry, etc.

(2) Linear motor

The machinery equipments with output capacity demand are the main selling market of linear motor. Taking the ironless linear motor as example, it has no pause power and has light forcer, which is particularly suitable for the application in the semiconductor industry, panel industry, biochemical technology, laser cutting and automation industry. While the ironcore linear motor with high thrust and low stator cost is suitable for the application in the automated storage, solar energy industry, laser industry, panel industry, and semiconductor carrier and automation industry.

(3) Driver and linear motor module

At present, the major linear motor goes with the driver in the drive method of one to one, thus the occasion to use the linear motor is also the market of driver and linear motor, which is just different in the using habit and form of the client.

(4) DD motor

It is mainly divided into frameless (DR) and framed (RP) series. The difference between

these two types is that the RP series doesn't only have rotator and stator, but also includes bearing, encoder and other processing parts. The entire product is modularized when being provided for user. The market demand of DR series is that the customer can purchase the stator for using when there are special restriction on cost or space, such as the manufacturer of rotation motor and robotic arm. On the other hand, the RP series allows the user to fix the load on the rotating table directly, which is for the high-speed and high-precision application. Currently, the main application scenarios include the panel industry, automation device, biomedical robot, machine tool industry and semi-conductor industry.

(5) Magnetic encoder

Encode is massively used as the product of position feedback in the industries, with the resolution reaching 0.5µm. Therefore, its track can be found in the entire rotation or linear motion system. It is naturally included in cpc's development plan of key parts and components.

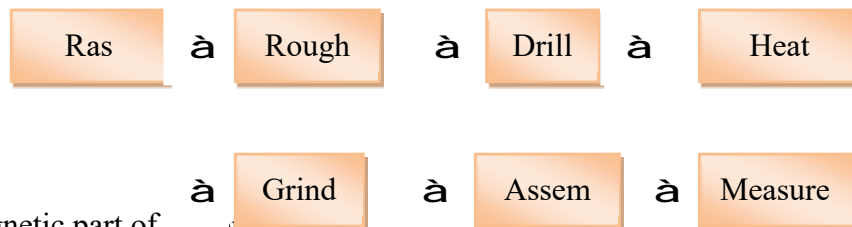
2. Production Procedures of Main Products

The main production flows of the product produced by **cpc** are as below:

(1) Guide rail



(2) Linear block



(3) Magnetic part of motor



(4) Winding part of motor



(5) Linear motor module and industry robot



(6) Magnetic encoder and driver



(III) Supply Status of Main Materials

Cpc mainly engages in the manufacture of linear guide rail, whose major raw materials are the cold drawn, plastic fittings and steel balls, and the purchase source is the domestic and overseas manufacturer, which all have established the long-term and good cooperation relation with the Company. As of now, the supplying condition of major raw materials of the Company is good.

Major raw material	Supplier	Supply condition
Cold drawn	Company A 、 Company B 、 Company P 、 Company M	Normal
Plastic fittings	Company E 、 Company I	Normal
Steel ball	Company C 、 Company O	Normal

In addition, the major raw materials of linear motor are the rare earth magnet, enameled wire and epoxy resin, with suppliers all over the world, with long-term and good cooperation mode, to ensure the normal and good major raw material supply.

Major raw material	Supplier	Supply condition
Rare earth magnet	COMPANY A 、 COMPANY B 、 COMPANY C 、 COMPANY D	Normal
Enameled wire	COMPANY E 、 COMPANY F	Normal
Epoxy resin	COMPANY G 、 COMPANY H 、 COMPANY I	Normal

Linear motor driver

Major raw material	Supplier	Supply condition
PCB board	COMPANY A 、 COMPANY B 、	Normal
Electronic component	COMPANY C 、 COMPANY D 、 COMPANY E	Normal
Shell	COMPANY F 、 COMPANY G 、 COMPANY H	Normal
Cooling fin	COMPANY H 、 COMPANY I	Normal

(IV) Lists of Major Suppliers and Customers

1. Major Suppliers in the 2 Most Recent Fiscal Years and Purchased Amount and Percent as well as Change Reason Explanation

Unit: NT\$ in thousand ;%

Item	2017				2018				As of the previous quarter in 2019 Fiscal Year			
	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer
1	COMPA	103,129	26.85	No	COMPA	144,607	24.84	No	COMPA	19,775	31.69	No

	NY A			ne	NY A			ne	NY A			ne
2	COMPA NY B	58,903	15.33	No ne	COMPA NY B	75,472	12.97	No ne	COMPA NY D	7,719	12.37	No ne
3	COMPA NY C	28,922	7.53	No ne	COMPA NY D	70,904	12.18	No ne	COMPA NY B	7,087	11.36	No ne
	Others	193,203	50.29	No ne	Others	291,084	50.01	No ne	Others	27,824	44.58	No ne
	Net total supplies	384,157	100.00		Net total supplies	582,067	100.00		Net total supplies	62,405	100.00	

Note 1: Major suppliers with gross purchase over 10% in the 2 most recent fiscal years and purchase amount and percent are list above, but the contract has stipulated not to disclose the supplier name or transaction object as individual or non-related party, so it is listed in code name.

Note 2: Note 2: Increase or decrease reason: in 2018, it showed an obvious increase rate if compared to 2017. It was mainly because of the great increase of revenue in 2018. For correspond to the requirement of production and sales increase the amount of purchase.

2. Major Customers in the 2 Most Recent Fiscal Years and purchased Amount and Percent as well as the Change Reason Explanation

Unit: NT\$ in thousand ; %

Item	2017				2018				As of the previous quarter in 2019 Fiscal Year			
	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer
1	Company A	79,551	5.35	No	Company D	175,096	8.42	No	Company E	30,760	9.26	No
2	Company B	78,232	5.26	No	Company A	82,622	3.97	No	Company C	17,264	5.19	No
3	Company C	77,889	5.23	No	Company E	74,324	3.58	No	Company D	11,022	3.32	No
	Others	1,252,587	84.16	No	Others	1,746,859	84.03	No	Others	273,285	82.23	No
	Net total supplies	1,488,259	100.00		Net total supplies	2,078,901	100.00		Net total supplies	332,331	100.00	

Note 1: Major customers with gross sales over 10% in the 2 most recent fiscal years and sale amount and percent are listed above, but the contract has stipulated not to disclose the client name or transaction object as individual or non-related party, so it is listed in code name.

Note 2: Increase or decrease reason: In 2018, due to factors such as industrial automation and increased demand for semiconductor equipment, as well as business units actively expanding the customers to increase our market share, which the effect is significant, resulting in revenue growth significantly.

(V) The Production Volume and Value in the 2 Most Recent Fiscal Years

Unit: in thousand pieces/NT\$ in thousand

Major products	Year	2017			2018		
	Capacity	Volume	Value	Capacity	Volume	Value	
Linear guide rail and slide base	964	819	1,284,261	1,372	1,166	1,975,079	
Linear motor	40	34	47,426	55	47	65,464	
Others	-	-	-	-	-	-	
Total	1,004	853	1,331,687	1,427	1,213	2,040,543	

Note: Production change and its analysis: Mainly due to the significant growth in revenue in 2018, in response to sales demand, the production volume and production value in 2018 was significantly higher than that in 2017.

(VI) The Sales Volume and Value in the 2 Most Recent Fiscal Years

Unit: in thousand pieces/NT\$ in thousand

Sales volume Major products	Year	2017 Fiscal Year				2018 Fiscal Year			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Linear guide rail and slide base		207	299,095	1,960	1,136,662	272	389,691	2,781	1,612,645
Linear motor		17	24,684	8	27,818	23	32,292	13	44,273
Total		224	323,779	1,968	1,164,480	295	421,983	2,794	1,656,918

Note: Sales change and its analysis: Mainly due to the industry prosperity in 2018, and the Company's active development of the market, the production volume and value of domestic sales and export sales in 2018 all increased significantly.

III. The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report

May 10, 2019

Fiscal Year		2017	2018	2019 Fiscal Year up to April 30
Number of Employees	Administrative staff	92	113	101
	R & D personnel	46	28	26
	Business personnel	38	41	37
	Field staff	333	410	378
	Total	509	592	542
Average Age		36.26	37.3	36.16
Average Years of Service		4.19	4.11	4.15
Education distribution ratio	Ph.D.	0%	0%	0%
	Masters	6.4%	3.7%	4.4%
	Bachelor's Degree	51.2%	45.8%	48.7%
	Senior High School	40.5%	47.3%	45.2%
	Below Senior High School	1.9%	3.2%	1.7%

IV. Information on Environmental Protection Expenditures

For the loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report, and the future countermeasures as well as possible expenditures:

- (I) According to the regulation provisions, those applying for the pollution facility setting license or pollution discharge license or payable pollution prevention expense or needing to set the environmental protection specific personnel, the explanation of application, payment or setting condition is as below: cpc is the linear guide rail manufacturer, located in Southern Taiwan Science Park, and has applied and acquired the pollution facility setting license or pollution discharge license according to the environmental protection laws.

(II) Main equipment and its usage as well as possible benefit invested by the Company for the environmental pollution prevention:

Unit: in thousand; May 10, 2019

Equipment Name	Qty.	Acquisition Date	Invested Cost	Balance	Usage and Estimated Benefit
Water pollution prevention project	1	2004.06.21	1,387	121	Sewage treatment necessary
Waste Gathering Field	1	2004.11.03	270	161	Waste collection and processing
Driver Type Floor Washing Machine	1	2002.01.12	410	0	Washing floor
Newly add the activated carbon equipment, modify the sand leach tower, and replace the biological filter material project	1	2005.12.29	500	50	Sewage treatment necessary

(III) During the environmental pollution progress of the Company in the latest year and up to the printing date of this annual report, there is any pollution dispute, and it shall describe the disposal process: the Company has no pollution dispute during the latest year and up to the printing date of this annual report.

(IV) During the latest year and up to the printing date of this annual report, the loss (including compensations) and punishment sum caused by the environmental pollution of the Company, and disclosed future countermeasures (including improvement measures) and possible expenses (including the estimated amount of possible loss, punishment and compensation if not taking the countermeasures; if unable to estimate reasonably, it shall state the fact unable to estimate reasonably): None.

(V) Present pollution status and influence of improvement to the company surplus, competition status and capital expenditure, and estimated significant environmental protection capital expenditure in future two years: None.

V. Labor Relations

(I) Employee welfare measure, advanced study, training, retirement system and implementation condition, and agreement on labor and capital as well as various staff rights and interests maintenance measure condition of the Company:

1. Employee welfare measures and its implementation status:

◆ Reward measures

(1) Year-end bonuses.

(2) Employee Remuneration.

(3) Business bonuses.

(4) Lunch and dinner allowances.

(5) Performance bonuses / Technical allowance.

(6) Special bonuses / Production bonuses / outstanding performance bonuses.

(7) Operating bonuses.

(8) R & D Patent bonuses.

- (9) Referral bonuses.
- (10) Other wage adjustment for performance mechanism and flexible reward system.
- (11) Appropriation of retirement pensions.

◆ Insurance and subsidies

- (1) Labor Insurance.
- (2) Health Insurance.
- (3) Occupational Injury Insurance.
- (4) Casualty insurance, Group insurance.
- (5) Catastrophic illness and Emergency Condolence / Subsidies, etc.

◆ Equipment

- (1) Employee Restaurant.
- (2) Free parking area.
- (3) Breast-feeding room.
- (4) Set up Automated External Defibrillator (AED).

◆ Holidays / take time off system.

- (1) 2 days off a week.
- (2) Annual paid leave of absence.
- (3) Paternity leaves.
- (4) Pregnancy checkups leaves.
- (5) Family care leaves.
- (6) Female worker menstrual leaves.

◆ Others

- (1) Internal and External Education and Training for Employee.
- (2) Employee Welfare Committee.
 - Holiday bonuses/Gift, Year-end party, Bonuses/Gift.
 - Wedding subsidies, Hospitalized condolences, etc.
- (3) Regular physical examination.
- (4) Set up health management consultant and regular occupational physician to visit during the health consultation period.
- (5) Strengthen the knowledge and training related to industrial safety, occupational safety, fire prevention and disaster prevention for the employees, and set up self-defense fire prevention team, and conduct fire prevention advocacy and drills regularly.

2. Employee advanced study, training system and implementation condition:

The Company dedicates in creating the study environment for talent sustainability and excellent competitiveness improvement, specially formulates the “educational training management procedure” and “educational training operational procedure”, to cultivate the proper excellent talent via the internal and external training resource.

At present, the Company provides a series of common knowledge, professional skill and management educational trainings, to cultivate the section head and senior employees as the internal lecturer to inherit the company culture and skill, and also irregularly invite the external specialists to give instructions. In 2018, the Company held training course over 2,390 classes, total training hours nearly 3,295 hours, and total participated persons of 35,123 person-times.

The training courses in 2017 include:

- (1) New employee educational training: It includes the company regulations, labor, safety and health related introduction as well as the arrival guidance; every new employee has the educational trainer, to assist adapting the work environment, and getting familiar with the work content as soon as possible.

- (2) Common knowledge training: It refers to the common knowledge training activity required by government decree, company policy and the whole company or all sectors at each level, such as: education of prohibition and prevention of insider trading, staff HSE educational training, safety and health training course, quality training course, factory emergency response training course, and personal performance management series course.
 - (3) Professional training: It refers to the technology and professional training of each unit, such as R&D course, processing course, finance and accounting course, information technology course.
 - (4) Supervisor training: It refers to the planning of supervisor management training and development course. The content includes the management and leadership control course as well as other supplementary courses.
 - (5) Direct personnel training: It refers to the training course providing the necessary knowledge, skill and attitude of technical personnel on production line, such as the machine skill training course for direct personnel.
 - (6) Periodically make the technical evaluation and performance evaluation, positively train the reserve leaders and talents.
 - (7) Hold the internal and external education and training related to the issue of faithful management (including faithful management comply with the requirements of laws and regulations, food safety and hygiene, inspection, accounting system and internal control systems and other related courses).
 - (8) Internal and external education and training for accounting supervisors and auditors.
3. Employee retirement system and implementation condition: the Company's retirement system is mainly based on the relevant laws and regulations of Labor Standard Act.
- (1) For the company in the Republic of China: It shall follow the labor retirement management regulation of Labor Standard Act, and allocate the pension reserve monthly to the labor retirement reserve fund supervision committee special account according to the provisions. Moreover, it has overall implemented the "Labor Pension Act" since July 1, 2005, in which the applicable provisions are as below:
 - A. Employee arriving the post after July 1, 2005 (included) shall be entirely applicable for the "Labor Pension Act".
 - B. Employee arriving the post before July 1, 2005 (excluded) shall select the pension provision of "Labor Pension Act" or "Labor Standard Law" depending on personal actual demand within five years since July 1, 2005; if the employee doesn't make selection before the due date, s/he will continuously apply the pension provision of "Labor Standard Law" since the implementation date
 - C. If the colleague has any one of the conditions below, it shall apply for retirement voluntarily:
 - (A) Taking office over 15 years (included) and over 55-year-old.
 - (B) Taking office over 25 years (included).
 - (C) Taking office over 10 years (included) and over 60-year-old.
 - D. If the colleague has any one of the conditions below, it shall be forced to handle the retirement:
 - (A) Over 65-year-old.
 - (B) Lunacy or physically disabled for the work.

If the specific work dangerous in nature, or requires substantial physical strength

or otherwise with a special nature, a business entity may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph according to the Article 54 paragraph 2 of Labor Standard Act, however, the age shall not be reduced below fifty-five. If an employee meets the requirements of mandatory retirement and compliance with the Article 11 of the Labor Standards Act may be terminated the labor contract, it shall be treated in a retirement manner according to the Labor laws and regulations.

E. Pension payment standards:

(A) For the employees arriving the post before March 1, 1998(not including March 1), it shall pay pension based on 2 cardinal numbers for each working year. For the working years more than 15, it shall pay 1 cardinal number additionally for every one full year, which shall not exceed 61 cardinal numbers at most.

(B) For the employees arriving the post after March 1, 1998(including March 1), it shall pay pension based on 2 cardinal numbers for each working year. For the working years more than 15, it shall pay 1 cardinal number for every one full year, which shall not exceed 45 cardinal numbers at most except for the compulsory retirement due to occupational injury and disease.

(C) For the employees retired compulsorily, if the lunacy or physical disability is caused by the work and results in compulsory retirement, the pension shall be paid based on 20% plus the above regulation.

F. Under the new pension system, it shall monthly allocate 6% to labor pension special account, and estimate the balance of labor pension reserve by the end of every year. If it is less than the amount to be paid for the employees who meet the retirement conditions within one year according to subparagraph 1-1 of Article 53 or Article 54, it shall appropriate the difference at one time by the end of March in the next year. Moreover, it shall be submitted to the Supervisory Committee of Workers' Retirement Fund for review.

G. It shall advocate the personal voluntary pension contribution, and encourage improving the economic life after retirement from diverse perspectives.

(2) For the company in China: For the endowment insurance after labor retirement, the company shall pay the endowment insurance based on the local laws and regulation at the premises of the enterprise.

A. According to the operation of local social insurance, the endowment insurance is included in social insurance (including medical insurance, maternity insurance, endowment insurance, occupational injury insurance, and unemployment insurance). After adding member for social insurance, the company shall starts to fulfill the obligation of paying endowment insurance.

B. If the employee reaches the retirement age stipulated by laws, and pays the endowment insurance (including the deemed years of contribution) for 15 years accumulatively, s/he shall be eligible to the treatment of basic endowment insurance, which is composed of the following:

(A) For those working since January 1, 1993: Basic pension+ pension of personal account, explained as below:

a. Basic pension: When employee is retired, the monthly wage of workers employed in the previous year *individual payment years *1%.

b. Pension of personal account: When employee is retired, the balance in account /months paid for retirement.

4. Agreement on labor and capital as well as various staff rights and interests maintenance measure condition:

The Company adopts the open and two-way communication method for the policy

advocacy and employee opinion, uses E-MAIL and bulletin board to timely deliver the relevant information, complaint box, conference communication, supervisor communication, and welfare committee. In addition, it sets up the employee communication and care channel for the foreign employees. With the assistance of translator, it improves the adaptation and performance of foreign employees in work and life. This is to maintain the labor and management relation harmoniously, without labor and management disagreement.

(II) During the latest year and up to the printing date of this annual report, for the losses caused by labor dispute, and disclosure of current and future possible estimated amount and response measures:

1. As of now, there is no significant labor dispute, and there is no labor and capital disagreement, nor the loss caused by labor dispute.
2. Current and future possible response measures:
 - (1) Fully abide by the labor law.
 - (2) Continuously maintain the open and honest labor-capital communication channel and complaint channel.
3. Current and future possible losses: the labor-capital relation of the Company is normal and harmonious, which shall not cause significant loss.

VI. Important Contracts

Contract Nature	Counterparty	Contracted Period	Major Content	Restrictions
Medium and long-term borrowings	Mega International Commercial Bank	August 21, 2018~August 21, 2023	Credit granting contract	None
Medium and long-term borrowings	O-Bank	November 1, 2017~November 1, 2020	Credit granting contract	None
Medium and long-term borrowings	E.SUN Bank	September 23, 2016~September 23, 2021	Credit granting contract	None
Medium and long-term borrowings	Nine banks including E.SUN Bank	October 5, 2017~October 5, 2022	Joint credit granting contract	Note 1
Medium and long-term borrowings	BANK OF THE WEST	August 24, 2017~August 24, 2024	Joint credit granting contract	Note 2
Land lease	Southern Taiwan Science Park Administration, MOST	January 01, 2003~December 31, 2022	Land lease contract	No
Land lease	Southern Taiwan Science Park Administration, MOST	August 28, 2014~August 27, 2034	Land lease contract	No

Note 1: 1. The Company signed an interim-guaranteed joint credit granting contract on July 5, 2017 with nine banks including Mega International Commercial Bank. The contract under question features a total credit amount of \$1,200,000, with a credit granting period of 5 years. The Company shall follow the provision and make commitment of following items to the joint loan bank consortium during the joint credit granting period:

- (1) During the joint credit granting period, according to the accountant checked annual report or accountant audited consolidated financial statement of second quarter, the Company shall maintain the following financial ratio, and be inspected once every half year:
 - A. Liquidity ratio (current asset/current liability): over 100% (included).
 - B. Debt ratio (total liability/net value): below 150% (included).
 - C. Tangible net worth (amount of stockholders' equity deducting intangible asset): over NT\$1,000,000 thousand (included).
- (2) If the company does not meet the above financial ratios and standards, the company should adjust it within 9 months after the end of the fiscal year or semi-annual period. If the adjusted financial ratio after accounting adjustment or review meets the agreed, it is not considered a breach of contract. During the adjustment period, the unutilized credit line of the credit will suspend the use of the equity to the financial ratio in accordance with the agreement, and the unused principal balance will be used. The financing interest rate shall be from the second payment date after the management bank's notice to the On the next payment of the agreed interest rate, the annual interest rate of the joint credit agreement is increased by an annual interest rate of 0.125%.

2. As of December 31, 2018, the financial ratio of the company did not violate the above commitment.

Note 2: This is a credit granting contract between the subsidiary Chieftek Precision International LLC and BANK OF THE WEST.

VI. Financial Summary

I. Condensed Balance Sheet and Statement of Comprehensive Income for the Most Recent 5 Fiscal Years

(I) Condensed Balance Sheet and Consolidated Statement of Comprehensive Income

1. Condensed Balance Sheet

(1) Consolidated Condensed Balance Sheet

Unit: NT\$ in thousand

Fiscal Year		Financial Data for The Last Five Years (Note 1)					Financial Data as of March 31, 2019 (Note 1)
		2014	2015	2016	2017	2018	
Items							
Current assets		1,305,890	1,195,278	1,199,483	1,479,621	1,998,305	1,939,267
Real Estate, Plant and Equipment		770,097	661,307	892,019	999,260	1,035,570	1,084,646
Intangible assets		51,284	53,104	68,707	123,173	124,977	123,848
Other assets		364,798	366,567	36,164	36,765	88,532	231,316
Total assets		2,492,069	2,276,256	2,196,373	2,638,819	3,247,384	3,379,077
Current liabilities	Before distribution	638,344	446,440	440,085	663,719	774,282	734,589
	After distribution	666,461	474,557	499,130	722,764	Note 2	Note 2
Non-current liabilities		565,386	510,285	397,872	445,364	537,247	656,846
Total liabilities	Before distribution	1,203,730	956,725	837,957	1,109,083	1,311,529	1,391,435
	After distribution	1,231,847	984,842	897,002	1,168,128	Note 2	Note 2
Equity attributable to shareholders of the parent company		1,288,339	1,319,531	1,358,293	1,529,916	1,935,855	1,987,642
Capital stock		592,338	592,338	620,455	620,455	738,069	738,069
Capital surplus		463,051	463,051	463,051	463,051	440,667	440,667
Retaining earnings	Before distribution	331,149	370,662	399,259	577,321	774,166	819,096
	After distribution	303,032	342,545	340,214	518,276	Note 2	Note 2
Other equity interest		15,168	12,024	(5,928)	(12,367)	(17,047)	(10,190)
Treasury stock		(113,367)	(118,544)	(118,544)	(118,544)	-	-
Non-controlling interest		-	-	123	(180)	-	-
Total equity	Before distribution	1,288,339	1,319,531	1,358,416	1,529,736	1,935,855	1,987,642
	After distribution	1,260,222	1,291,414	1,299,371	1,470,691	Note 2	Note 2

Note 1: The financial data of 2014, 2015, 2016, 2017 and 2018 has been audited by the CPA, and the financial data as of March 31, 2019 has been audited by the CPA.

Note 2: The distribution of surplus for the 2018 fiscal year is still awaiting the resolution of the shareholders' meeting.

(2) Condensed balance sheet – individual

Unit: NT\$ in thousand

Item		Year	Financial Data for The Last Five Years (Note 1)				
			2014	2015	2016	2017	2018
Current assets			1,051,103	963,499	924,949	1,145,130	1,629,699
Real estate, plant and equipment			752,075	641,818	872,944	814,135	848,825
Intangible assets			51,184	53,016	51,132	42,907	101,446
Other assets			613,399	603,088	302,306	410,340	489,093
Total assets			2,467,761	2,261,421	2,151,331	2,412,512	3,069,063
Current liabilities	Before distribution		580,422	420,124	363,561	525,300	645,417
	After distribution		608,539	448,241	422,606	584,345	Note 2
Non-current liabilities			599,000	521,766	429,477	357,296	487,791
Total liabilities	Before distribution		1,179,422	941,890	793,038	882,596	1,133,208
	After distribution		1,207,539	970,007	852,083	941,641	Note 2
Equity attributable to shareholders of the parent company			1,288,339	1,319,531	1,358,293	1,529,916	1,935,855
Capital stock			592,338	592,338	620,455	620,455	738,069
Capital surplus			463,051	463,051	463,051	463,051	440,667
Retaining earnings	Before distribution		331,149	370,662	399,259	577,321	774,166
	After distribution		303,032	342,545	340,214	518,276	Note 2
Other equity interest			15,168	12,024	(5,928)	(12,367)	(17,047)
Treasury stock			(113,367)	(118,544)	(118,544)	(118,544)	-
Non-controlling interest			-	-	-	-	-
Total equity	Before distribution		1,288,339	1,319,531	1,358,293	1,529,916	1,935,855
	After distribution		1,260,222	1,291,414	1,299,248	1,470,871	Note 2

Note 1: The financial data of 2014, 2015, 2016, 2017 and 2018 has been audited by the CPA, and the financial data as of March 31, 2019 has been audited by the CPA.

Note 2: The distribution of surplus for the 2018 fiscal year is still awaiting the resolution of the shareholders' meeting.

2. Consolidated Condensed Statement of Comprehensive Income

(1) Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ in thousand

Fiscal Year Item	Financial Data for The Last Five Years (Note 1)					Financial Data as of March 31, 2019 (Note 1)
	2014	2015	2016	2017	2018	
Operating revenue	1,016,920	1,021,983	982,536	1,488,259	2,078,901	332,331
Gross profit	240,920	306,404	354,717	622,967	988,326	146,514
Income from operations	39,152	96,156	124,333	332,517	604,894	57,435
Non-operating income and expense	(7,334)	(14,741)	(18,925)	(32,393)	4,943	(6)
Income before tax	31,818	81,415	105,408	300,124	609,837	57,429
Net income of this term from continuous operation	20,743	70,782	85,534	237,872	471,252	44,930
Loss from discontinued operations	-	-	-	-	-	-
Net income (Loss)	20,743	70,782	85,534	237,872	471,252	44,930
Other comprehensive income (income after tax)	9,574	(6,296)	(18,714)	(7,507)	(6,088)	6,857
Total comprehensive income	30,317	64,486	66,820	230,365	465,164	51,787
Net income attributable to shareholders of the parent company	20,743	70,782	85,583	238,171	472,717	44,930
Net income attributable to non-controlling interest	-	-	(49)	(299)	(1,465)	-
Comprehensive profit/loss attributable to Shareholders of the parent company	30,317	64,486	66,879	230,668	466,615	44,930
Comprehensive profit/loss attributable to non-controlling interest	-	-	(59)	(303)	(1,451)	-
Earnings per share	0.35	1.26	1.45	4.03	6.40	0.61

Note 1: The financial data of 2014, 2015, 2016, 2017 and 2018 has been audited by the CPA, and the financial data as of March 31, 2019 has been audited by the CPA.

(2) Consolidated Condensed Statement of Income – individual

Unit: NT\$ in thousand

Item \ Fiscal Year	Financial Data for The Last Five Years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenue	811,557	826,513	784,654	1,198,518	1,836,489
Gross profit	155,461	213,766	242,807	418,680	734,194
Income from operations	37,374	89,536	107,916	239,034	494,087
Non-operating income and expense	(11,449)	(12,615)	(8,108)	39,456	93,373
Income before tax	25,925	76,921	99,808	278,490	587,460
Net income of this term from continuous operation	20,743	70,782	85,583	238,171	472,717
Loss from discontinued operations	-	-	-	-	-
Net income (Loss)	20,743	70,782	85,583	238,171	472,717
Other comprehensive income (income after tax)	9,574	(6,296)	(18,704)	(7,503)	(6,102)
Total comprehensive income	30,317	64,486	66,879	230,668	466,615
Net income attributable to shareholders of the parent company	20,743	70,782	85,583	238,171	472,717
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive profit/loss attributable to shareholders of the parent company	30,317	64,486	66,879	230,668	466,615
Comprehensive profit/loss attributable to non-controlling interest	-	-	-	-	-
Earnings per share	0.35	1.26	1.45	4.03	6.40

Note 1: The financial data of 2014, 2015, 2016, 2017 and 2018 has been audited by the CPA.

(II) Condensed Balance Sheet and Consolidated Statement of Income – based on SFAS : Not applicable.

(III) CPA's Names and Audit Opinions for the Last Five Years:

1. CPA's names and audit opinions for the last five years are listed as bellow:

Year	Accounting Firm	CPA	Audit Opinion
2014	PwC TW	CPA LIN TZU-YU, LIU TZU-MENG	Unqualified
2015	PwC TW	CPA LIN TZU-YU, LIU TZU-MENG	Unqualified
2016	PwC TW	CPA LIN TZU-YU, LIU TZU-MENG	Unqualified
2017	PwC TW	CPA LIN YUNG-CHIH, LIN TZU-YU	Unqualified
2018	PwC TW	CPA LIN YUNG-CHIH, LIN TZU-YU	Unqualified

2. Explanation to the reason of accountant change in recent five years:

(1)The financial statement of the Company was originally appointed PwC TW Accountant LIN TZU-YU and LIU TZU-MENG for check and audit; in order to cooperate with the internal adjustment of PwC TW, it has changed to appoint PwC TW Accountant LIN YUNG-CHIH and LIN TZU-YU for check and audit since 2017.

II. Financial Analysis for the Most Recent 5 Fiscal Years

(I) Financial Analysis – Based on IFRS

1. Consolidated Financial Analysis

Analysis Item		Fiscal Year	Financial Data for The Last Five Years (Note 1)					Financial Data as of March 31, 2019 (Note 2、Note 3)
		2014	2015	2016	2017	2018		
Financial structure (%)	Debt Ratio	48.30	42.03	38.15	42.03	40.39	41.18	
	Ratio of long-term capital to real estate, plant and equipment	240.71	276.70	196.89	197.66	238.82	243.81	
Solvency %	Current ratio	204.57	267.74	272.56	222.93	258.08	263.99	
	Quick ratio	127.53	182.40	196.42	163.17	166.99	162.84	
	Interest earned ratio (times)	2.64	5.45	9.10	26.07	37.91	12.57	
Operating performance	Accounts receivable turnover (times)	2.95	2.82	2.67	3.69	4.44	2.88	
	Average collection days	124	129	137	99	82	127	
	Inventory turnover (times)	1.28	1.47	1.51	2.10	1.86	1.00	
	Accounts payable turnover (times)	16.40	10.69	6.98	5.48	5.06	3.92	
	Average days in sales	285	248	242	174	196	365	
	Real estate, plant and equipment turnover (times)	1.24	1.43	1.27	1.57	2.04	1.24	
	Total assets turnover (times)	0.40	0.43	0.44	0.62	0.71	0.40	
Profitability	Return on total assets (%)	1.43	3.60	4.29	10.25	16.49	5.84	
	Return on equity (%)	1.56	5.43	6.39	16.47	27.28	9.16	
	Pre-tax income to paid-in capital (%) (Note 8)	5.37	13.74	16.99	48.37	82.63	7.78	
	Net profit ratio (%)	2.04	6.93	8.71	15.98	22.74	13.52	
	Earnings per share (NT\$)	0.35	1.26	1.45	4.03	6.40	0.61	
Cash flow	Cash flow ratio (%)	53.05	67.90	72.35	61.28	41.56	17.56	
	Cash flow adequacy ratio (%)	34.00	42.86	96.16	299.00	199.40	149.88	
	Cash reinvestment ratio (%)	13.26	10.70	11.11	11.99	7.54	0.88	
Leverage	Operating leverage	5.15	2.54	2.11	1.37	1.17	1.48	
	Financial leverage	1.98	1.23	1.12	1.04	1.03	1.08	
Please explain reasons for changes of over 20% in financial ratios over the last 2 fiscal years: (If the increases or decreases is less than 20%, no analysis is required)								
1. Ratio of long-term capital to real estate, plant and equipment, Accounts receivable turnover, Average collection days, Average days in sales, Real estate, plant and equipment turnover, Total assets turnover, which is mainly due to the Company's good operating conditions, result in the revenue and profit has increased significantly.								
2. Interest earned ratio, Return on total assets, Return on stockholders' equity, Pre-tax income to paid-in capital, Net profit ratio, Earnings per share and Cash flow ratio, which is due to the increase in sales								

amount and quantity, result in the increase in gross profit margin and profit.

Note 1 : The financial data of 2014, 2015, 2016, 2017 and 2018 had been audited by the CPA.

Note 2 : The financial data as of March 31, 2019 had been audited by the CPA.

Note 3: Relevant operation capacity and profitability related financial ratio is calculated by the annual figure.

Note 4: Calculation formulas are as below:

1. Financial structure

- (1) Ratio of liability to asset = total liability / total asset.
- (2) Ratio of long-term capital to real estate, plant and equipment = (total equity + non-current liability) / net amount of real estate, plant and equipment.

2. Solvency

- (1) Current ratio = current asset / current liability.
- (2) Quick ratio = (current asset – inventory – prepaid expense) / current liability.
- (3) Interest earned ratio = net profit before income tax and interest expense / current interest expense.

3. Operating performance

- (1) Accounts payable (including accounts receivable and notes receivable caused by business) turnover ratio = net sales / average accounts receivable ((including accounts receivable and notes receivable caused by business) balance).
- (2) Average collection days = 365 / accounts payable turnover ratio.
- (3) Inventory turnover ratio = sales cost / average inventory.
- (4) Accounts payable (including accounts payable and notes payable caused by business) turnover ratio = sales cost / balance of average accounts payable (including accounts payable and notes payable caused by business).
- (5) Average days in sale = 365 / inventory turnover ratio.
- (6) Real estate, plant and equipment turnover ratio = net sales / net amount of average real estate, plant and equipment.
- (7) Total assets turnover ratio = net sales / average total assets.

4. Profitability

- (1) Return on assets = (after-tax profit and loss + interest expense × (1 – tax rate)) / average total assets.
- (2) Return on equity = after-tax profit and loss / average total equity.
- (3) Net profit ratio = after-tax profit and loss / net sales.
- (4) Earnings per share = (equity attributable to shareholders of parent company – preference dividend) / weighted average issued share number. (Note 5)

5. Cash flow

- (1) Cash flow ratio = net cash flow of operating activity / current liability.
- (2) Net cash flow adequacy ratio = net cash flow of operating activity in recent five years / recent five years (capital expenditure + inventory increase + cash dividend).
- (3) Cash reinvestment ratio = (net cash flow of operating activity – cash dividend) / (gross amount of real estate, plant and equipment + long-term investment + other non-current asset + working capital). (Note 6)

6. Leverage:

- (1) Operating leverage = (net operating revenue – changed operating costs and expense) / operating profit. (Note 7)
- (2) Financial leverage = operating profit / (operating profit – interest expense).

Note 5: Calculation formula of above earnings per share shall pay attention to following items when measuring:

1. Subject to weighted average common share number, not based on issued share numbers in the end of the year.
2. If there is increment of cash or treasury stock transaction, it shall consider the circulation period, and calculate the weighted average share number.
3. If there is surplus transferred to increment or capital reserve transferred to investment, when calculating the earnings per share of the previous year and half year, it shall trace and adjust according to increment proportion, without any consideration of issuing period of the increment.

4. If the special stock is the inconvertible accumulative special stock, its dividend of that year (no matter issued or not) shall be deducted from the profit (loss) for the year, or increase the after-tax net loss. If the special stock is non-cumulative type, when there is after-tax dispute, the special stock dividend shall be deducted from the profit (loss) for the year; if it is loss, it shall not be adjusted.

Note 6: Cash flow analysis shall pay special attention to the following items when measuring:

1. Net cash flow of operating activity refers to net cash inflow of operating activity in cash flow statement.
2. Capital expenditure refers to the cash outflow of annual capital investment.
3. Inventory increment shall only be accounted when the ending balance is greater than beginning balance, and if the inventory decreases in the end of the year, it shall be calculated as zero.
4. Cash dividends include the cash dividend of common stock and special stock.
5. Real estate, plant and equipment gross refer to the sum of real estate, plant and equipment before deducting the accumulated depreciation.

Note 7: Issuer shall divide the operating costs and operating expenses into the fixed and changeable one; if estimation or subjective judgment is involved, it shall pay attention to the rationality and maintain the consistency.

Note 8: If the company share has no denomination or the denomination per share is not NT\$ \$ 10, the above ratio calculation related to paid-in capital shall be changed to calculate the ratio of equity attributable to shareholders of parent company of balance sheet.

(2) Financial Analysis – individual

Analysis Item		Fiscal Year					Financial Data for The Last Five Years				
		2014	2015	2016	2017	2018	Financial Data as of March 31, 2019				
Financial structure (%)	Debt Ratio	47.79	41.65	36.86	36.58	36.92					
	Ratio of long-term capital to real estate, plant and equipment	250.95	286.89	204.80	231.81	285.53					
Solvency %	Current ratio	181.09	229.34	254.41	218.00	252.50					
	Quick ratio	139.43	178.05	195.49	160.62	165.47					
	Interest earned ratio (times)	2.40	5.36	9.34	31.80	63.18					
Operating performance	Accounts receivable turnover (times)	2.65	2.63	2.43	3.01	8.09					
	Average collection days	138	139	150	121	45					
	Inventory turnover (times)	2.39	2.70	2.53	2.93	2.42					
	Accounts payable turnover (times)	14.34	9.07	6.18	5.01	4.95	Not applicable				
	Average days in sales	153	135	144	125	151					
	Real estate, plant and equipment turnover (times)	1.01	1.19	1.04	1.42	2.21					
	Total assets turnover (times)	0.32	0.35	0.36	0.53	0.67					
Profitability	Return on total assets (%)	1.42	3.60	4.32	10.77	17.52					
	Return on stockholders' equity (%)	1.56	5.43	6.39	16.49	27.28					
	Pre-tax income to paid-in capital (%) (Note 8)	4.38	12.99	16.09	44.88	79.59					

	Net profit ratio (%)	2.56	8.56	10.91	19.87	25.74	
	Earnings per share (NT\$ in dollars)	0.35	1.20	1.45	4.03	6.40	
Cash flow	Cash flow ratio (%)	39.01	62.71	57.13	43.76	45.85	
	Cash flow adequacy ratio (%)	75.47	81.13	132.50	263.77	224.76	
	Cash reinvestment ratio (%)	8.64	9.17	6.84	6.13	7.91	
Leverage	Operating leverage	4.35	2.53	1.99	1.41	1.26	
	Financial leverage	1.99	1.24	1.12	1.04	1.02	

Please explain reasons for changes of over 20% in financial ratios over the last 2 fiscal years: (If the increases or decreases is less than 20%, no analysis is required)

1. Ratio of long-term capital to real estate, plant and equipment, Accounts receivable turnover, Average collection days, Average days in sales, Real estate, plant and equipment turnover, Total assets turnover, which is mainly due to the Company's good operating conditions, result in the revenue and profit has increased significantly.
2. Interest earned ratio, Return on total assets, Return on stockholders' equity, Pre-tax income to paid-in capital, Net profit ratio, Earnings per share and Cash flow ratio, which is due to the increase in sales amount and quantity, result in the increase in gross profit margin and profit.
3. Cash reinvestment ratio increases, which is due to the sales amount and quantity increase, and the capacity utilization rate also increase, resulting in the increase in gross profit margin and profit.

Note 1: The financial date of 2014, 2015, 2016, 2017 and 2018 had been audited by the CPA.

Note 2: The formula is as follows:

1. Financial structure
 - (1)The proportion of liabilities covered by assets = total liabilities/total assets.
 - (2)The proportion of long-term funds covered by fixed assets = (Shareholder's net equity + long-term liability)/net value of fixed assets.
2. Debt-paying ability
 - (1)Current ratio = current assets/current liability.
 - (2)Quick ratio = (current assets–inventory - prepaid expenses)/current liability.
 - (3)Time interest earned ratio = income tax and net profit before interest expense/current interest expense.
3. Business capacity
 - (1)Receivables (including receivables and the notes receivable produced by the business) turnover = net sales/each average receivables (including receivables and the notes receivable produced by the business) balance.
 - (2)Average collection days = 365/receivables turnover.
 - (3)Inventory turnover = Cost of goods sold/average inventory.
 - (4)Receivables (including receivables and the notes receivable produced by the business) turnover = net sales/each average receivables (including receivables and the notes receivable produced by the business) balance.
 - (5)Average sales days = 365/inventory turnover.
 - (6)Fixed asset turnover = net sales/average net value of fixed assets.
 - (7)Total assets turnover = net sales/average total assets.
4. Profitability
 - (1)Return on assets = (post-tax profit or loss + interest expense× (1–tax rate) /average total assets.
 - (2)Shareholder's return on equity = post-tax profit or loss /average shareholder's net equity.
 - (3)Net profit ratio = post-tax profit or loss /net sales.
 - (4)Earnings per share = (net profit after tax - preference dividend) /weighted average issued shares.
5. Cash flow
 - (1)Cash flow ratio = operating activities net cash flow/current liability.
Net cash flow adequacy ratio = Net cash flow from operating activities for the Past Five Years /for the Past Five
 - (2)Years (capital expenditure + inventory increases + cash dividends).
 - (3)Cash re-investment ratio = (operating activities net cash flow - cash dividends)/(fixed asset's gross amount + long-term investment + other assets + working capital).
6. Lever degree:

(1) Degree of operating leverage = (net revenue - business change costs and expenses) / sales revenue.

(2) Degree of financial leverage = sales revenue / (sales revenue - interest expenses).

Note 3: For the calculation formula of the above earnings per share, the following matters shall be paid attention to:

1. Be subject to the weighted average of common stock shares rather than by then end of the year.
2. The one goes through a cash capital increase or treasury stock trading shall consider calculating the weighted average outstanding shares during the circulation period.
3. The one goes through surplus capital increase or turn add equity capital accumulation fund shall carry out retroactive adjustment based on capital increase ratio when calculating the earnings per share of previous years and semiannual.
4. If the preferred stock is the non-convertible cumulative stock, the current annual dividend (whether issued or not) shall be deducted from post-tax profit or added to post-tax loss. If the preferred stock is not cumulative, it shall be deducted from the post-tax profit; and it needs no adjustment if it losses.

Note 4: Pay attention to the following matters when measuring cash flow analysis:

1. Operating activities net cash flow refers to the net cash inflows of operating activities in the Cash Flow Table.
2. Capital expenditure refers to capital investment cash outflows each year.
3. Inventory increases is only included when ending balance is larger than beginning balance. If the inventory at the end of year is decreased, then it will be calculated as zero.
4. Cash dividends include common stock and preferred stock's cash dividends.
5. Fix asset's gross amount refers to the total fixed assets before deducting accumulated depression.

Note 5: The issuer shall divide operating costs and operating expenses as fixed or changed depending on the nature. If estimation or subjective judgment is involved, it shall pay attention to its rationality and maintain consistency.

III. Supervisors' Review Report of the Financial Report for the Most Recent Fiscal Year

CHIEFTEK PRECISION CO., LTD.

Supervisor's Auditing Report

Hereby to approve,

The Board of Directors prepares the Financial Statement, Operating Report, and Earnings Distribution Plan for the year of 2018. The undersigned PwC TW CPA LIN YUNG-CHIH and LIN TZU-YU have duly audited the 2018 Financial Statement, and issued recorded unqualified opinion auditing report. All statistical forms shall be complied in accordance with the law after being reviewing by the supervisors. Any discrepancies shall be reported to the superior in accordance with Article 219 of the Company Law.

With respect,

CHIEFTEK PRECISION CO., LTD. 2019 SHAREHOLDERS' MEETING

CHIEFTEK PRECISION CO., LTD.

Supervisor: LI MEI

Supervisor: TSENG HSU-WEN

March 09, 2019

CHIEFTEK PRECISION CO., LTD.

Supervisor's Auditing Report

Hereby to approve,

The Board of Directors prepares the earning distribution table for the year of 2018. The above statement are reviewed by the supervisors. Any discrepancies shall be reported to the superior in accordance with Article 219 of the Company Law.

With respect

CHIEFTEK PRECISION CO., LTD. 2019 SHAREHOLDERS' MEETING

CHIEFTEK PRECISION CO., LTD.

Supervisor: LI MEI

Supervisor: TSENG HSU-WEN

May 2, 2019

IV. Financial statement for the most recent fiscal year: Please refer to Appendix 1.

V. The Unconsolidated Financial Report for the Most Recent Fiscal Year audited and attested by a CPA: Please refer to Appendix 2.

V. If the Company and Its Affiliated Enterprises has Experienced Financial Difficulties within the Most Recent Fiscal Year up to the Printing Date of the Annual Report, it shall Note the Effect on the Company's Financial Status: None.

VII. Review and Analysis of Financial Condition and Financial Performance and Risk Issues

I. Review and Analysis of Financial Condition

(I) Comparative analysis table of financial condition

Unit: NT\$ in thousand

Account subject	Year	2018	2017	Increased (decreased)	
		Amount	Amount	Amount	%
Current assets		1,998,305	1,479,621	518,684	35.06%
Real estate, plant and equipment		1,035,570	999,260	36,310	3.63%
Intangible assets		124,977	123,173	1,804	1.46%
Other assets		88,532	36,765	51,767	140.81%
Total assets		3,247,384	2,638,819	608,565	23.06%
Current liabilities		774,282	663,719	110,563	16.66%
Non-current liabilities		537,247	445,364	91,883	20.63%
Total liabilities		1,311,529	1,109,083	202,446	18.25%
Equity attributable to owners of the parent		1,935,855	1,529,916	405,939	26.53%
Capital stock		738,069	620,455	117,614	18.96%
Capital reserves		440,667	463,051	(22,384)	(4.83%)
Retained earnings		774,166	577,321	196,845	34.10%
Other equity interest		(17,047)	(12,367)	(4,680)	37.84%
Treasury stock		0	(118,544)	118,544	(100.00%)
Non-controlling interests		0	(180)	180	(100.00%)
Total equity		1,935,855	1,529,736	406,119	26.55%
<p>Explain reasons for changes(Changes over 20% and the amount of change reach NT\$10 million or more):</p> <ol style="list-style-type: none"> Current assets, intangible assets, total assets are increased and other assets is recoded, the main reasons are: <ol style="list-style-type: none"> Business amount is grow up to 39.69% greatly, result increased note receivable and accounts receivable. For corresponding to growth of business amount, raw material, materials and product in produce are increased. The expense of the assignment of CSM Maschinen GmbH to develop new product is increase continuously. US subsidiary Chieftek Precision International LLC purchased new factory in 2017 because the real estate, factory and equipment are increased. Current liabilities and total liabilities are increased. The main reasons are: <ol style="list-style-type: none"> The "New construction of factory building on Tree Valley Park" has been continued in 2018, result in an increase in long-term borrowings. The salary parable and year-end bonus of employee is increased significate increased due to the number of employee increased greatly along with business amount. Due to the profit is grownup greatly, the salary of employees and the salary of directors and supervisors proposed according to Articles of incorporation is increased greatly. 					

3. Retained earnings is increased, because the profit condition is grownup greatly.
4. The treasury shares decreased by NT\$118,544 thousand, mainly for the first time to buy back 3,000,000 shares of treasury shares, which had expired on January 9, 2018 for three years, in accordance with Article 28, paragraph 2 of the Securities and Exchange Act. If the treasury shares are overdue, these shares shall be cancelled.

II. Review and Analysis of Financial Performance

(I) Comparative analysis table of financial performance:

Unit: NT\$ in thousand

Account subject	Year	2018	2017	Increased (decreased)	
		Amount	Amount	Amount	%
Sales revenue		2,078,901	1,488,259	590,642	39.69%
Operating margin		988,326	622,967	365,359	58.65%
Operation profit and loss		604,894	332,517	272,377	81.91%
Non-operating income and expense		4,943	(32,393)	37,336	115.26%
Net profit before tax		609,837	300,124	309,713	103.20%
Net profit of the term to continuous operation unit		471,252	237,872	233,380	98.11%
Loss of discontinued operation		-	-	0	0.00%
Net profit (loss) of the term		471,252	237,872	233,380	98.11%
Other comprehensive (loss) Income (net profit after tax)		(6,088)	(7,507)	1,419	(18.90%)
Total comprehensive income (loss)		465,164	230,365	234,799	101.92%
Net profit attributable to the owner of parent company		472,717	238,171	234,546	98.48%
Non-controlling interest's net profit		(1,465)	(299)	(1,166)	(389.97%)
Parent company owner's consolidated profit		466,615	230,668	235,947	102.29%
Comprehensive profit attributable to the owner of parent company		(1,451)	(303)	(1,148)	(378.88%)
Earnings per share (NT\$)		6.40	4.03	2.37	58.81%
Explain reasons for changes(Changes over 20% and the amount of change reach NT\$10 million or more):					
1. Sales revenue, operating margin, operation profit and loss, net profit before tax, net profit of the term to continuous operation unit, net profit (loss) of the term, total comprehensive income (loss), net profit attributable to the owner of parent company and earnings per share are increased, mainly due to:					
(1) The requirement of automation equipment is increased greatly due to Industry 4.0 and enterprise transformation and upgrade, along with the increased demand of linear guide in the market, result in the greatly increased operation amount.					
(2) The performance of reduction of inactive stocks is great, as well as the current operation revenues is supported by the current output, which raise up the usage of production and increase the net profit ratio.					
(3) Because operation amount is growing up, it is not only the revenues and net profit of miniature linear products with high gross net profit is increased significantly,					

along with the revenues and gross profit ratio of large linear products are increased significantly.

2. Non-operating revenues and expense were converted from net expenditures in 2017 to income, mainly due to the higher proportion of the company's products exported in US dollar and EURO, result in the exchange interest by the depreciation of New Taiwan dollar.

(II) Expected sales volume and its basis:
Please refer to “Letter to Shareholders”.

(III) Possible impact on the Company’s future financial business and contingency plan:
With the trend of automation equipment, driving the market demand for linear guide, the Company's remunerations will continue to grow, and with the high gross profit margin of miniature linear products, the Company's operating scale will grow. As for the financial aspect, in addition to conservatively seeking long-term stable sources of funds to support capital expenditures, in order to improve the financial ratio and make the financial structure more sound.

III. Review and Analysis of Cash Flow

(I) Liquidity Analysis for the Current Year:

Unit: NT\$ in thousand

Account subject \ Year	2018	2017	Increased (decreased)	
	Amount	Amount	Amount	%
Operating activities inflows (outflows)	321,768	406,706	(84,938)	(20.88%)
Investment activities inflows(outflows)	(164,507)	(274,467)	109,960	(40.06%)
Financial activities inflows (outflows)	(6,987)	20,734	(27,721)	(133.70%)
Effect of exchange rate	(4,698)	(7,579)	2,881	(38.01%)
Net cash inflows (outflows)	145,576	145,394	182	0.13%
<p>1. Decrease in net cash inflow from operating activities: Although the remunerations in 2018 increased, the gross profit margin and profit increased significantly, but this was due to the significant increase in inventory purchases.</p> <p>2. Net cash outflows is increased: Mainly in response to the operational needs of the cpc Group in the United States. Subsidiary Chieftek Precision International LLC purchased from GenMore Corporation Inc. the Industrial Building at 2280 E.Locust Court, Ontario, CA 91761 in 2017.</p> <p>3. Net cash outflow from financing activities increased was mainly due to the increase in profit and the decrease in repayment of part of the borrowings.</p>				

(II) Remedy for Cash Flow analysis for coming year:

Unit: NT\$ in thousand

Cash Surplus in the beginning (1)	Estimated Cash Flow from Operating Activities for the Year (2)	Estimated Cash outflow for the Year (3)	Estimated Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans

797,400	100,000	600,000	297,400	-	-
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Analysis of cash flow change for the comping year:

1. Operating activities: Mainly due to the impact of China-US trade friction, the revenue has been significantly reduced since 4th quarter in 2018, the purchase amount and accounts receivable will also be slowed down, as well as the income tax for the profit-making business and the payment of employee compensation, etc., result in business activities will generate less net cash inflows.
2. Investment activities: It is expected that the "New construction of factory building on Tree Valley Park" will continue in 2019, resulting in a net cash outflow from investment activities expected to exceed NT\$ 500,000 thousand.
3. Financial activities: It is estimated that the "Project of New Plant Construction in Tree Valley Park" will process in 2018, which will increase the long-term loan. However, the profits might be increased accordingly, which can be used to repay some amortization of long-term loan and short-term loan, which causes the net cash outflow in financial activities.

(III) Improvement plan for illiquidity:

It is expected that the "New construction of factory building on Tree Valley Park" will continue in 2019, and the funding source is scheduled to be funded by owned fund, bank financing (or syndicated loan) or other fund-raising method. At present, it was approved by the board of directors on May 9, 2017, and signed a joint credit with a total credit line of NT\$1.2 billion granted by 9 banks includes including E.SUN Bank and other banks on July 5, 2017, there is still amount about NT\$850,000 thousand and a short-term credit line, it should be enough to provide the funds required for the New construction of factory building on Tree Valley Park and the long-term operating capital required for the company's operations.

IV. The Effect upon Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year

(I) Reason for plant construction and benefits

Plant area	Products manufactured	Annual capacity	Remark
New construction of factory building on Tree Valley Park	Linear Guide	Expand the business scale and increase the operating revenue.	

1. Main reason for plant construction:

- (1) The Company and subsidiary CSM Maschinen GmbH have jointly developed and manufactured the transmission device technology (Transmission component, such as Motor Spindles, Harmonic drive, etc.), as well as manufactured the prototype of the Turnkey mass production machine derived from the application technology, in order to cope with the production.
- (2) Has improved the capacity of linear guide and linear motor (module).
- (3) Based on the needs of the Company's future operations, has planned to build the new plants (Phase I and Phase II) on the land of Tree Valley Park, in order to meet the Company's operational needs.

2. Benefits: Expand the business s scale and increase the operating revenue and profit.

(II) The impact on the Company's financial business

The Company's debt ratio on December 31, 2018 is 40.39%, decreased 1.64% compared to 42.03% on December 31, 2017. This indicates that the Company's operating performance is

excellent, which finance using is extremely conservative and stable.

V. The Company's Reinvestment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits/Losses Generated thereby, the Plan for Improving Re-investment Profitability, and Investment Plans for the Coming Year

(I) The Company's reinvestment policy shall focus on business-related field with an expectation to improve its overall operating performance. Relevant executive departments shall implement in accordance with internal control system "Investment Cycle" and "Procedures for Acquisition or Disposal of Assets"; stipulate "Subsidiary Management Approach" for internal control system to facilitate motoring each subsidiary to stipulate relevant operating procedure on major financial and business matters and establish subsidiary operating risk management system in accordance with laws to maximize the performance.

(II) Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

Unit: NT\$ in thousand

Item \ Description	Profit or loss amount of 2018	Main reason of profit or loss	Improvement plans	Investment plans for the coming year
CHIEFTEK PRECISION HOLDING CO., LTD.	74,450	Recognized as profit and loss on investments of CHIEFTEK PRECISION (HONG KONG) CO., LTD. and CHIEFTEK PRECISION USA CO., LTD.	-	None
cpc Europa GmbH	7,776	Mainly due to growth of revenue.	-	Depending on the operating conditions
CSM Maschinen GmbH	(8,534)	Mainly the expenses generated due to operation.	In the stage of product development	None
Chieftek Precision International LLC	2,647	Mainly due to the rental income of leased real estate is greater than the daily operating expenses.	-	None
CHIEFTEK PRECISION (HONG KONG) CO., LTD.	60,587	Recognized as profit and loss on investments of Chieftek Machinery Kunshan Co., Ltd.	-	None
CHIEFTEK PRECISION USA CO., LTD.	15,183	Mainly due to growth of revenue.	-	None
Chieftek Machinery Kunshan Co., Ltd.	60,588	Mainly due to growth of revenue and Inventory Closeout.	-	None

VI. Risk Issues and Its Analysis

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate

Finance, and Future Response Measures:

1. Interest Rates:

The Company's 2018 and 2017 annual interest payment is NT\$15,676 thousand and NT\$11,972 thousand respectively, accounting for 0.75% and 0.81% of Net Operating Revenue respectively.

- (1) Mainly due to the subsidiary Chieftek Precision International LLC purchased the factory in 2017 to increase bank loans, resulting in interest expenses.
- (2) In addition to the above reasons, the Company's profit in the past two years has been stable and growing, as well as the Company regularly evaluates bank borrowing rates and maintains close contact with banks to obtain preferential interest rates and reduce interest expenses, so the interest rate changes will not have a significant impact on the company.

2. Exchange Rates:

The Company's export revenue is mainly in US dollars, Euros, and Yen, while the foreign currency is mainly in Euros and Yen. Therefore, part of assets and liabilities have natural hedging effects. However, in response to the risk of exchange rate changes, the Company has actively collected exchange rate changes to grasp and research the trend of exchange rate, as well as take appropriate hedging measures to reduce the impact of exchange rate risk.

The Company's 2018 and 2017 net profit on currency exchange is NT\$21,498 thousand and NT\$20,933 thousand respectively, accounting for (1.03%) and (1.41%) of net operating revenue respectively, mainly due to the revenue in 2018 has grown significantly, so the exchange interest has also increased. However, as the proportion of the exchange gains and losses accounting for revenue is not high, the whole exchange rate has not been a major risk burden on profitability.

3. Inflation:

In terms of the profitability of 2018 and 2017, there has been no significant impact on the Company's operations and profitability due to the high inflation. However, the Company will continue to pay close attention to the fluctuations in the economic environment and the market environment, in order to avoid the degree of negative effects of inflation and deflation.

- (II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; Major reasons for the profits/losses generated thereby:

The Company is dedicated to the operation of major business, and its financial policies are based on the conservative principle. The Company did not engage in any high-risk or high-leveraged investments. As for lending funds to others, endorsement and guarantee, and the transaction of derivative products, in addition to cautious evaluation, regular reporting and monthly control, the operation of the Company all comply with the "Procedures for Lending Funds to Others", "Procedures for Endorsement and Guarantee", "Procedures for Financial Derivatives Transactions" and "Procedures for Acquisition or Disposal of Assets" passed by the Board of Directors.

- (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work

The Company has invested NT\$ 87,175 thousand of R&D in 2018, increasing by NT\$ 21,793 thousand compared to NT\$ 65,382 thousand in 2017, which the increase rate is 33.33%.

With the development trend of Industry 4.0, we will continue to develop automated basic precision machinery parts, and the estimated investment in research and development in 2019 will be raised to approximately NT\$ 90 million the above.

- (IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The US-China trade war has been escalated and the uncertainty of operations has been raised. The Company will continue to pay close attention to the subsequent evolution of the event and changes in the economic environment and market environment, and timely formulate response measures, in order to avoid major negative effects.

- (V) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

The continuous innovation of technologies such as Industry 4.0 and industrial automation has expanded the application areas of the Company's products, which is a positive benefit to the Company. Therefore, the Company will continue to invest in research and development capabilities, combined with the long-term development trend of technology and industry, in order to enhance the quality of products to achieve sustainable development and growth of the Company.

There is no obvious manufacturing or related technology change in the industry or market to which the Company belongs. Therefore, there is no significant effect on the financial or business of the Company.

- (VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

1. In terms of the corporate image, the Company highly values integrity and never pursues illegal profits. With professional R&D team and international operation pattern, it formulates a refreshing image in the industry. Moreover, with the goals of promoting social economy, improving environmental prosperity and guaranteeing staff welfare, it strictly follows the provisions of laws and regulation stipulated by the competent authority.
2. The Company's corporate image has always been good, and was all the top 20% of companies of the three round of corporate governance evaluation in the recent 3 years. It indicates that the Company's efforts in the field of corporate governance have been affirmed, and the Company continues to actively sponsor charitable activities such as the Tainan Traditional Chinese Cultural College Foundation and art group's performances has greatly enhanced the company's corporate image. It indicates that there has been no corporate crisis management caused by major changes.

- (VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans:

The Company has no ongoing merger and acquisition activities. In considering future M&A activities, the Company will evaluate their efficiency, risks, vertical integration and other factors in accordance with its internal control system to guarantee the Company's interests and original shareholders' equities.

- (VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

The Company cautiously implements the plant expansion plan. Besides strengthening the financial structure through capital increase out of earnings, it also cooperates with bank club to acquire adequate funds. Moreover, the operating team of the Company owns rich industrial experience, understands the industrial demands for products, and can fully make use of the utilization rate of the new plant. The plant expansion of the Company goes through the complete, cautious and professional evaluation process. For any major capital expenditures, it shall report to director's meeting and fully considers the investment returns and possible risks.

To achieve the business goal of sustainable operation, the Company completed the phase-II plant construction in Tainan Science Park in 2012, with the expectation to get rooted in industry of key linear motion parts. In addition, it plans to launch the "Project of New Plant Construction in Tree Valley Park" in 2017. Please refer to "IV. Impact of Major Capital Expenditure Items on Financial Business" in Section VII. Review of Financial Conditions,

Financial Performance, and Risk Management.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

1. Purchase

Based on industry's characteristics, quality rate, delivery and market supply and demand, the Company purchases most miniature linear guides and slide cold drawing steel from Company A (Taiwan is the main production base for the Company, so the main stock manufacture of the combined company shall be same with the parent company's). This manufacture is a world leading manufacture in cold drawing piece production, whose product quality is good. The Company has established cooperative relationship with it since the beginning and the long-term relationship is good. In order to maintain the elasticity with the supplier, the Company has not signed a long-term supply contract with Company A. And in order to avoid a shortage of materials and uncontrollable cost risk caused by a single supplier, in addition to maintain a good cooperative relationship with Company A, the Company is also actively seeking a new supplier to reduce the stock concentration. The purchase proportion from Company A has been reduced year by year since 2009 and the situation of stock concentration has been improved. The risk is limited.

2. Sales

Main products of the Company are miniature linear guide, standard linear guide and linear motor. The biggest trade debtor in 2018 is the subsidiary Chieftek Machinery Kunshan Co., Ltd. with 100% shareholding, which is accounting for 28.17% of annual net sales. Main business scope of Kunshan is to sell the products produced by the Company and provide after-sales service for mainland customers, so it is not a single customer of over-concentrated sales. As for the merged company, there has no customer that accounting for 10% of annual net sales. The Company will continue to develop new products and customers in the future and it is expected that there will have no circumstances that will affect normal operation due to concentrated sales.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings of Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

The shareholdings of the Company's directors and supervisors have been stable during the last few years, and there have been no major transfers or swaps of shares.

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights:

The Company's directors and supervisors actively participate in the Company's operation and the management class has stronger sense of mission to the Company, regarding company's operation as a tenure career. Our policy is to maintain a steady ownership and management structure. As of the date of this Annual Report, such risks were not identified by the Company.

(XII) Litigation or Non-litigation Matters:

1. Until the printing date of Company's recent annual report, major ongoing lawsuits, non-lawsuits or administrative lawsuits, the matters that may have significant impact on shareholder's equity or security price are: None.

2. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by the Company's director, supervisor, general manager, the actual head, major shareholder who holds more than 10% of the shares and affiliated company by the date of printing the annual report, with the matters that may have major effect on shareholder's equity or security price: None.

(XIII) Other significant risks and Response Measures: None.

VII. Other Important Matters: None.

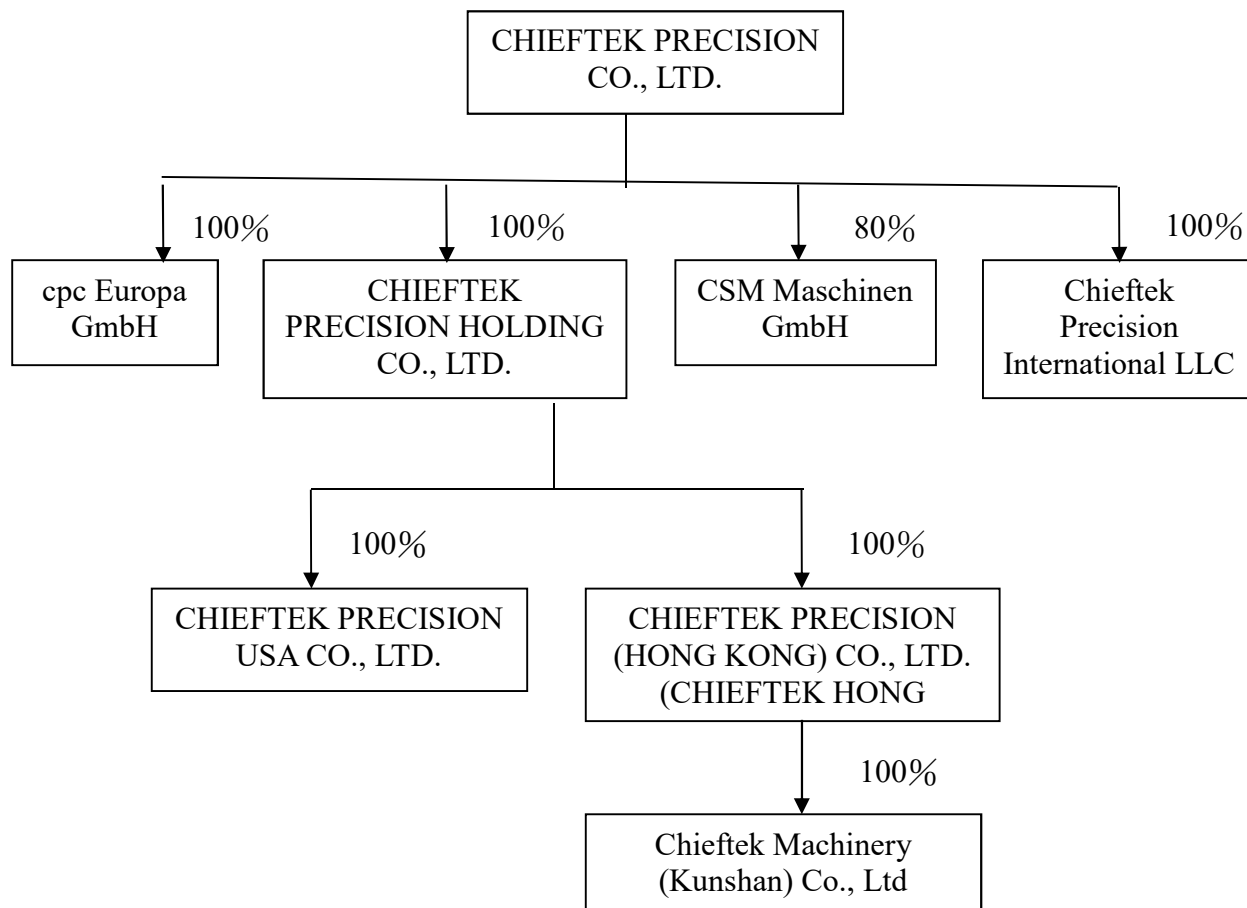
VIII. Special items

I. Information Related to the Company's Affiliates

(I) Affiliate enterprises consolidated financial statements: please refer to consolidated financial statements.

(II) Affiliate enterprises consolidated operating report

1. Affiliate enterprises organizational table



2. Relationship between affiliate enterprises, shareholding ratio, share and actual investment amount

March 31, 2019; Unit: Share in thousand / NT\$ in thousand

Affiliate enterprises name	The relationship with the Company	The company's share hold by the affiliate enterprises		Affiliate enterprises' share hold by the Company		
		Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Actual investment amount
CHIEFTEK PRECISION HOLDING CO., LTD.	The Company adopts equity method to evaluate invested company	-	-	6,760	100%	USD 6,760
cpc Europa GmbH	The subsidiary CHIEFTEK PRECISION (HONG KONG) CO., LTD. adopts equity method to evaluate invested company	-	-	Note 1	100%	EUR 2,500
CSM Maschinen GmbH	The Company adopts equity method to evaluate invested company	-	-	Note 1	100%	EUR 20
Chieftek Precision International LLC	The Company adopts equity method to evaluate invested company	-	-	Note 3	100%	USD 2,000
CHIEFTEK PRECISION (HONG KONG) CO., LTD.	The Company adopts equity method to evaluate invested company	-	-	5,100	100%	USD 5,100
CHIEFTEK PRECISION USA CO., LTD.	Affiliate enterprises (cpc holdings) adopt equity method to evaluate invested company	-	-	1,660	100%	USD 1,660
Chieftek Machinery Kunshan Co., Ltd.	Affiliate enterprises (cpc holdings) adopt equity method to evaluate invested company	-	-	Note 2	100%	USD 5,100

Note 1 : The Germany Company directly invested by the Company is a limited liability company. No share.

Note 2 : The mainland company indirectly invested by the Company is a limited liability company. No share.

Note 3 : The US Company directly invested by the Company is a limited liability company. No share.

3. Basic documents of affiliate enterprises

March 31, 2019; Unit: US\$/EUR

Enterprise name	Establishment date	Address	Paid-in capital	Main business or production project
CHIEFTEK PRECISION HOLDING CO., LTD.	2007.12.20	Level 2.Lotemau Centre, Vaea Street, Apia, Samoa	USD 6,760,000	Investment holding
cpc Europa GmbH	2010.01.19	Industriepark 314,78244 Gottmadingen Germany	EUR 2,500,000	Marketing positions in Europe and after-sales services
CSM Maschinen GmbH	2016.03.07	Industriepark 314,78244 Gottmadingen Germany	EUR 25,000	R&D, manufacturing and marketing and after-sales service
Chieftek Precision International LLC	2017.07.17	2280 EAST LOCUST COURTONTARIO, CA 91761	USD 2,000,000	Real estate leasing
CHIEFTEK PRECISION (HONG KONG) CO., LTD.	2008.09.26	Huamao Century Square 31 floor, Gloucester Road 178, Hong Kong	USD 5,100,000	Investment holding
CHIEFTEK PRECISION USA CO., LTD.	2008.01.08	2280 EAST LOCUST COURTONTARIO, CA 91761	USD 1,660,000	Marketing positions in US and Canada, and after-sales services
Chieftek Machinery Kunshan Co., Ltd.	2008.12.26	Hongqiao Road 1186, Yushan Town, Kunshan City	USD 5,100,000	Marketing positions in mainland, assembling and after-sales service

4. Same shareholder data of the one that presumed to have control and subordinate relationship:
No.

5. The industries covered by the he business operated by the overall affiliate enterprises are related to the business operated by each affiliate enterprise, which shall illustrate the division situation:

The business operated by the Company's affiliate enterprises are the same with the Company's, which are based on "linear motion key components", supporting each other in technology, capacity.

6. Documents of each affiliate enterprise's director, supervisor and general manager:

Unit: share in thousand

Enterprise name	Title	Name or Representative	Holding of shares	
			Shares	Shares
CHIEFTEK PRECISION HOLDING CO., LTD.	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	6,760	100%
cpc Europa GmbH	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	Non equity	100%
CSM Maschinen GmbH	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	Non equity	100%
Chieftek Precision International LLC	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	Non equity	100%

CHIEFTEK PRECISION (HONG KONG) CO., LTD	Director	CHIEFTEK PRECISION HOLDING CO., LTD. Representative: CHEN LI-FEN	5,100	100%
CHIEFTEK PRECISION USA CO., LTD	Director	CHIEFTEK PRECISION HOLDING CO., LTD. Representative: CHEN LI-FEN	1,660	100%
Chieftek Machinery (Kunshan) Co., Ltd	Director Supervisor	CHIEFTEK PRECISION (HONG KONG) CO.,LTD Representative: CHEN LI-FEN Representative: LI PAI-TSANG	Non equity	100%
	Director	Representative: CHEN LI-FEN		

7. Operation situation of each affiliate enterprise

Unit: NT\$ in thousand

Enterprise name	Capital sum	Total assets	Total liabilities	Net value	Revenue	Sales revenue	Current profit and loss (after)	Earnings per share (Yuan) (after)
CHIEFTEK PRECISION HOLDING CO., LTD.	USD 6,760	398,794	0	398,794	0	0	74,450	3.59
cpc Europa GmbH	EUR 2,500	180,983	165,395	15,588	340,975	6,021	7,776	Non-joint-stock system
CSM Maschinen GmbH	EUR 25	60,043	69,372	(9,329)	0	(9,528)	(8,534)	Non-joint-stock system
CHIEFTEK PRECISION (HONG KONG) CO., LTD	USD 5,100	322,367	0	322,367	0	(1)	59,532	3.80
CHIEFTEK PRECISION USA CO., LTD	USD 1,660	119,650	43,232	76,418	187,422	18,722	14,918	2.93
Chieftek Machinery Kunshan Co., Ltd.	RMB32,118	484,025	224,450	259,575	601,993	85,420	59,532	Non-joint-stock system
Chieftek Precision International LLC	USD 2,000	193,671	133,140	60,531	14,173	9,392	2,647	Non-joint-stock system

II. Where the Company Has Carried out a Private Placement of Securities during the Most Recent Fiscal Year up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of Shares in the Company by the Company's Subsidiaries during the Most Recent Fiscal Year up to the Date of Publication of the Annual Report: None.

IV. Other Matters that Require Additional Description

Commitment issues that the Company applying counter transaction to Securities and Futures Trading Center of ROC and its implementation:

No	Commitment issues	Implementation
1	The Company has committed that Securities and Futures Trading Center of ROC (refer as: Taipei Exchange) shall	The commitment has been eliminated in accordance

	participate in the evaluation of company's management system in two years after OTC listing. The evaluation result shall be reported in the shareholder's meeting; and the stipulation of relevant internal control and internal system shall refer to "Listed and OTC Company Governance Code of Practice".	with Taipei Exchange No. 1030200482 on 2014 June, 23.
2	The Company has committed to not to give up increasing capital to cpc Europa GmbH, CHIEFTEK PRECISION HOLDING CO., LTD. (hereafter referred as CHIEFTEK PRECISION HOLDING) in the future when revising "Acquisition or Disposition of Assets Handler"; CHIEFTEK PRECISION Hong Kong shall not give up increasing capital to the Company or disposing the Company's equity unless obtaining the approval of Chieftek Machinery Kunshan Co., Ltd Director's meeting in the future. If the handling method is to be revised in the future, CHIEFTEK PRECISION Hong Kong shall input it in the public information observation station and report to OTC listing for reference.	Has been implemented according to the commitments.
3	The Company has committed that Securities and Futures Trading Center of ROC (refer as: Taipei Exchange) shall entrust the accountant or institute designated by OTC listing through the Company to carry out external professional audit in accordance with the audit scope designated by the OTC listing. The audit result shall be submitted to OTC listing and the Company will be responsible for relevant costs.	Has been implemented according to the commitments.
4	As the Company's profit before tax in the first three quarters of 2012 has significantly decreased compared to the same period last year, the Company and the recommended securities firm will fully consider the performance change when discussing the offering price.	Has been implemented according to the commitments.

The violation of the commitments will result in the applicant company in this case (it is an OTC company when the commitments are violated) subject to "Securities Trading Business Rules" Article 12, Paragraph 1, Item 7 and the center shall report to competent authority to stop its securities OTC trading.

The commitment issues will come into effect after the undertaking is issued. Except it is fulfilled, or the term is expired, or the conditions are terminated, its force will continue to be effective during the period of OTC listing. The promised made by the applicant company will not be affected by the change of applicant company's name or operating class. When the operating class is changing, the non-eliminated promises shall be listed in the handover matters. For the promises made by the applicant company's director, supervisor, shareholders or specific person, the applicant company is responsible for the broken promises. They shall promise it will not have any impact due to the change of personal name or personal status. If the change of status is in the promise list, then it is not subject to the limit.

IX. During the Most Recent Fiscal Year up to the Date of Publication of the Annual Report, Matters Might Materially Affect Shareholders' Equity or the Price of the Company's Securities Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act : **Nil.**

Appendix 1: The Financial Statement for the Most Recent Fiscal Year

Appendix 2: The Un-Consolidated Financial Statement for the Most Recent Fiscal Year, Certified by the CPA

Chieftek Precision Co., Ltd

Chairman: Chen, Li-Fen

