Stock Code: 2059

King Slide Works Co., Ltd.

2018 Annual Report

Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw
King Slide Annual Report is available at: https://www.kingslide.com
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I. Spokesperson and deputy spokesperson

Spokesperson: Wang Chun Chiang (Executive Vice President)

Deputy spokesperson: Cai Qiu-Zhen (Audit Manager)

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II. Headquarters, branches, and factory

Address: No. 136, Lane 275, Shun An Rd, Lu Chu District, Kaohsiung City, Taiwan R.O.C

Telephone: (07) 959-9688

III. Stock transfer agent

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Website: ecorp.ctbcbank.com/cts/index.jsp

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IV. Independent auditors of the most recent fiscal year

CPA: Wu Chiu-Yen and Kuo Lee-Yuan

Firm: Deloitte & Touche

Address: 3 F, No. 88, Cheng Kong 2nd Road, Qianzhen Town, Kaohsiung City

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V. Overseas listings and the listing information: none

VI. Company website: www.kingslide.com

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One. Letter to Shareholders

Dear shareholders,

The innovative high-end kitchen Rail Kit system that has been developed for years entered a new milestone in 2018. In addition to creating more space design and convenience in use for consumers in daily life, and adding more safety design, the Company continues to complete all production lines for the delivery of new products. In addition to the mass production and shipment made in 2018Q4, there have been re-orders received in 2019. Also, the product launch by fashion furniture chain stores has received positive recognition from all designers. The exchange rate of New Taiwan Dollars was relatively stable compared to 2017, with a depreciation of 2.9%. The increase in material cost was as high as 7.7%. As a result, our operating performance in 2018 increased by 7.91% compared with the consolidated revenue of 2017, and because of the slight depreciation of the exchange rate and the increase in cost of materials, this led to an increase in costs. Operating net profit increased by only 4.39% compared with 2017. The net income increased by 95.44% due to the slight depreciation of the exchange rate, and the after-tax EPS was NT$18.64. Although the global economic environment was improved in 2018, due to the uncertainty of the Sino-US trade war it is more unpredictable than what it was. The awakening of protectionism became challenging and more rigorous to us regarding the development of global markets. Diversified product innovation and R&D, the development of intelligent manufacturing technology, and the continuing investment in the global market remain our long-term business strategy. Also, enhancing our competitiveness and designing and developing flexible production bases in response to protectionism, coping with global instability, and the demands of customers in different markets remain our long-term goal. We will continue to base our action on the existing strategies and policies to develop innovative products, introduce intelligent production technologies, diversify market risks and customer risks, and establish flexible production bases. We believe the delivery of the innovative European-style high-end kitchen Rail Kit series this year that had been developed for many years will help us continue to perform well in business for the benefits of the shareholders. We are hereby reporting 2018 business result and 2019 outlook.

I. 2018 business result:

1. Business plan implementation results:

Unit: NT$ Thousand

Item	2018	2017	Increase or decrease in amount	Change in ratio (%)

Operating revenue - net	4,435,607	4,110,572	325,035	7.91%
Net operating income	1,738,196	1,665,077	73,119	4.39%
Net income	1,775,964	908,700	867,264	95.44%

2. Implementation of budget: The 2018 financial forecast was not disclosed, so there is no budget achievement.

3. Financial revenue and expense and profitability analysis

Item		2018	2017
Financial structure (%)	Ratio of liabilities to assets	10.10	11.19
	Ratio of long term funding to property, plants, and equipment	751.36	622.05
Solvency (%)	Current ratio	926.31	811.01
	Quick ratio	878.67	766.23
	Times interest earned ratio	N/A	N/A
Profitability (%)	Ratio of return on total assets	16.84	9.17
	Ratio of return on shareholders' equity	18.83	10.42
	Ratio of Net income before tax to paid-in capital	227.90	128.42
	Profit ratio	40.03	22.10
	Earnings per share (NT$)	18.64	9.54

4. Research development status:

The Company's 2018 annual research and development expenses were NT$206,605 thousand and its main development status is as follows:

(1) In the use of cabinets and chassis, the concept of different actuations is gradually being introduced, and the requirements of the corresponding server Rail Kit are more diversified At present, the focus is on developing such products and to introduce design concepts that have greater value, low costs, and diversity in space, function, and durability to make products that have many humane and safety functions. Also, from the perspective of different applications, continue to develop new types of Rail Kit and cable routing products to meet the different needs.

(2) In terms of market channel, high-end slides and hinges, a complete range of products is currently in development. Also, we are integrating the relevant specifications of the current market to continuously build a more complete series of products in order to fulfill the demand

for modernized models. The development of more models is needed for the use of different markets. The goal is to establish a more stable market position in the fields of high-end kitchen utensils and related cabinets, tool cabinets, etc. We are upgrading production efficiency to become more competitive in the market. The current development in intelligent production control and process technology, the automation of current production lines, and the introduction of more comprehensive production modes are to create production conditions with low-cost and high-efficiency.

(3) In terms of consumer electronics products, we are continuing to develop and do research in the field of innovation. Also, we are continuing to invest in the development and introduction of relevant test and process technology equipment.

II. 2019 business plan

(I) Business policy

In line with the continuous recruitment, training, and management of marketing and R&D talents as the long-term business policy, the Company is committed to strengthening the management team and talents as the most important assets. Other important principles are as follows:

1. The complete R&D and industrial layout of the RAIL KIT product line developed in line with cloud requirements;
2. The complete R&D and industrial layout of the kitchen Rail Kit product line for household consumption needs;
3. The complete R&D and industrial layout of the handheld consumer product line for personal consumption needs;
4. The introduction of intelligent production technology to improve business management performance;
5. The establishment of a global flexible production base to meet the needs of customers in different markets;

(II) Sales forecast and the basis

Based on the past volume, current orders, market demands, etc., the Company's sales forecast for 2019 is as follows:

Product	Unit	Shipment forecast
rail kits	thousand sets	15,235
Slides	thousand sets	1,368
Hinge	thousand units	4,113

(III) Important production and sales policies

1. Production policy

We are aiming to rationalize the production procedures with intellectual production management system by phasing in lean manufacturing for cuttig down production and warehousing costs. Also the production of products with low added value will be outsourced or through purchase to increase the Company's product value.

2. Sales policy

(1) We will continue to win orders of computer servers, networking and communication equipment, and Cloud data service from both international and domestic sellers, as well as to direct a new-product-driven marketing plan to gain extra market shares.

(2) We will leverage the current brand recognition to promote our mature lines to the international server cabinet suppliers and the newly developed high-end kitchen lines to the international sellers of system furniture and channel partners for building a global selling network and brand image.
(3) We will establish global distribution channels with local outlets to offer comprehensive customer service through our complete product lines.

III. Future development strategies

(I) Our short to mid-term strategy is to increase the market shares of our Rail kits in the fields of computer server and Cloud data service and to make the rail kits much extensively used in the peripheral products of these fields.

(II) In the long-term, we aim to diversify into new markets especially functional products that provides life convenience to increase market share and level of customer reliance.

(III) We will set up global warehouse and sales bases gradually and establish flexible production plants in global location to shorten delivery period and win orders from the market of consumer products.

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

Our ultimate goal is to maximize shareholders' interests. The industry we are engaging in is at the growing stage, we will make necessary adjustments along with the changes of the industry environment and regulations in the future. Since incorporated, we have been actively pursuing innovation and transformation to strengthen our competitiveness, and held a more cautious and conservative attitude in response to the changing environment. In addition to strictly implementing the cost saving and expense cutting strategy, we have invested more funds and resources to actively expand the markets of different industries and promote and enhance the popularity of the "King Slide" brand in the world. Also, we are actively deploying a global distribution network in order to have better business performance in the future.

Lastly, we would like to show our appreciation to our shareholders for their long-term supports with highest gratitude. Thank you

Best Wishes

Chairman: Lin Tsung-Chi

President: Lin Shu-Chen

Two. Company Profile

I. Date of incorporation: September 22, 1986

II. Company history:

1986	Company registration approved by Ministry of Economic Affairs. Total paid-in capital was NT$ 10 million. Acquired factory land of 8,986 ㎡ and building approval.
1987	Capital increased by cash of NT$ 30 million. Total paid-in capital reached NT$ 40 million.
1988	Factory floor area expanded to 15,281 ㎡ with building approval. Mass production of rail kits began.
1992	Factory floor area expanded to 23,094 ㎡. Completed building of the 2nd phase plant and factory.
1994	Factory floor area expanded to 25,165 ㎡ Capital increased by cash of NT$ 55 million. Total paid-in capital reached NT$ 95 million. Acquired two premises of 360.41 ㎡ in Taichung for setting the local office.
1995	Obtained ISO9001 certificate. Acquired premises of 388.69 ㎡ in Taipei for setting the local office.
1996	Completed building of the 3rd phase automated warehousing facilities and added automated production lines for hinges.
1998	Converted NT$ 63 million from additional paid-in capital to new shares. Total paid-in capital reached NT$ 158 million.
1999	Invested building of the 4th phase plant and factory and addedautomated production lines for ball bearing slides. Obtained ISO14001 certificate. Converted NT$ 30 million from retained earnings to new shares. Total paid-in capital reached NT$ 188 million. Several patents were awarded for NB hinge development initiated for business transformation.
2000	The Number of board directors increased to five from three, with the addition of Lin Tsung-Chi from Hai Hu Investment Inc., Lin Tsung-Lung from Long Shen Investment Inc. and Lin Xin-Hong and Lin Chen Jin-Feng from Hong-Yi Investment Inc. to strengthen the business management.

Completed the supplemental public issuance through the approval letter Tai Cai Zheng (I)# 60236 from Securities and Futures Institute in 2000. Converted NT$ 56.4 million from retained earnings to new shares with additional capital increased by cash of NT$ 135.6 million. Total paid-in capital reached NT$ 380 million.

Several patents were awarded for serverRail kits and associated components during the transformation to 3C industry.

2001 Received trial orders of servers from Compaq. Bulk orders received subsequently.

2002 A new supervisor, Ms. Lin Jhang A-Jhu joined the board operation.

Received certificate and passed testing from various major international server sellers and makers.

2003 Converted NT$ 6.84 million from retained earnings and NT$ 0.76 million from employee bonus tonew shares. Total paid-in capital reached NT$ 387.6 million.

Supervisor Ms. Hsu Jing-Chi was replaced by Ms. Lin Shu-Juan.

Successfully developed the rail kit for 1U-7U rack server and its related components.

Start mass production for multiple major international server suppliers.

Invested building of the 5th phase plant and factory for expanding production capacity for Rail kits.

2004 Introduced independent directors and supervisors, and changed company name to King Slide Works Co., Ltd.

Introduced external corporate shareholders, and filed our stock for TPEx trading.

2005 Supervisor Ms. Lin Shu-Juan was replaced by Mr. Wu Ming-Zhen and Mr. Xie Jin-Zhong, representatives of Yin Li Investment Inc.

Started TPEX listing.

Converted NT$ 155.04 million from retained earnings and NT$ 11.64 million from employee bonus to new shares. Total paid-in capital reached NT$ 554.28 million.

2006 Received certificate from server supplier DELL.

Converted NT$ 110,856,000 from retained earnings and NT$ 6,064,000 from employee bonus to new shares. Total paid-in capital reached NT$ 671,200,000.

Representative from Hong-Yi Investment Inc. changed to Mr. Wang Chun-Zhi.

Established the U.S. subsidiary, King Slide USA, Inc.

Established a subsidiary, King Slide Technology Co., Ltd.

2007 Issued the first domestic unsecured convertible bonds of NT$ 980 million.

Start mass production for DELL.

Converted NT$ 67.12 million from retained earnings and NT$ 5 million from employee bonus to new shares. Total paid-in capital reached NT$ 743.32 million.

New shares issued for bond conversion of NT$ 442,470. Total paid-in capital reached NT$ 743,762,470.

2008 Established a subsidiary, King Slide (Samoa) Co., Ltd.

Established a second-tier subsidiary, King Slide (Hong Kong) Co., Limited.

Representative from Hong-Yi Investment Inc. changed to Mr. Chiu Yen-Chih.

Started TAIEX listing

Established a third-tier subsidiary, King Slide Technology (China) Co.,Ltd.

Converted NT$ 37,188,120 from retained earnings and NT$ 4,090,000 from employee bonus to new shares. Total paid-in capital reached NT$ 785,040,590.

2009 Obtained OHSAS 18001 certificate.

Converted NT$ 78,504,060 from retained earnings and NT$ 6,678,080 from employee bonus to new shares. Total paid-in capital reached NT$ 870,222,730.

Received “Branding Taiwan” from Ministry of Economic Affairs.

Issued the 2nd domestic unsecured convertible bonds of NT$ 500 million.

New shares issued for bond conversion of NT$ 1,163,150. Total paid-in capital reached NT$ 871,385,880.

2010 New shares issued for bond conversion of NT$ 2,483,900. Total paid-in capital reached NT$ 873,869,780.

Converted NT$ 43,866,750 from retained earnings and NT$ 3,465,300 from bond conversion to new shares. Total paid-in capital reached NT$

921,201,830.

Received Kitchen Gold award in 2010 The Kitchen & Bath Industry Show (KBIS), North America's largest trade show dedicated to all aspects of kitchen and bath design.

Received Challengers Award in 2010 International Woodworking Fair (IWF).

2011 Set up compensation committee.

Received the 19th Taiwan Excellence Award (1A88).

2012 New shares issued for bond conversion of NT$ 2,017,440. Total paid-in capital reached NT$ 923,219,270.

2013 Received the 21st Taiwan Excellence Award (AE89).

New shares issued for bond conversion of NT$ 23,357,630. Total paid-in capital reached NT$ 946,576,900.

2014 New shares issued for bond conversion of NT$ 6,393,820. Total paid-in capital reached NT$ 952,970,720.

2015 Named Forbes Asia's 200 Best Under A Billion 2015.

2016 Received the 24st Taiwan Excellence Award (3M51A).

2019 Received 2019 Taiwan Excellence Award (Adjustable Concealed Soft-Close Hinges).

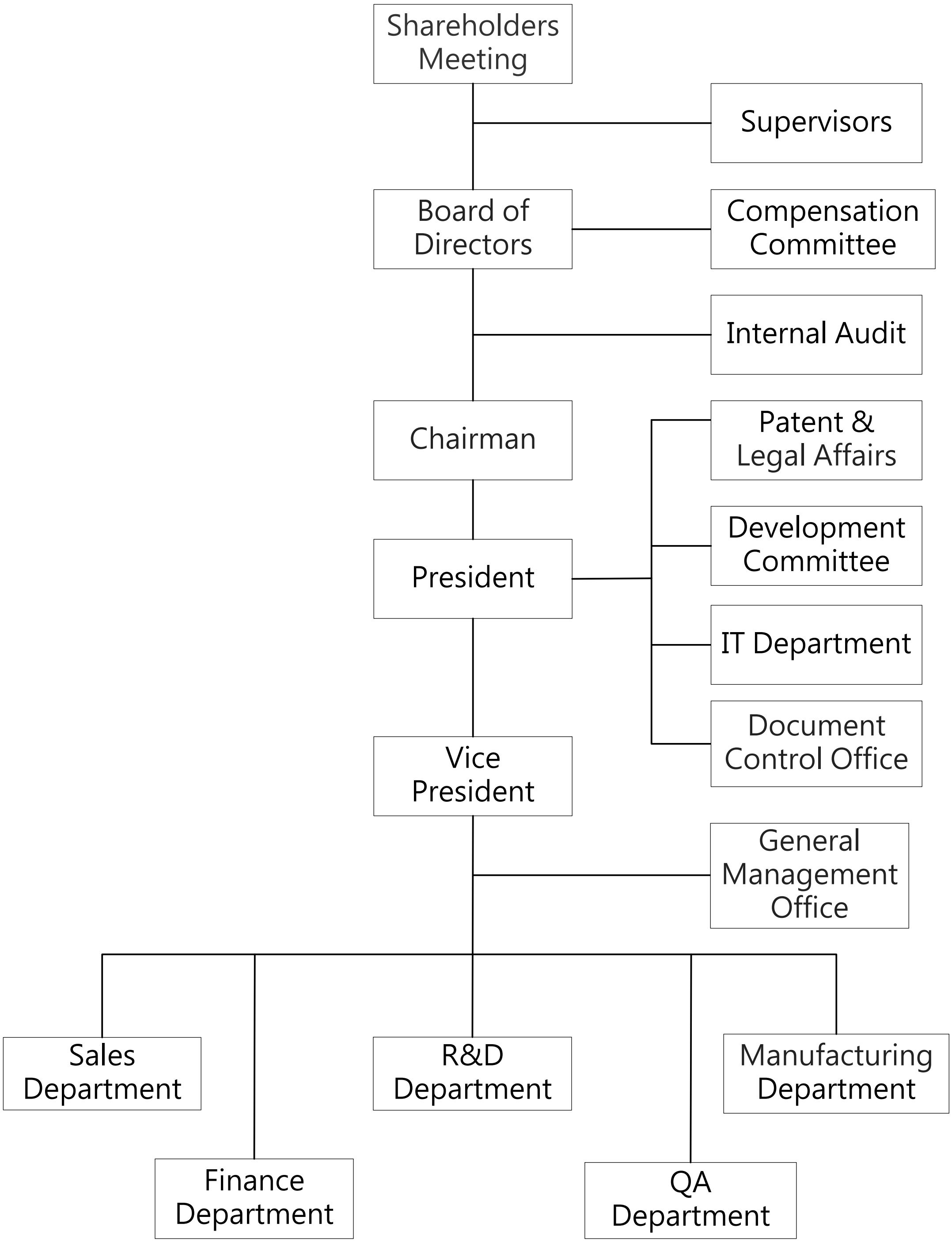
Received 2019 Taiwan Excellence Silver Award (SIMLEAD Metal Drawer System).

Three. Corporate Governance Report

I. Organization

(I) Organization

March 31 ,2019



(II) Divisional function

(1) Compensation Committee
Formulate and review the policy, system, standard and structure of performance evaluation and compensation for directors, supervisors,and managers, as well as evaluate their overall remuneration on a regular basis.
(2) Internal Audit
1. Implement internal audit work on the company and any of its subsidiaries. 2. Examine and evaluate the implementations of internal control in the parent and subsidiary companies. 3. Supervise and review the self-assessment procedures in the parent and subsidiary companies.
(3)General Manager Office (Patent&Legal Affairs, Development Committee, IT Department, and Document Control Office)
1. Business planning and initiation, including existing operation, transformation plan and future operation strategies, and implementation supervision. 2. Goal setting, policy planning and implementation supervision. 3. Review the annual operation plan and budget preparation ofeach department and monitor the execution. 4. Review of the management systems, ISO system, and the Nine Cycle system, and implementation supervision. 5. Special project planning and execution. 6. Information management system and its annual plan setting, initiation and implementation . 7. Safety management system and its annual plan setting, initiation and implementation. 8. Global strategies integration 9. Business investment planning and execution. 10. Feasibility assessing and planning of diversifying operation 11. Business document application, review, filing, publication and management. 12. Promote related ISO system and obtain the related certificate as well as followed-up maintenance. 13. Lead and coordinate operations in individual department or among departments to achieve the Company goal . . 14. Set, revise and implement the rules regarding the operation under the management information system enviroment. 15. Formulate, revise, train and execute ISO system and the president's office procedure book. 16. Human resource planning for the president's office and all other departments. 17. Performance evaluation for the president's office and all other departments. 18. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary. 19. Complete items resolved by the Board Meeting. 20. Special and investment projects evaluation and review. 21. Patent application. 22. Global staffing planning 23. Make suggestions on the related policies proposed by the members in the employee safety and health committee, and review and coordinate the relevant policies.
(4) General Management Office
1. Formulate, revise, train, and execute organization discipline, personnel system, work rules, and employment contract. 2. Perform administrative work, including employee recruiting, appraising, promoting,

resigning, rewarding,etc. 3. Employee's salary, benefit,reward, punishment, and discipline system formulating, revising, training,and executing. 4. Employee training program planning and execution 5. Administrative work planning, amending, training, and execution. 6. Equipment, raw materials, repairing service procurements. 7. Formulate, revise, train and execute payroll and personnel cycle, procurement and payment cycle and PP&E cycle. 8. Human resource planning inside the general management office.
9. Performance evaluation inside the department 10. Formulate the annual operation plan and budget preparation, execute accordingly by each month. Analyze and make corrective actions when necessary 11. Make suggestions on the related policies proposed by the members in the employee safety and health committee, and review and coordinate the relevant policies. 12. Achieve the business targets guided by the strategies and guidelines set by the Company. 13. Complete ad hoc projects from upper managers.
(5)Sales Department
1. Marketing and selling strategy planning and execution. 2. Market research planning and execution. 3. Selling channel planning and expansion. 4. Collect the information of the market potentical products and analyze the feasibility of development of such products 5. Pricing strategy planning and execution 6. Aftermarket service planning and execution 7. Customer complaint collection, feedback sending and replying, andcoordinating with the QA department. 8. Planning and executing selling and marketing strategies on the different stages of each products. 9. Trade show trip planning and implementation. 10. Achieve the business targets guided by the strategies and guidelines set by the Company. 11. Internal departmental coordination, collaboration and communication. 12. Formulate and revise procedure books and measures for ISO systems that are related to the Sales Department and hold related training programs to facilitate actual execution. 13. Formulate, revise, train and execute sales and collection cycle. 14. Human resource planning inside the department. 15. Performance evaluation inside the department. 16. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary. 17. Complete ad hoc projects from upper managers.
(6) Finance Department
1. Financing planning 2. Capital management 3. Credit checking and management 4. Formulating, revising, training and executing accounting policies 5. Formulating, revising, training, and executing the budget planning policies, and assisting other departments with budget preparation. 6. Formulating and controlling operating costs

7. Preparing and analyzing financial statements monthly.
8. Responsible for budget compiling and budgetary control, and comparing and analyzing actual spending with budget plan from each department monthly. The analysis will be further used for decision making.
9. Publishing and filing for financial information and tax reports.
10. Correcting any abnormality found from accounting data or audit unit, and reporting to the upper management when necessary.
11. Achieving business targets guided bythe strategies and guidelines set by the Company.
12. Internal departmental coordination, collaboration and communication.
13. Formulating and revising procedure books and measures for ISO systems that are related to the Finance Department and holding related training programs to facilitate actual execution.
14. Formulating, revising, training and executing sales and collection cycle, procurement and payment cycle, financing cycle and PP&E cycle .
15. Human resource planning inside the department
16. Performance evaluation inside the department
17. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary
18. Complete ad hoc projects from upper managers.

(7) Research & Development Department

1. Formulating and executing development plans on new materials, technologies and products.
2. Improving existing products' quality, functionality and cost structure.
3. Competing product studies.
4. Formulating and executing development plans on new molds and jigs.
5. Formulating and executing development plans on new facilities and tools.
6. Formulating and operating product value analysis and value engineering.
7. Compiling and analyzing information of new material, products, molds and jigs, and automated equipments.
8. Formulating, executing and following up major design changes on products, molds and jigs, and production facilities.
9. Compiling, numbering, filing, issuing, and managing technical data, associated drawings, and design specification.
10. Reviewing production technology and capability of the contractors and vendors of product parts and mold/component processing
11. Advising quality control and manufacturing technology
12. Advising and assisting facility assembling, quality issues, trial run and maintenance .
13. Technology support and training for overseas investees.
14. Achieving business targets guided by the strategies and guidelines set by the Company.
15. Internal departmental coordination, collaboration and communication.
16. Formulating and revising procedure books and measures for ISO systems that are related to the R&D Department and holding related training programs to facilitate actual execution.
17. Formulating, revising, training and executing R&D cycle
18. Human resource planning inside the department.
19. Performance evaluation inside the department.
20. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary
21. Complete ad hoc projects from upper managers.

(8) Quality Assurance Department

1. Incoming quality control, data recording and analyzing, and improvement assurance.
2. Recording and analyzing defect rate and monitoring the improvement progress held by the Manufacturing Department.
3. Defect product examination and correction.
4. Cost of quality management, including cost analyzing, countermeasures formulating and precautions executing .
5. Formulating, training, executing, reviewing, and following up of the quality controlling procedures and standards for the R&D or client requirement.
6. Formulating the production capacity analysis.
7. Evaluating, assisting and managing the production capacity and quality of contractors.
8. Promoting, training, reviewing and monitoring TQC and quality control circle.
9. Quality abnormality handling and shipment quality assurance
10. Customer complaint handling, cause analyzing, the prevention strategy setting, feedbackto the Customer Service Division assuring and case filing tracking.
11. Formulate and analyze the standards of the product and R&D reliability testing. Perform and examine NG and GO numerical analysis and give feedback to relevant working units, and be responsible for test records filing.
12. Plan and formulate the prevention policies of the cost of quality.
13. Set quality goal for the Company
14. Formulate, train and monitor quality checking plans for all staff with audit result tracking.
15. The comparison analysis of the function, life, and quality of the peer products with feedback to the R&D and Sales department, and being responsible for test records filing.
16. Incoming material inspection executing and the quality counceling for the subcontractors.
17. Formulate, train, execute, and follow up the plan of enhancing product quality to decrease defect rate, customer returns and complaints, and inspection cost
18. Equipment and tools management and operation training with audit result tracking.
19. Achieve business targets guided by the strategies and guidelines set by the Company.
20. Internal departmental coordination, collaboration and communication.
21. Formulate and revise procedure books and measures for ISO systems that are related to the Quality Assurance Department and hold related training programs to facilitate actual execution.
22. Making suggestions on the related policies proposed by the members in the employee safety and health committee, and review and coordinate the relevant policies.
23. Human resource planning inside the department.
24. Performance evaluation inside the department.
25. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary
26. Complete ad hoc projects from upper managers.

(9) Manufacturing Department

1. Formulate and execute production management system
2. Formulate, execute and monitor the production schedules
3. Analyze the load of internal Production capacity and make reasonable adjustment of outsourcing to balance the capacity.
4. Material requirementsanalyzing
5. Material and finished goods warehousing and shipping
6. Formulate efficient production method to meet the demands of quality, cost, quantity, and shipping date.
7. Voluntarily review deficiencies found during production, brainstorm corrective

methods, and implement accordingly.
8. Whole factory and whole production line planning and improvement
9. Production system process planning and execution
10. TPM planning, promoting, supervision and execution.
11. 5S Initiatives planning, promoting, supervision and execution.
12. Safeguarding and filling in the production recordsand statistics reports.
13. Plan and promote major construction projects related to manufacturing.
14. Production floor planning and facility arranging to achieve production plan efficiently.
15. Formulate, execute and manage the maintenance schedules ofproduction equipment, molds and jigs.
16. Achieve annual quality plans and goals
17. Execute the inspection control during the production from work-in-process to finished goods, analyze the monthly reports, and follow up and confirm any improvement.
18. Promote work safety and event prevention.
19. Achieve business targets guided bythe strategies and guidelines set by the Company.
20. Internal departmental coordination, collaboration and communication.
21. Formulate and revise procedure books and measures for ISO systems that are related to the Production Department and hold related training programs to facilitate actual execution.
22. Make suggestions on the related policies proposed by themembers in the employee safety and health committee, review and coordinate the relevant policies.
23. Formulate, revise, train and execute production cycle and the related measures.
24. Human resource planning inside the department.
25. Performance evaluation inside the department.
26. Formulate the annual operation plan and budget planning, execute accordingly by each month. Analyze and make corrective actions when necessary
27. Execute and oversee the environmental protection policy to meet the associated regulations and laws.
28. Complete ad hoc projects from upper managers.

II. Directors, Supervisors, President, Vice President, Assistant Vice President, and Management Team

(I) Board of directors and supervisors

1. Board members information

As of 04/28/2019; Unit: One share

Title	Nationality or Place of registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education and Experience	Selected Current Positions at the Company and Other Companies	Other Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relationship
Chairman	Republic of China	Lin Tsung-Chi	Male	06/26/2018	3 years	09/22/1986	8,260,121	8.67%	8,260,121	8.67%	1,961,551	2.06%	–	–	Dahu Elementary School Chairman of Hu Lin Enterprise Co., Ltd. President of King Slide Works Co., Ltd. Chairman of King Slide Works Co., Ltd.	Chairman of King Slide USA, Inc. Chairman of King Slide Technology Co.,Ltd.	Director President Director and Executive Vice President Supervisor	Lin Tsung Lung Lin Shu-Chen Wang Chun Chiang Lin Jhang A-Jhu	Father and son Father and daughter In-laws In-laws
Director	Republic of China	Long Shen Investment Inc. Representative: Lin Tsung-Lung	Male	06/26/2018	3 years	06/15/2000	6,232,767 2,544,790	6.54% 2.67%	6,232,767 2,544,790	6.54% 2.67%	– 596,138	– 0.63%	– –	– –	Dept. of Mechanical Engineering, Southern Taiwan University of Science and Technology Factory Manager of Hu Lin Enterprise Co., Ltd. Vice president of King Slide Works Co., Ltd. Chairman of Long Shen Investment Inc.	–	Chairman President Director and Executive Vice President	Lin Tsung-Chi Lin Shu-Chen Wang Chun Chiang	Father and son Siblings In-laws
Director	Republic of China	Wang Chun-Chiang	Male	06/26/2018	3 years	06/27/2012	982,000	1.03%	982,000	1.03%	1,755,100	1.84%	–	–	Department of Accounting, National Chung Hsing University Clerk in Bank of Taiwan Reporter in Commercial Times Manager in Quality Assurance Department of King Slide Works Co., Ltd. Special Assistant to the Chairman of King Slide Works Co., Ltd. Sales Manager of King Slide Works Co., Ltd.	Director of Long Shen Investment Inc. Director of Hong-Yi Investment Inc. Executive Vice President of King Slide Works Co., Ltd. Vice President of King Slide Technology Co., Ltd. President of King Slide USA, Inc.	Chairman Director President	Lin Tsung-Chi Lin Tsung Lung Lin Shu-Chen	In-laws In-laws Spouse
Director	Republic of China	Chiu Yen-Chih	Male	06/26/2018	3 years	03/12/2008	–	–	–	–	–	–	–	–	Master of Industrial Design, National Kaohsiung University of Science and Technology, First Campus Manager in Tool Department of Hung Chih Limited Co. Sales Manager of Seco Tools (S.E.A.) Pte Ltd.	General Manager of Ri Hsiung Precision Tech	–	–	–

Title	Nationality or Place of registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education and Experience	Selected Current Positions at the Company and Other Companies	Other Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relationship
Independent Director	Republic of China	Lee Wen-Chang	Male	06/26/2018	3 years	06/25/2009	6,722	0.01%	6,722	0.01%	6,722	0.01%	–	–	School of Accounting, Tamsui University Continuing Education Program for Enterprise Manager, National Sun Yat-sen University Manager in the Accounting Department of Chen Chi Electro-Chemical Co., Ltd. Assistant Manager in Administrative Department, Manager in Planning Department and Chairman	Director of Chen Chi Electro-Chemical Co., Ltd	–	–	–
Independent Director	Republic of China	Hsu Fang-Yih	Male	06/26/2018	3 years	06/25/2015	–	–	–	–	–	–	–	–	Department of Accounting, National Chung Hsing University EMBA Program, National Sun Yat-sen University Associate in Taiwan Cooperative Bank Assistant Manager in Deloitte & Touche Limited CPA Eligible	Manager in Accounting Department of National Chung Hsing University	–	–	–
Independent Director	Republic of China	Cai Wen-Zhi	Male	06/26/2018	3 years	06/26/2018	–	–	–	–	–	–	–	–	Department of Industrial Engineering, Tunghai University Manager in Quality Assurance Department of King Slide Works Co., Ltd. Senior Manager in Business Management Departmet of Adlink Technology Inc.	Quality Assurance Manager of DYNAHZ Technologies Corporation.	–	–	–
Supervisor	Republic of China	Yin Li Investment Inc. Representative: Lin, Jhang A-Jhu	Female	06/26/2018	3 years	03/16/2005	1,024,684 19,944	1.08% 0.02%	1,023,684 19,944	1.07% 0.02%	– –	– –	– –	– –	Lin Yuan Senior High School Officer in Manufacturing Department of King Slide Works Co., Ltd.	Chairman of Yin Li Investment Inc.	Chairman	Lin Tsung-Chi	In-laws
Supervisor	Republic of China	Wu Min-Zhen	Male	06/26/2018	3 years	03/16/2005	–	–	–	–	–	–	–	–	Electronics Section, Jingwen High School The 33rd Republic of China Military Academy Manager in General Affair Department of Lu Chu Shin Yee Works Co.,Ltd.	–	–	–	–

2 Major institutional shareholders

Shareholder name	Major shareholders of institutional shareholders
Long Shen Investment Inc.	Lin Tsung-Lung: 37.21%; Lin Tsung-Chi 14.27%; Zheng Yu-Bao: 5.90%
Yin Li Investment Inc.	Lin, Jhang A-Jhu: 48.48% ; Lin Tsung-Min: 46.97%

3. Major shareholders of institutional shareholders that have juridical persons as major shareholders: None.

4. Professional qualifications and independence analysis of directors and supervisors

Criteria / Name	At least Five Years Work Experience and the Following Professional Qualifications			Independence Criteria(Note 1)										The Number of Other Publicly Traded Companies In Which the Individual is Concurrently Serving as an Independent Director
	A Lecturer or Any Higher Position in a Department of Commerce, Law, Finance, Accounting, or other Company Business Related Fields in a Public or Private college or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Lin Tsung-Chi			✓							✓		✓	✓	0
Long Shen Investment Inc. Representative: Lin Tsung-Lung			✓		✓					✓		✓		0
Wang Chun-Chiang			✓		✓					✓		✓		0
Chiu Yen-Chih			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Lee Wen-Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hsu Fang-Yih		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cai Wen-Zhi			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yin Li Investment Inc. Representative: Lin, Jhang A-Jhu			✓	✓	✓			✓	✓	✓		✓		0
Wu Min-Zhen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0

Note 1: Directors or supervisors, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes: " ✓ "

(1) Not an employee of the company or any of its affiliates;
(2) Not a director or supervisor of the company or any of its affiliates. (This does not include in cases where the person is an independent director of the Company, its parent company, or any of its subsidiary in accordance with this Act or local laws).
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names in an aggregate amount of 1% or more than the total outstanding shares of the Company or ranked in the top-10 holdings;
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the preceding three subparagraphs;
(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total outstanding shares of the Company or that holds shares ranked in the top-five holdings;
(6) Not a director, supervisor, manager, or shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial or business relationship with the Company;
(7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliates of the Company, or a spouse thereof. This does not include members from a Compensation Committee who exercises his/her power based on Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter.
(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
(9) Not violated any regulation in Article 30 of the Company Act;
(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(II) Management team

As of 04/28/2019; Unit: One share

Title	Nationality	Name	Gender	Date Elected	shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education and Experience	Selected Current Positions at Other Companies	Managers who are spouses or within two degrees of kinship		
					shares	%	shares	%	shares	%			Title	Name	Relationship
President	Republic of China	Lin Shu-Chen	Female	06/16/2006	1,755,100	1.84%	982,000	1.03%	—	—	School of Accounting, KuoChi College of Business, Accounting Manager of King Slide Works Co., Ltd. Manager of General Management Officeof King Slide Works Co., Ltd. Vice President of King Slide Works Co., Ltd. Special Assistant to the Chairman of King Slide Works Co., Ltd.	Director of King Slide Technology Co., Ltd. President of King Slide Technology Co., Ltd. Executive Director and President of King Slide Technology (China) Co.,Ltd.	Executive Vice President	Wang Chun Chiang	Spouse
Executive Vice President	Republic of China	Wang Chun Chiang	Male	01/21/2005	982,000	1.03%	1,755,100	1.84%	—	—	Department of Accounting, National Chung Hsing University Clerk in Bank of Taiwan Reporter in Commercial Times Manager in Quality Assurance Department of King Slide Works Co., Ltd. Special Assistant to the	Director of Long Shen Investment Inc. Director of Hong-Yi Investment Inc. Director of King Slide Works Co., Ltd. Vice President of King Slide Technology Co., Ltd. President of King Slide USA, Inc.	President	Lin Shu-Chen	Spouse

											Chairman of King Slide Works Co., Ltd. Sales Manager of King Slide Works Co., Ltd.				
Assistant Manager	Republic of China	Fang Bing-Huang	Male	06/01/2016	504	0.00%	871	0.00%	—	—	Department of Electrical Engineering, National Kaohsiung University of Science and Technology Production Manager of King Slide Works Co., Ltd.	None	—	—	—
Financial Manager	Republic of China	Xue Ya-Ling	Female	01/21/2005	10,011	0.01%	—	—	—	—	Department ofAccounting Information, Kun Shan University Accounting Manager of King Slide Works Co., Ltd.	None	—	—	—
Accounting Manager	Republic of China	Chen Yi-Nian	Female	01/21/2005	—	—	—	—	—	—	School of Banking and Insurance, National Kaohsiung University of Science and Technology , Accountant of King Slide Works Co., Ltd.	None	—	—	—

III. Remuneration of directors, supervisors, president, and executive vice president in the most recent fiscal year

(I) Remuneration of directors, supervisors, president, and executive vice president in the most recent fiscal year

1. Remuneration of Directors (with the remuneration range and directors' names)

2018, Unit: NT$ thousands

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Director's remuneration</th><th colspan="2" rowspan="2">Total Remuneration (a+b+c+d) as a % of net income</th><th colspan="12">Compensation earned as an employee of the Company</th><th colspan="2" rowspan="2">Total compensation (a+b+c+d+e+f+g) as a % of net income</th><th rowspan="4">Compensation Paid from Non-consolidated Subsidiaries</th></tr>
<tr><th colspan="2">Base Compensation (a)</th><th colspan="2">Severance Pay and Pensions (b) (Note 1)</th><th colspan="2">Compensation to Directors (c) (Note 2)</th><th colspan="2">Allowances (d)</th><th colspan="2">Base compensation, bonuses, and allowances (e)</th><th colspan="2">Severance pay and pensions (f) (Note1)</th><th colspan="4">Employees' profit sharing bonus (g) (Note 2)</th><th colspan="2">Number of shares vested via employee stock warrant</th><th colspan="2">Number of shares granted via Restricted Stock Awards</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">From all consolidated entities</th><th rowspan="2">The Company</th><th rowspan="2">From all consolidated entities</th><th rowspan="2">The Company</th><th rowspan="2">From all consolidated entities</th><th rowspan="2">The Company</th><th rowspan="2">From all consolidated entities</th><th rowspan="2">The Company</th><th rowspan="2">From all consolidated entities</th><th rowspan="2">The Company</th><th rowspan="2">From all consolidated entities</th><th rowspan="2">The Company</th><th rowspan="2">From all consolidated entities</th><th colspan="2">The Company</th><th colspan="2">From all consolidated entities</th><th rowspan="2">The Company</th><th rowspan="2">From all consolidated entities</th><th rowspan="2">The Company</th><th rowspan="2">From all consolidated entities</th><th rowspan="2">The Company</th><th rowspan="2">From all consolidated entities</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Lin Tsung-Chi</td><td rowspan="8">1,295</td><td rowspan="8">1,295</td><td rowspan="8">30</td><td rowspan="8">30</td><td rowspan="8">5,773</td><td rowspan="8">5,773</td><td rowspan="8">880</td><td rowspan="8">880</td><td rowspan="8">0.45%</td><td rowspan="8">0.45%</td><td rowspan="8">3,001</td><td rowspan="8">3,001</td><td rowspan="8">28</td><td rowspan="8">28</td><td rowspan="8">3,914</td><td rowspan="8">—</td><td rowspan="8">3,914</td><td rowspan="8">—</td><td rowspan="8">—</td><td rowspan="8">—</td><td rowspan="8">—</td><td rowspan="8">—</td><td rowspan="8">0.84%</td><td rowspan="8">0.84%</td><td rowspan="8">None</td></tr>
<tr><td>Director</td><td>Long Shen Investment Inc. Representative: Lin Tsung-Lung</td></tr>
<tr><td>Director</td><td>Wang Chun-Chiang</td></tr>
<tr><td>Director</td><td>Chiu Yen-Chih</td></tr>
<tr><td>Independent Director</td><td>Hsien Yaw-Dong Retired on 2018.6.26</td></tr>
<tr><td>Independent Director</td><td>Lee Wen-Chang</td></tr>
<tr><td>Independent Director</td><td>Hsu Fang-Yih</td></tr>
<tr><td>Independent Director</td><td>Cai Wen-Zhi On board on 06/26/2018</td></tr>
<tr><td colspan="27">*Other than those disclosed above, compensation paid for professional services provided by directors (such as non-employee consultation service): None .</td></tr>
</table>

Note 1: all recognized and appropriatedfigures
Note 2: Estimated figures based on the disbursement in 2017

Remuneration Range of Directors	Name			
	Total of a+b+c+d		Total of a+b+c+d+e+f+g	
	The Company	From all consolidated entities	The Company	From all consolidated entities
Less than $2,000,000	Representative of Long Shen Investment Inc.: Lin Tsung-Lung Wang Chun-Chiang, Chiu Yen-Chih, Hsien Yaw-Dong, Lee Wen-Chang, Hsu Fang-Yih and Cai Wen-Zhi	Representative of Long Shen Investment Inc.: Lin Tsung-Lung Wang ChunChiang, Chiu Yen-Chih, Hsien Yaw-Dong, Lee Wen-Chang, Hsu Fang-Yih and Cai Wen-Zhi	Representative of Long Shen Investment Inc.: Lin Tsung-Lung Chiu Yen-Chih, Hsien Yaw-Dong, Lee Wen-Chang, Hsu Fang-Yih and Cai Wen-Zhi	Representative of Long Shen Investment Inc.: Lin Tsung-Lung Chiu Yen-Chih, Hsien Yaw-Dong, Lee Wen-Chang, Hsu Fang-Yih and Cai Wen-Zhi
$2,000,000 (included) ~ $5,000,000 (excluded)	—	—	—	—
$5,000,000 (included) ~ $10,000,000 (excluded)	Lin Tsung-Chi	Lin Tsung-Chi	Lin Tsung-Chi, Wang Chun Chiang	Lin Tsung-Chi, Wang Chun Chiang
$10,000,000 (included) ~ $15,000,000 (excluded)	—	—	—	—
$15,000,000 (included) ~ $30,000,000 (excluded)	—	—	—	—
$30,000,000 (included) ~ $50,000,000 (excluded)	—	—	—	—
$50,000,000 (included) ~ $100,000,000 (excluded)	—	—	—	—
More than $ 100,000,000	—	—	—	—
Total	8	8	8	8

2. Remuneration of supervisors (with the remuneration range and supervisors'names)

2018, Unit: NT$ thousands

Title	Name	Supervisor's remuneration						Total Remuneration (a+b+c) as % of net income		Compensation Paid from Non-consolidated Subsidiaries
		Base Compensation (a)		Base Compensation (b) (Note)		Business Allowance (c)				
		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	
Supervisor	Yin Li Investment Inc. Representative: Lin, Jhang A-Jhu	—	—	727	727	—	—	0.04%	0.04%	None
Supervisor	Wu Min-Zhen									

Note: Estimated figures based on the disbursement in 2017

Remuneration Range of Supervisors	Name	
	Total of a+b+c	
	The Company	From all consolidated entities
Less than $2,000,000	Yin Li Investment Inc. Representative: Lin, Jhang A-Jhu , Wu Min-Zhen	Yin Li Investment Inc. Representative: Lin, Jhang A-Jhu , Wu Min-Zhen
$2,000,000 (included) ~ $5,000,000 (excluded)	—	—
$5,000,000 (included) ~ $10,000,000 (excluded)	—	—
$10,000,000 (included) ~ $15,000,000 (excluded)	—	—
$15,000,000 (included) ~ $30,000,000 (excluded)	—	—
$30,000,000 (included) ~ $50,000,000 (excluded)	—	—
$50,000,000 (included) ~ $100,000,000 (excluded)	—	—
More than $ 100,000,000	—	—
Total	2	2

3. Remuneration to President and Vice President (with the remuneration range and directors' names)

2018, Unit: NT$ thousands

Title	Name	Salary (a)		Severance Pay and Pensions (b) (Note 1)		Bonus and special allowance, etc. (c)		Employees' profit sharing bonus (d) (Note 2)				Total Remuneration (a+b+c+d) as % of net income		Number of shares granted via employee stock warrant		Number of shares granted via Restricted Stock Awards		Compensation Paid from Non-consolidated Subsidiaries
								The Company		From all consolidated entities								
		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	Cash value	Stock value	Cash value	Stock value	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	
Presidentr	Lin Shu-Chen	2,453	2,453	57	57	3,891	3,891	6,587	—	6,587	—	0.73%	0.73%	—	—	—	—	None
Vice President	Wang Chun-Chiang																	

Note 1: all recognized and appropriated figures

Note 2: Estimated figures based on the disbursement in 2017

Remuneration Range of President and Vice Presidents	Name	
	The Company	From all consolidated entities
Less than $2,000,000	—	—
$2,000,000 (included) ~ $5,000,000 (excluded)	—	—
$5,000,000 (included) ~ $10,000,000 (excluded)	Lin Shu-Chen, Wang Chun-Chiang	Lin Shu-Chen, Wang Chun-Chiang
$10,000,000 (included) ~ $15,000,000 (excluded)	—	—
$15,000,000 (included) ~ $30,000,000 (excluded)	—	—
$30,000,000 (included) ~ $50,000,000 (excluded)	—	—
$50,000,000 (included) ~ $100,000,000 (excluded)	—	—
More than $ 100,000,000	—	—
Total	2	2

4. Employee profit sharing paid to top managers:

2018, Unit: NT$ thousands

	Title	Name	Stock (Note)	Cash (Note)	Total	Total paid to top managers as % of net income
Manager	President	Lin Shu-Chen	—	8,104	8,104	0.46%
	Vice President	Wang Chun-Chiang				
	Assistant Vice President	Fang Bing-Huang				
	Financial Manager	Xue Ya-Ling				
	Accounting Manager	Chen Yi-Nian				

Note: Estimated figures based on the disbursement in 2017

(II) Compare respectively the ratio of the total amount of the remuneration paid to each of the directors, supervisors, president and vice presidents of the Company and all entities covered in the consolidated financial statements in the past two fiscal years to after-tax net income stated in the parent company only financial reports or individual financial reportsalong with explanations of the policies, standards and portfolios for the payment of remuneration, the procedures for determining remuneration and its linkage to business performance and future risks

1. Analysis of the total amount of the remuneration paid to each of the directors, supervisors, president and vice presidents of the Company and all companies covered in the consolidated financial statements in the past two fiscal years to after-tax net income stated in the parent company only financial reports or individual financial reports

Item / Title	Total Remuneration as percentage of After-tax Net Income				Change %	
	2018 (Note 1)		2017 (Note 2)			
	The Company	All entities covered in the consolidated financial statements	The Company	All entities covered in the consolidated financial statements	The Company	All entities covered in the consolidated financial statements
Director	0.84%	0.84%	1.40%	1.40%	-40.00%	-40.00%
Supervisor	0.04%	0.04%	0.08%	0.08%	-50.00%	-50.00%
President and Vice President	0.73%	0.73%	0.84%	0.84%	-13.10%	-13.10%

Note 1: The 2018 employees' profit sharing bonus is estimated according to the actual distribution made in 2017.

Note 2: The 2017 total remuneration is the actual payment made

Explanation:

(1) Directors, president and vice president:

The 2018 remuneration paid in terms of percentage of net profit in the parent company only financial reportdecreased by 40.00 % and 13.10% because the net profit increased by 95.44% in 2018, and the Company allocated extra NT$ 1,703 thousands for bonus and NT$ 5,419 thousands respectively for profit sharing. No significant adjustments were made to salary, directors' compensation and transportation expenses.

(2) Supervisors:

The 2018 remuneration paid in terms of percentage of net profit in the parent company only report decreased by 50.00 % because the 2018 net profit increased by 95.44%, and the total remuneration stayed unchanged.

2. Remuneration policies, standards/packages, procedures for determining remuneration,and its linkage to operating performance and future risk exposure:

(1) Remuneration policies of directors and supervisors were, through the authorization of shareholders' meeting, formulated by the Board of Directors with the reference to the industry standard.

Compensation paid for professional services provided by the directors or supervisors shall not exceed the salary level stipulated in "Regulation Governing Employee Salary" and shall be paid, regardless of the financial result of the business operation. And the remuneration appropriated to the directors and supervisors shall not be higher than 5% of profit before income tax.

(2) Salaries and compensations to the president and vice presidents of the Company was set according to "Regulation Governing Employee Salary". Bonuses were appropriated according to the Company's operation results and profitability and with linkage to performance. The final decision was made jointly by the Cemuneration committee and the Board of Directors to ensure future risks would not be affected significantly.

IV. Implementation of corporate governance

(I) Board of Directors

A total of 6 meetings of the Board of Directors were held in 2018. The attendance of directors and supervisors was as follows:

Title	Name	Attendance in Person	by Proxy	Attendance Rate (%)	Remark
Chairman	Lin Tsung-Chi	6	-	100.00	
Director	Long Shen Investment Inc. Representative: Lin Tsung-Lung	6	-	100.00	
Director	Wang Chun-Chiang	6		100.00	
Director	Chiu Yen-Chih	5	-	83.33	
Independent Director	Hsien Yaw-Dong	3	-	100.00	Retired on 06/26/2018
Independent Director	Cai Wen-Zhi	3	-		On board on 06/26/2018
Independent Director	Lee Wen-Chang	6	-	100.00	
Independent Director	Hsu Fang-Yih	6	-	100.00	
Supervisor	Yin Li Investment Inc. Representative: Lin, Jhang A-Jhu	6	-	100.00	
Supervisor	Wu Min-Zhen	6	-	100.00	

Other matters required reporting:

I. The date, session, proposal content of the Board meeting, opinions of all Independent Directors and how the Company deals with such opinions shall be specified if any of the following circumstances occurs during the operations of the Board:
   - (I) Any circumstances listed under Securities and Exchange Act #14-3: None (Please refer to the table below)
   - (II) Apart from the circumstances above, other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion: None

II. In the events of recusals of directors due to conflicts of interests, the name of the director, meeting agenda and reason for the recusals and the resolution shall be clearly stated:
   - (I) Board meeting date: 02/05/2018
     1. Directors: Lin Tsung-Chi and Wang Chun-Chiang
     2. Proposal: Reviewing and approving employee cash bonus for 2016 and 2017 yearend bonus allocation.
     3. Reason for the recusals: the directors above were the interested parties.
     4. Resolution: the proposal was approved by other attending Directors with the recusal of Lin Tsung-Chi (Chairman) and Wang Chun-Chiang (Director).
   - (II) Board meeting date: 02/27/2018
     1. Directors: Lin Tsung-Chi and Wang Chun-Chiang
     2. Proposal: Reviewing salary adjustment for the Chairman and top managers:
     3. Reason for the recusals: the directors above were the interested parties.
     4. Resolution: the proposal was approved by other attending Directors with the recusal of Lin Tsung-Chi (Chairman) and Wang Chun-Chiang (Director).

(III) Board meeting date: 11/07/2018

1. Directors: Lin Tsung-Chi, Lin Tsung-Lung and Wang Chun-Chiang
2. Proposal: Reviewing and approving remuneration to the directors and supervisors for 2016 service
3. Reason for the recusals: the directors above were the interested parties.
4. Resolution: the proposal was approved by other attending Directors with the recusal of Lin Tsung-Chi (Chairman), Lin Tsung-Lung and Wang Chun-Chiang (Director).

III. The objectives(such as setting of an audit committee,improvement of information transparency,etc.) of strengthening the functionality of the Board of Directors for the current fiscal year and the most recent fiscal year and assessment on the implementation: The Company has filed all required information in Market Observation Post System to enhance the transparency.

Any matters listed in Article 14-3 of the Securities and Exchange Act occurred during the Board meeting

Board meeting	Proposals and follow-up handling	Matters listed in Article 14-3 of the Securities and Exchange Act	An independent director has a dissenting or qualified opinion
The 12th Board of Director the 16th meeting on 02/05/2018	1. Reviewing and approving employee cash bonus for 2016 and 2017 year-end bonus allocation.	✓	
	Independent director opinion: None		
	Follow-up handling regarding independent director opinion: None		
	Resolution: The proposal was approved by other attending Directors with the recusal of Lin Tsung-Chi (Chairman) and Wang Chun-Chiang (Director).		
The 12th Board of Director the 17th meeting on 02/27/2018	1. Reviewing salary adjustment for the Chairman and top managers:	✓	
	Independent director opinion: None		
	Follow-up handling regarding independent director opinion: None		
	Resolution: The proposal was approved by other attending Directors with the recusal of Lin Tsung-Chi (Chairman) and Wang Chun-Chiang (Director).		
The 13th Board of Director the 3rd meeting on 11/07/2018	1. Stipulating “Internal Control Policy” and “Internal Audit Implementation Rules” in writing	✓	
	Independent director opinion: None		
	Follow-up handling regarding independent director opinion: None		
	Resolution: The proposal was approved by all attending Directors.		
	2. Reviewing and approving remuneration to the directors and supervisors for 2016 service	✓	
	Independent director opinion: None		
	Follow-up handling regarding independent director opinion: None		
	Resolution: the proposal was approved by other attending Directors with the recusal of Lin Tsung-Chi (Chairman), Lin Tsung-Lung and Wang Chun-Chiang (Director).		

Attendance of Independent Directors in 2018

◎ : Attendance in Person；☆: by Proxy；✻: Absence

2018	Session 1	Session 2	Session 3	Session 4	Session 5	Session 6
Hsien Yaw-Dong Retired on 06/26/2018	◎	◎	◎			
Cai Wen-Zhi On board on 06/26/2018				◎	◎	◎
Lee Wen-Chang	◎	◎	◎	◎	◎	◎
Hsu Fang-Yih	◎	◎	◎	◎	◎	◎

(II) The state of operations of the audit committee or the state of participation in board meetings by the supervisors:

1. Operations of the audit committee: Not applicable
2. Participation in board meetings by the supervisors

A total of 6 meetings of the Board of Directors were held in 2018.

Title	Name	Attendance in Person	Attendance Rate (%)	Remark
Supervisor	Yin Li Investment Inc. Representative: Lin, Jhang A-Jhu	6	100.00	
Supervisor	Wu Min-Zhen	6	100.00	

Other matters required reporting:

I. Composition and duties of the supervisors

(I) Supervisors' communication with the employees and shareholders of the Company:

Supervisors of the Company updated the information of the Company via the audit reports provided by either the Board of Directors or the internal audit, or via the relevant data provided by the finance or sales department. In addition, managers of each department shall be asked to make specific reporting when necessary. All stakeholders of the Company, including but not limited to employees, shareholders, and any other interested parties can contact the supervisors of the Company by letters or emails.

(II) Supervisors' communication with the manager of internal audit and the independent C.P.A.:

Supervisors of the Company shall receive the internal audit report completed by the internal audit on a regular basis or obtain latest result of internal audit work through board meetings. In addition, financial and business data are always available to the supervisors to help making immediate discussion with the related managerswhen necessary. Supervisors also have direct access to the Company's independent C.P.A. for further discussion and making necessary advice for related managers..

II. When supervisors gives opinion in a board meeting, the date, session, proposal, the resolution of the Board m.eeting and how the Company deals with such opinions shall be clarified: None

(III) Corporate Governance Implementation Status and Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
I. Does the company establish and disclose Corporate Governance Best-Practice Principles based on Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		The Board of Director of the Company has resolved to formulate Corporate Governance Best-Practice Principle on January 29, 2016 and made the disclosure of the principle on its website and internal communication network.	All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies."
II. Shareholding structure & shareholders' rights				
(I) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		There are personnel and email box dedicating to shareholders' suggestions, concerns, disputes or litigation matters	All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies."
(II) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company regularly updates the shareholding status from its directors, supervisors and top shareholders and maintain healthy community with its top shareholders.	All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies."
(III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The Company has formulated "Procedures for handling transactions with specific companies, affiliated entities and affiliated persons" and "Management guidelines for short and long term investments" with dedicated personnel handing the associated matters.	All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies."
(IV) Does the company establish internal rules against insiders trading of any securities?	✓		The Company has formulated procedures for handing material insider information to prevent insiders trading on undisclosed information.	All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies."

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”
	Yes	No	Abstract Illustration	
III. Composition and Responsibilities of the Board of Directors (I) Does the Board develop and implement a diversified policy for the composition of its members?	✓		The Company’s Board of Directors consists of seven members of which three are independent directors. The composition considers diverse backgrounds, professional competence and experience.	All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies.”
(II) Does the company voluntarily establish other functional committees in addition to the Compensation Committee and the Audit Committee		✓	No functional committees have set up other than the Compensation Committee and the Audit Committee .	The Company will make the relevant planning depends on the future development.
(III) Does the company establish a standard to measure the performance of the Board, and implement it annually?		✓	No methodology for evaluating the performance of the Board has been set up.	The Company will make the relevant planning depends on the actual needs.
(IV) Does the Company regularly evaluate its external auditors’ independence?	✓		The Company hold regular review on its external auditors. The result of the recent review has present in the Board meeting on February 27, 2019. The review shows the CPAs, Wu Chiu-Yen and Wu Chiu-Yen, from Deloitte Taiwan fulfill the independent criteria (Note 1) of the Company to carry out the review work of the Company. The associated statement will be made by the auditors (Note 2).	All associated matters are practiced according to “Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies.”

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
IV. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors and supervisiors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, produce minutes of board meetings and shareholders meetings, etc.?	✓		The matters are currently handled by the Finance department. Meeting notices with sufficient materials are provided to the directors prior seven(7) days to assist understanding. Reminders are given when recusals are necessary due to conflict of interest. The Company makes official registration for its shareholders' meeting dates and produces meeting notices, meeting handbooks and meeting minutes within the regulatory deadlines. Any registration change will be handled after amendments made the Articles of Incorporation or re-election of directors and supervisors.	All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies."
V. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The Company maintains multiple communication channels, including telephone hotlines, fax, post and emails, in additional to the Stakeholders section on its official website to reply matters on corporate social responsibilities.	All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies."
VI. Has the Company appointed a professional registrar for its Shareholders' Meetings?	✓		We have appointed Agency Department China Trust as our registrar for our shareholders' meetings.	All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies."

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Yes	No	Abstract Illustration	
VII. Information Disclosure (I) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	✓		The Company disclose the financials business and corporate governance status on our website at https://www.kingslide.com.	All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies."
(II) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		The dedicated personnel have been assigned to compile required information for public disclosure. The Company has designated spokespersons and dedicated web pages updating schedule of institutional investors' conferences and the presentation materials.	All associated matters are practiced according to "Corporate Governance Best-Practice Principles for TWSE/TPExListed Companies."

VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓ ✓ ✓ ✓		1. Employee rights and care: Apart from establishing the employee welfare committee that handle company outings, holiday and birthday gifting, various subsidies and children study aids, the Company also sponsors health checkup and shares operating profits to ensure the employees enjoys a sound welfare system. 2. Investor relationship: The Company post information of its operation to facilitate investors understanding to Market Observation Post System and on its website. 3. Supplier relationship: The Company maintains benign relationship and signs purchase agreements with all its suppliers to clarify the rights and obligations from both parties. 4. Stakeholders' rights: The Company keeps good communication channels with its banks and creditors, employees, suppliers, communities or any stakeholders, and respects and protects their legitimate rights and interests. In the case of rights of stakeholders are violated, the Company shall handle with the principle of good faith. The Company provides sufficient information to banks and creditors to facilitate understanding on business and financial status for decision making.	The Company has complied fully with Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies but not yet with Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.

		✓	5. Continuing education for directors and supervisors: The Company arranges, from time to time, professional training and courses on corporate governance and other matters.	
	✓		6. Implementation of risk management and measurement: Matters regarding major operating policies, investment proposals, endorsement guarantees, capital funding and financing and other major proposal are evaluated by the competent departments and executed in accordance with the resolutions of the Board of Directors. The Company adopts a risk presentation policy. Apart from formulated relevant system and chapters for internal control operation with the supervision of in-house auditing units, additional insurance policies have purchased to against the associated risks.	
	✓		7. Execution of customer policy The Company has formulated a Handling Procedures of Customer Complaints to handle the compliant from customers.	
	✓		8. D&O insurance purchase: The Company has stipulated policies of D&O insurance purchase in the Articles of Incorporation. The insurance policies have acquired and remained valid. The status of the insurance policy has presented and review in the Board meeting on 11/07/2018.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”
	Yes	No	Abstract Illustration	
IX. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange. Based on the Evaluation Item# 3.5, the Company will start disclosing its financial reports in English on Market Observation Post System and its website seven days before the shareholders ‘meeting. The consolidated and parent-only reports shall be available on June 18, 2019 on Market Observation Post System for foreign investing institutions.				

Note 1: Evaluation criteria for the independence of external auditors.

Evaluation Item	Evaluation result	Complies with independence or not
1. Does the independent auditor have direct or material financial interest of the Company?	No	Yes
2. Does the independent auditor have loans or guarantees with the Company or its directors?	No	Yes
3. Does the independent auditor have a close business relationship or potential employment relationship with the company	No	Yes
4. Has the independent auditor or any member of the audit member been, in the past two years, a director or a manager in the Company, or in a position of the Company that were able to exercise great influence to the audit work?	No	Yes
5. Does the independent auditor provide any non-audit service to the Company which would materially impact its audit engagement with the Company?	No	Yes
6. Does the independent auditor promote or broker shares or any other securities issued by the Company?	No	Yes
7. Does the independent auditor serve as an advocate or representative for the Company with a third parties in the event of conflict?	No	Yes
8. Does the independent auditor have family ties with anyone who is a director, manager or any personnel in a position that can make material impacts to the audit engagement?	No	Yes

Note 2: Statement made by

Letter# 10800089 of declaration from Deloitte & Touche, 01/16/2019

Recipient: King Slide Works Co., Ltd.

Subject: With respect to the audit of the Company's financial statements for the year ended in 2018, our audit team confirms that we have complied with the following requirements without impairing auditor independence, in compliance with "The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10, Integrity, Objectivity and Independence" of the National Federation of CPA Associations of the R.O.C.

Explanation:

I. Our audit team members, their spouses and relatives entitled to maintenance do not have the following circumstances:
   (I) Holding any direct or material indirect financial interests of the Company
   (II) Maintaining an independence-impairing business relationship with the Company and/or its directors or managers

II. During the audit engagement period, our audit team members, their spouses and relatives entitled to maintenance do not serve as the director, supervisor, manager, or at any position having a direct and significant influence over the audit work

III. Our audit team members do not have any spouse, lineal family members by blood or by marriage and/or collateral relatives within the second degree who takes a position as the director, supervisor, or manager of the Company.

IV. Our audit team members do not accept significant gifts and hospitality from the Company and/or its directors, supervisors, managers, or major shareholders.

V. Our audit team has performed necessary independence/conflict check procedures to assure no independence impairment or unsolved conflicts of interests.

Deloitte & Touche

CPA Wu Chiu-Yen

CPA Kuo Lee-Yuan

(IV) Compensation committee, the composition, responsibilities, and operation:

1. Compensation Committee members

Identity (Note 1)	Criteria / Name	At least five years work experience and meet the following professional qualification			Independent criteria (Note 2)								The number of other publicly Tradedcompanies in which the individual is concurrently serving as an Compensation Committee member	Remark
		Alecturer or any higher position in a department of commerce, law, finance, accounting, or other company business related fields in a public or private college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Lee Wen-Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Hsu Fang-Yih		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Cai Wen-Zhi			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Identity can be specified as director, independent director, or others.

Note 2: A check "✓" mark is placed in the box for those directors who fulfill the following conditions during and two years prior to their time in office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or an of its affiliates. This does not include in cases where the person is an independent director of the Company, its parent company, or any of its subsidiary in accordance with this Act or local laws.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' name in an aggregate amount of 1% or more than the total outstanding shares of the Company or ranked in the top-10 holdings.

(4) Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total outstanding shares of the Company or that holds shares ranked in the top-five holdings.

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total outstanding shares of the Company or that holds shares ranked in the top-five holdings.

(6) Not a director, supervisor, manager, or shareholder holding 5% or more of the total outstanding shares of a specified company or institution that has a financial or business relationship with the Company.

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

(8) Not violated any regulation in Article 30 of the Company Act .

2. Operational status of Compensation Committee
   (1) The Company's Compensation Committee is composed of three people.
   (2) The current committee members started to serve from June 26, 2018 and will end the term on June 25, 2021. A total of 4 meetings (A) were convened during 2018 with the attendance records as follows:

Title	Name	Attendance in Person (B)	by Proxy	Attendance Rate (%) (B/A) (Note)	Remark
Convener	Hsien Yaw-Dong	2	-	100.00	Retired on 06/26/2018
Member	Cai Wen-Zhi	2	-		On board on 06/26/2018
Member	Lee Wen-Chang	4	-	100.00	Elected as the convener on 06/26/2018
Member	Hsu Fang-Yih	4	-	100.00	

Other matters required reporting:
1. If the Board does not adopt or revise the suggestions made by the Compensation Committee, the date of said meeting, session number, proposal content, board resolutions, and the Company's responses to Compensation Committee opinions should be specified: (if the remuneration approved by the Board is higher than that suggested by the Compensation Committee, the disparities and reasons should be specified): None.
2. If the committee members expressed objections or reservations on record or through written opinions regarding the committee proposals, the date, session, proposal, all committee members' opinions, and the responses to all of the opinions: None.

(V) Corporate Social Responsibility:

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
I. Corporate Governance Implementation				
(I) Does the Company declare its corporate social responsibility policy and examine the results of the implementation?	✓		The Company's "Corporate Social Responsibility Best Practice Principles" was formulated following approval the Board meeting on January 29, 2016 and posted under the Company's website and internal communication network.	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."
(II) Does the Company provide educational training on corporate social responsibility on a regular basis?	✓		A RBA Committee has set up to give regular training on topics regarding social responsibility.	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."
(III) Does the Company establish exclusively (or concurrently) unit and dedicated firstline managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The RBA Committee is the working unit for social responsibility that is in charge of promote CSR program and the associated policy.	All associated matters are being practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(IV) Does the Company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		A performance appraisal system has formulated to set up annual work objectives and conduct the annual performance appraisal, as a reference for salary adjustment and future promotion through face-to-face communication with the immediate supervisors. A code of ethical conduct has formulated to specify the ethical matters to be followed by employees and the responsibilities and obligations to be performed. Employees' behaviors in workplace are included in the performance evaluation, with rewards and punishments given, accordingly.	All associated matters are being practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."
II. Sustainable Environment Development (I) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		The Company actively promotes energy and resource conservation and waste reduction based on the environmental security policy stipulated. Including: continue to improve the use of raw materials, reduce shipment packaging materials, garbage classification and recycling management, apply wastewater recovery and treatment systems to reuse water, commit to the production of green products and energy conservation to reduce the impacts on the environment.	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."
(II) Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		The control room and the environmental task force were appointed to implement necessary work regarding to environment, safety and cleanness for law compliance. The Company has received ISO14001, certificate for international environmental governance.	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(III) Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		The Company sets reduction targets for greenhouse gases, water usage and industrial waste, and implements measures such as waste classification and reduction, water and electricity conservation and environmental management. The reduction targets are as follows: (1) 2018 solid waste reduction target was 22.04KG/ 1000 product sets (the actual was 19.75KG). (2) 2018 water usage reduction target was 17.90L/㎡(the actual was 15.74L/㎡). (3) 2018 Greenhouse gas reduction targets: ① King Slide Works Plant: 138.352 tons of CO2e (the actual was 312.589 tons); ②King Slide Technology Plant: 81.47 tons of CO2e (the actual was 1059.94 tons) The measure taken included: (1) The stamping motors were replaced with frequency-conversion-control ones; compound-metal lights were replaced with LED ones; and fuel-fired boilers were replaced with natural gas ones.	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			(2) Superchargers on assembling machine changed from oil driver to air driver; dryers in the air compressor room is secluded with additional heat outlets, fans in the production changed from 24-hour running to alternated operation; hand-stamping operation is replaced by forward delivering one in some machineries; cut down total horse power, change to LED lighting and install blinders to reduce room temperature. (3) Replace the RO films from two RO machineries to improve the removal and recycling efficiency to cut down water usage. (4) Strengthen the education of water saving to employees and reduce the water pressure in the factory to reduce the discharge of domestic sewage. (5) An extra sludge dryer was procured to further cut down sludge moisture content and solid waste.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
III. Preserving Public Welfare				
(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		The Company has formulated a set of work rules according to Labor Standard Act that has reported to the competent authorities and announced to the employees. Apart from complying with the local regulations, the Company is also in compliance with Code of Conduct - Responsible Business Alliance, RBA Version, including "Conflict Minerals."	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."
(II) Has the Company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		Company has set up an employee hotline, e-mail box and suggestion box as the complaints and grievance channels, bilateral discussion from both the employees and the Company is adopted through holding discussions for matters regarding work relationship, cooperation, employment terms and welfares in the regularly-held labor meetings. Employee relationship has been harmonious within the Company.	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		We have formulated the Occupational safety and health committee according to Occupational Safety and Health Act to involve employees in the associated issues through regular meetings. The Company has obtain OHSAS 18001, international certificate for occupational safety and health management system. Further improvements will continue to reinforce the implementation. Staff checkup is conducted regularly every year with various education and promotional activities held for the related topic.	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."
(IV) Does the Company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		The Company updates pertinent information through regular meetings, and release announcement on its internal communication network.	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."
(V) Does the Company provide its employees with career development and training programs?	✓		The Company attaches great importance to the talent developments, constantly strives to improve professional ability, provides a systematic learning system, promotes learning initiatives to employees and encourages supervisors providing assistance on the side, in order to meet the needs of the Company's business and personal career development. Development scope covers Personal development under performance management, diverse learning courses, continuing education assistances and various levels of learning.	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(VI) Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service? (VII) Does the Company advertise and label its goods and services according to relevant regulations and international standards? (VIII) Does the Company assess the past recordsof a supplier regarding its environmental and social impacts before conducting business with such supplier?	✓ ✓ ✓		Products of the Company are sold to the distributors, not the end customers. A "Handling Procedures of Customer Complaints " has formulated to assist report product products. All the core products are sold to the distributors; therefore no marketing activities carried out to the end users. Any publicities to the market, including advertisement, promotions and sponsorship are all complied by the laws and regulations. There have not been any illegal or dishonest wrongdoing. The Company has clearly banned Trust activities and dishonest advertisement in the its marketing and fair trade management rules. The Company evaluates the records of suppliers' impact on the environment and society before taking on business partnerships	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies." All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies." All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."
(IX) Do the contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		Contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause depreciable impacts on the environment and society	All associated matters are practiced according to "Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies."

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>IV. Enhancing Information Disclosure
(I) Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?</td><td>✓</td><td></td><td>The Company updates information regarding its financials,corporate governance ,and social responsibility in the investor relationship session under its Company website.</td><td>All associated matters are practiced according to “Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies.”</td></tr>
<tr><td colspan="5">V. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company’s “Corporate Social Responsibility Best Practice Principles” approved on January 29, 2016 doesn’t deviate from the principles significantly.</td></tr>
<tr><td colspan="5">VI. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices:
1. Environment protection:
To promote the green protection, implement waste recycle and energy saving, we have created a working environment that is ROHS- qualified and continue to lower the pollution and hazard levels to conform with the government regulations and undertake the social responsibility to protect the environment.
2. Community service and other social welfare events:
The Company has been involved with various charity and donation events to sponsor the disadvantaged individual and groups to show our care to the needs in the society: Important sponsorship in 2018 are as follows:
(1) On 02/06/2018, our Chairman, Mr. Lin Tsung-Chi made a donation of NT$ 3 million to help rebuild lives for victims from the major earthquake took place in Hualien, in hopes of reviving the unique scenery of the township.
(2) Overgrown cabbage subscription: The Company bought 1,800 heads of cabbages with above-market price to ensure growers from the rural areas could cover the growing costs which were higher than market price due to excess supplies in the winter of 2018.
(3) The Company participated in the “Tree Planting” event held by National Cheng Kung University for its new campus. A total of 200 trees were sponsored by the Company and planted by our employees in persons.
3. Consumer rights:
Core products of the Company are sold to the distributors, not the end customers. A “Handling Procedures of Customer Complaints “ has formulated to assist report product complaints.
4. Health and safety:
The Company adopt “ waste reduction, resource cherishing, green production, environment care, risk management, disaster prevention, law compliance, continuous improvement” to hold up the environmental security policy together with the company employees.</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
VII. If Company products or CSR report have received certification from relevant certification bodies, please detail below: Our 2017 CSR report has compiled based on GRI G4 and has yet certified by any third party. For online CSR report, please go to: https://www.kingslide.com/about_csr_report/				

(VI) Ethical corporate management implementation status:

Evaluation Item	Implementation status:			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
I. Establishment of ethical corporate management policies and programs				
(I) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitments from its board and management to implement the policies?	✓		The Board of the Company adopted the resolution, on 01/29/2016, to formulate "Ethical Corporate Management Principles" and " Code of Ethic Conduct," which have made available for viewing in the Company website and the internal communication network.	It is being carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"
(II) Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		The Board of the Company adopted the resolution, on 01/29/2016, to formulate "Ethical Corporate Management Operating Procedures and Code of Conduct," which has made available for viewing in the Company website. In the meantime, work rules and "Management Procedures for whistle blowing, Filing Complaints and Suggestions" have also created for reinforcement and precautionary purposes. Additional meeting sessions were also used to promote the concept of ethical management.	
(III) Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated under Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		We have established effective accounting policy and internal control system to prevent high-potential unethical conducts, such as 2nd or secret book. Timely discussions are held to ensure efficiency of our policy and system.	

Evaluation Item	Implementation status:			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
II. Implementing ethical corporate management (I) Does the Company evaluate the ethical records of the businesses with which it has dealings and include clear ethical corporate behavior provisions in contracts with such counterparties?	✓		The Company has asked its suppliers sign the Guidelines of Honest Business Conduct of Suppliers and Employees, and Code of Integrity to act upon ethical business conducts. The Company has also signed the supplier honesty and integrity agreement to its customers. There are also measuring regulating corruption, unfair advertisement and trade practices to prevent such events from happening.	It is being carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"
(II) Has the Company established an organization under the direct jurisdiction of the Board of Directors that promotes ethical management principles and also regularly reports to the Board concerning implementation?	✓		To ensure full implementation of our ethical management policy, we have assigned the following affairs to the related departments: 1. Finance department: Filing work for all work execution and reporting document, as well as the associated tasks and execution supervision.	It is being carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation status:			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			2. Patent and audit office (1) Assisting integrating integrity and ethical value into business strategies and formulating associated preventive measures against mal-practices according to the laws and regulations. (2) Formulating programs for unethical conducts prevention with the associated standard operation procedures and guidelines. (3) Organization and departmental function planning and setting the check-balance and monitoring mechanism for department that comes with greater possibility of mal-practices. 3. Administrative division: (1) Promoting and coordinating training programs of ethical management policy (2) Whistleblowing system planning and effect review 4. Audit office: assisting the Board and the management monitoring and reviewing ethical management policies and related measures by providing the evaluation reports.	

Evaluation Item	Implementation status:			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(III) Has the Company formulated and implemented policies to prevent conflicts of interest and provide appropriate ways to record any potential conflicts found?	✓		We have formulated "Ethical Corporate Management Principles" and "Ethical Corporate Management Operating Procedures and Code of Conduct," which have clearly stated conflict of interest prevention and complaint channel. All business units are asked to follow the regulations strictly.	It has been carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"
(IV) Has the Company implemented effective accounting and internal control systems and does it have an internal auditing unit or independent accountant periodically review them?	✓		We have set up rigid accounting system with dedicated accounting & finance units and internal audit unit to carry out the daily internal control. All financial statements are certified and reviewed by the independent C.P.A. to ensure the fair presentation of the financial statements.	It has been carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"
(V) Does the Company periodically hold internal and external ethical corporate behavior training?	✓		The Company has regular internal and external training program on ethical management.	It has been carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation status:			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
III. Operation of the whistle blowing system (I) Does the Company establish both a reward/punishment system and a whistle blowing hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The Company has created "Management Procedures for whistle blowing, Filing Complaints and Suggestions." Apart from the hotline and mailbox which is handled by the audit office, any illegal conducts can also be reported directly through telephone number or email to vice president or upper managers for further investigation and handling.	It has been carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"
(II) Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The Company has created "Management Procedures for whistle blowing, Filing Complaints and Suggestions "and "Whistleblower Protection and Anti-Revenge" for complaint handling and confidentiality protection.	It has been carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"
(III)Does the company provide proper whistleblower protection?	✓		We have set up "Whistleblower Protection and Anti-Revenge" to protect the whistleblower with proper handling procedures.	It has been carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"
IV. Enhancing Information Disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and Market Observation System, MOPS?	✓		The Company has made the related disclosure of Ethical corporate management implementation status on the Company's website and MOPS.	It has been carried out as stipulated under "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"
V. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: There's no significant deviation, as the Company has formulated its "Ethical Corporate Management Principles" based on Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., reviews and amends its policies): None				

(VII) How the Information of the Company's Corporate Governance Policy can be Obtained in Public:

The Company has disclosed the information about its corporate governance policy and associated regulations in the investor relation section on the Company website, https://www.kingslide.com and Market Observation Post System.

(VIII) Other information providing a better understanding of the company's corporate governance status: please refer to page 31 in this annual report.

(IX) Internal Control System Execution Status

1. Internal Control System Statement: Please refer to Page 117 in this annual report.
2. CPA review report on assessment of internal controls: Not applicable

(X) Sanctions imposed on the Company and its internal staff as ruled by the laws, and sanctions the Company has imposed on its internal staff that violate the internal control system, main deficiencies and improvements in the most recent fiscal year and the current fiscal year up to the publication date of this annual report: None

(XI) Major Resolutions of Annual Shareholders' Meeting and Board Meetings in the Most Recent Fiscal Year and the Current Fiscal Year up to the Publication Date of this Annual Report:

1. Important resolutions reachedin the annual shareholders' meeting on June 26, 2018 and the implementation status:
   (1) Approved the 2017 business report and financial statements.
   (2) Approved the 2017 earnings distribution.
   Implementation status: A per share cash dividend NT$ 5 dollar was made with the dividend base dateset on September 04, 2018 and the distribution date set on October 03, 2018. (A cash dividend of NT$ 5/share)
2. Important resolutions of the Board of Directors during the most recent fiscal year and up to the publication date of the annual report:

Board meeting	Major resolutions:
The 12th Session 16 02/05/2018	1. Approved the amendment of Rules and Procedures of Board of Directors Meetings 2. Approved 2018 financial budget 3. Approved the distribution amount of 2016 employee cash bonus and 2017 year-end bonus proposal for the chairman and the mananement team.
The 12th Session 17 02/27/2018	1. Approved the 2017 parent company only financial statements, consolidated financial statements, and business report. 2. Approved the 2017 employees and directors and supervisors profit sharing 3. Approved 2018 annual shareholders' meeting date.

Board meeting	Major resolutions:
	4. Approved directors and supervisors re-election. 5. Approved the nomination of directors (including independent directors) and supervisors proposed by the Board of Directors. 6. Approved the venue and period of accepting shareholders' suggestions and nomination of the directors and supervisors for 2018 annual shareholders' meeting. 7. Approved 2017 Internal Control System Statement 8. Approved the salary adjustment for the Chairman and top managers.
The 12th Session 18 05/07/2018	1. Approved the 2017 earnings distribution. 2. Approved the nomination of directors (including independent directors) and supervisors reviewed and proposed by the Board of Directors.
The 13th Session 1 06/26/2018	1. Elected and appointed the Chairman. 2. Approved the commission of the members of the fourth Compensation Committee. 3. Approved additional investment in King Slide USA, Inc.
The 13th Session 2 08/07/2018	1. Approved the dividend base date and distribution date of cash dividend distribution. 2. Approved applying comprehensive credit line from Chang Hwa Commercial Bank.
The 13th Session 3 11/07/2018	1. Approved the 2019 annual internal audit program. 2. Approved the amendment of "Internal Control Policy" and "Internal Audit Implementation Rules" in writing. 3. Approved remuneration to the directors and supervisor for 2016 service.
The 13th Session 4 01/09/2019	1. Approved the 2019 financial budget 2. Approved the distribution amount of 2017 employee cash bonus and 2018 year-end bonus proposal for the Chairman and the manangement team. 3. Approved the salary adjustment for the Chairman and top managers .
The 13th Session 5 02/27/2019	1. Approved the 2018 parent company only financial statements, consolidated financial statements, and business report. 2. Approved the 2018 employees and directors and supervisors profit sharing. 3. Approved 2019 annual shareholders' meeting date. 4. Approved the venue and period of accepting shareholders' suggestions for 2019 annual shareholders' meeting. 5. Approved the 2018 earnings distribution. 6. Approved the amendments to "Procedures for Acquisition or Disposition of Assets." 7. Approved the 2018 Internal Control System Statement.

Board meeting	Major resolutions:
	8. Approved the replacement of certified public accountant.
The 13th Session 6 05/07/2019	1. Approved formulating the standard operating procedures of handling directors' requests.

(XII) Any recorded or written dissenting opinions of directors or supervisors in the most recent fiscal year and up to the publication date of the annual report in relation to important resolutions approved by the board of directors and the content of said dissenting opinion: None.

(XIII) Any Resignations or dismissals of the Company's chairman, president, accounting manager, financial manager, internal audit manager and R&D manager during the most recent fiscal year and up to the publication date of this annual report: None.

V. Information on CPA professional fee

CPA Professional Fees Ranges

CPA Firm	Name of CPAs		Period Covered by CPA's Audit	Remark
Deloitte & Touche	Wu Chiu-Yen	Kuo Lee-Yuan	01/01/2018 ~ 12/31/2018	

Unit: NT$ thousands

Fee range \ Fee items		Audit fees	Non-audit fees	Total
1	Less than $2,000		v	
2	$2,000(included)～$4,000	v		v
3	$4,000(included)～$6,000			
4	$6,000(included)～$8,000			
5	$8,000(included)～$10,000			
6	$10,000(included) or more			

(I) Whether non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid to them: None. The voluntary disclosure is as follows:

Unit: NT$ thousands

Audit fees	Non-audit fees				
	System Design	Registration Service	Human Resource	Others (Note)	Subtotal
2,680	-	10	-	618	628

Note: Including NT$ 30 thousands for annual report review, NT$ 410 thousands for service on transferring pricing report, NT$ 50 thousands for service regarding direct deduction on business tax and NT$128 thousands on service charge on Samoa and Hong Kong subsidiaries.

(II) Whether the Company changes its accounting firm and the audit fees paid for the fiscal year in which the change took place are lower than those paid for the fiscal year immediately preceding the change: None.

(III) Whether the audit fees paid for the current fiscal year are lower than those paid for the immediately preceding fiscal year by 15% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: None.

VI. Replacement of CPA:

(I) Information regarding the former CPA

<table>
<tr><td>Date of Replacement</td><td colspan="4">Approved by the Board of Directors on February 27, 2019</td></tr>
<tr><td>Replacement explanation</td><td colspan="4">Due to the internal rotation of the accounting firm, Deloitte&Touche, Wu Chiu-Yen and Kuo Lee-Yuan as the independent auditors for the Company were succeeded by Chen Jhen-Li and Kuo Lee-Yuan.</td></tr>
<tr><td rowspan="3">Specify whether the appointment is terminated or unaccepted by the Company or the CPA.</td><td colspan="2">Parties / Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Voluntray Termination of appointment</td><td colspan="2" rowspan="2">Not applicable</td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td></tr>
<tr><td>Reasons and opinion for issuing audit reports expressing other than unmodified opinion over the past two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Any disagreement with the company</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of Financial Statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or procedures</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3"></td></tr>
<tr><td>Specification:</td><td colspan="3">Not applicable</td></tr>
<tr><td>Other disclosures
(The facts which should be disclosed as required under Article 10, Subparagraph 5, Item 1(4) of the Regulations Governing Information to be Published in Annual Reports of Public Companies)</td><td colspan="4">None</td></tr>
</table>

(II) Information regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Chen Jhen-Li and Kuo Lee-Yuan
Date of appointment	Approved by the Board of Directors on February 27, 2019
Consultation subjects and results on accounting treatments or application of accounting principles to specific transactions and possible audit opinion might be rendered by the CPA on the Company's financial reports prior to the formal engagement	Not applicable
The successor CPA's written opinion of disagreement with the former CPA	Not applicable

(III) Written reply by the former CPAs about the disclosure as required under Article 10, Subparagraph 5, Item 1 and 2(III) under the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable

VII. The facts about the Company chairman, president, or any managers in charge of financial or accounting affairs having served at the accounting firm of its CPA or any affiliates thereof in the most recent year: None

VIII. Any transfer of shares or change of pledged shares of the directors, supervisors, managers, or any shareholders with a shareholding more than 10% during the most recent fiscal year and up to the publication date of the annual report

(I) Changes in shareholding of directors, supervisors, managers and major shareholders

Unit: one share

Title	Name	2018		As of April 28, 2019	
		Holding increase (decrease)	Pledged holding increase (decrease)	Holding increase (decrease)	Pledged holding increase (decrease)
Chairman	Lin Tsung-Chi	—	—	—	—
Director	Long Shen Investment Inc.	—	—	—	—
Director	Chiu Yen-Chih	—	—	—	—

Director and vice president	Wang Chun-Chiang	72,000	—	—	—
Independent director retired on 06/26/2018	Hsien Yaw-Dong	—	—	—	—
Independent Director	Lee Wen-Chang	—	—	—	—
Independent Director	Hsu Fang-Yih	—	—	—	—
Independent director on board on 06/26/2018	Cai Wen-Zhi	—	—	—	—
Supervisor	Yin Li Investment Inc.	4,000 (37,000)	—	—	—
Supervisor	Wu Min-Zhen	—	—	—	—
President	Lin Shu-Chen	—	—	—	—
Assistant Vice President	Fang Bing-Huang	—	—	—	—
Financial Manager	Xue Ya-Ling	—	—	—	—
Accounting Manager	Chen Yi-Nian	—	—	—	—

※ The shareholding information disclosed above was the filed figures to the competent authorities during the middle of the term. No disclosures are required for holding before/after the terms.

(II) The counterparty in any of the share transfer of the directors, supervisors, managers, and major shareholders is a related party: None

(III) The counterparty in any of the share pledge of the directors, supervisors, managers, and major shareholders is a related party: None

IX. Top-10 shareholders who are a related party, spouse, or a relative within the second degree of kinship of another

As of 04/28/2019; Unit: One share

Name	shareholding		Spouse & Minor		Shareholding by nominee arrangement		Name and relationship of the Company's top-10 shareholders who are a related party, spouses or relatives within two degrees of kinship		Remark
	shares	%	shares	%	shares	%	Title (name)	Relationship	
Lin Tsung-Chi	8,260,121	8.67%	1,961,551	2.06%	—	—	Hong-Yi Investment Inc. Long Shen Investment Inc. Sheng-Xuan Investment Inc. Hui Ying Investment Inc. Lin Tsung-Lung Hua Juan Investment Inc.	A first-degree relative of the Chairman A first-degree relative of the Chairman A first-degree relative of the Chairman A first-degree relative of the Chairman Father and son A first-degree relative of the Chairman	
Hai Hu Investment Inc.	6,354,207	6.67%	—	—	—	—	—	—	
Chairman: Hsu Jing-Chi	46,006	0.05%	—	—	—	—			
Hong-Yi Investment Inc.	6,236,232	6.54%	—	—	—	—	Lin Tsung-Chi Long Shen Investment Inc. Sheng-Xuan Investment Inc. Hui Ying Investment Inc. Lin Tsung-Lung Hua Juan Investment Inc.	Father and daughter A second-degree relative of the Chairman A second-degree relative of the Chairman The Chairman of the entity Siblings A second-degree relative of the Chairman	
Chairman: Lin Shu-Hui	1,483,705	1.56%	—	—	—	—			
Long Shen Investment Inc.	6,232,767	6.54%	—	—	—	—	Lin Tsung-Chi Hong-Yi Investment Inc. Sheng-Xuan Investment Inc. Hui Ying Investment Inc. Lin Tsung-Lung Hua Juan Investment Inc.	Father and daughter A second-degree relative of the Chairman A second-degree relative of the Chairman A second-degree relative of the Chairman Siblings The Chairman of the entity	
Chairman: Lin Shu-Juan	730,549	0.77%	88,963	0.09%	—	—			
Discretionary investment account of Cathay Life managed by Yuanta Investment Trust	5,667,000	5.95%	—	—	—	—	—	—	
Sheng-Xuan Investment Inc.	4,278,035	4.49%	—	—	—	—	Lin Tsung-Chi Hong-Yi Investment Inc. Long Shen Investment Inc. Hui Ying Investment Inc. Lin Tsung-Lung Hua Juan Investment Inc.	Father and daughter A second-degree relative of the Chairman A second-degree relative of the Chairman A second-degree relative of the Chairman Siblings A second-degree relative of the Chairman	
Chairman: Lin Shu-Hua	843,776	0.89%	3,000	0.00%	—	—			

Name	shareholding		Spouse & Minor		Shareholding by nominee arrangement		Name and relationship of the Company's top-10 shareholders who are a related party, spouses or relatives within two degrees of kinship		Remark
	shares	%	shares	%	shares	%	Title (name)	Relationship	
Fubon Life Insurance Co., Ltd	4,000,000	4.20%	—	—	—	—	—	—	
Hui Ying Investment Inc.	3,749,606	3.93%	—	—	—	—	Lin Tsung-Chi Hong-Yi Investment Inc. Long Shen Investment Inc. Sheng-Xuan Investment Inc. Lin Tsung Lung Hua Juan Investment Inc.	Father and daughter The Chairman of the entity A second-degree relative of the Chairman A second-degree relative of the Chairman Siblings A second-degree relative of the Chairman	
Chairman: Lin Shu-Hui	1,483,705	1.56%	—	—	—	—			
Lin Tsung-Lung	2,544,790	2.67%	596,138	0.63%	—	—	Lin Tsung-Chi Hong-Yi Investment Inc. Long Shen Investment Inc. Sheng-Xuan Investment Inc. Hui Ying Investment Inc. Hua Juan Investment Inc.	Father and son A second-degree relative of the Chairman A second-degree relative of the Chairman A second-degree relative of the Chairman A second-degree relative of the Chairman A second-degree relative of the Chairman	
Hua Juan Investment Inc.	2,100,338	2.20%	—	—	—	—	Lin Tsung-Chi Hong-Yi Investment Inc. Long Shen Investment Inc. Sheng-Xuan Investment Inc. Hui Ying Investment Inc. Lin Tsung-Lung	Father and daughter A second-degree relative of the Chairman The Chairman of the entity A second-degree relative of the Chairman A second-degree relative of the Chairman Sibling	
Chairman: Lin Shu-Juan	730,549	0.77%	88,963	0.09%	—	—			

X. The total number of shares and total equity stake of any re-invested enterprises held by the Company, its directors, supervisors, managers, and the business that is controlled either directly or indirectly by the Company

December 31, 2018; Unit: thousand shares

Re-invested enterprises	Investment made by the Company		Investments made by the Company's directors, supervisors, managers, and the business directly or indirectly controlled by the Company		Total investment	
	shares	%	shares	%	shares	%
King Slide USA, Inc.	100	100%	—	—	100	100%
King Slide Technology Co., Ltd.	112,600	100%	—	—	112,600	100%
King Slide (Samoa) Co., Ltd.	5,000	100%	—	—	5,000	100%
King Slide (Hong Kong) Co., Limited	5,000	100%	—	—	5,000	100%
King Slide Technology (China) Co., Ltd.	—	100%	—	—	—	100%

Four. Capital

I. Capital and shares

(I) Sources of capital

1. Capital Formation

April 28, 2019; Unit: Share/NT$

Month/ Year	Issue price	Authorized capital		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Capital source	Capital contributed by the property other than cash	Other
09/1986	10	1,000,000	10,000,000	1,000,000	10,000,000	Founding capital	—	12/02/1986 Ri Jing (75) Jian Yi Zi #333135
02/1987	10	4,000,000	40,000,000	4,000,000	40,000,000	Capital increase of NT$ 30,000,000 in cash	—	02/26/1987 Ri Jing (76) Shang Zi #08643
07/1994	10	9,500,000	95,000,000	9,500,000	95,000,000	Capital increase of NT$ 55,000,000 in cash	—	07/09/1994 Jian San Being (83) Zi #344233
03/1998	10	15,800,000	158,000,000	15,800,000	158,000,000	Capital increase of NT$ 63,000,000 by capital surplus	—	04/28/1998 Ri Jing (087) Shang Zi #108624
11/1999	10	27,800,000	278,000,000	18,800,000	188,000,000	Capital increase of NT$ 30,000,000 by earnings	—	11/15/1999 Ri Jing (088) Shang Zi #088141204
10/2000	10	38,000,000	380,000,000	38,000,000	380,000,000	Capital increase of NT$ 135,600,000 in cash and NT$ 56,400,000 by earnings	—	11/16/1990 Ri Jing (089) Shang Zi #089142802
10/2003	10	38,760,000	387,600,000	38,760,000	387,600,000	Capital increase of NT$ 7,600,000 by earnings	—	10/29/2003 Ri Jing Shou Zhong Zi #09232870270
04/2004	10	48,000,000	480,000,000	38,760,000	387,600,000	Authorized capital increased to NT$ 48,000,000 from 38,760,000, of which NT$ 2,500,000 was reserved for issuance of employee stock options	—	
08/2005	10	80,000,000	800,000,000	55,428,000	554,280,000	Authorized capital increased to NT$ 80,000,000 from 48,000,000.Capital increase of NT$ 166,680,000 by earnings.	—	08/24/2005 Ri Jing Shou Shang Zi #09401166440
08/2006	10	80,000,000	800,000,000	67,120,000	671,200,000	Capital increase of NT$ 116,920,000 by earnings	—	09/05/2006 Ri Jing Shou Shang Zi #09501198990

Month/ Year	Issue price	Authorized capital		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Capital source	Capital contributed by the property other than cash	Other
09/2007	10	100,000,000	1,000,000,000	74,332,000	743,320,000	Capital increase of NT$ 72,120,000 by earnings	—	09/29/2007 Ri Jing Shou Shang Zi #09601238020
10/2007	10	100,000,000	1,000,000,000	74,376,247	743,762,470	Capital increase of NT$ 442,470 by bond conversion	—	11/07/2007 Ri Jing Shou Shang Zi #09601272380
08/2008	10	100,000,000	1,000,000,000	78,504,059	785,040,590	Capital increase of NT$ 41,278,120 by earnings	—	09/02/2008 Ri Jing Shou Shang Zi #09701220640
09/2009	10	100,000,000	1,000,000,000	87,022,273	870,222,730	Capital increase of 8,518,214 shares by issuance of new bonus shares, of which 7,850,403 shares as stock dividends and 667,808 shares as employee bonus shares.	—	09/17/2009 Ri Jing Shou Shang Zi #09801214680
12/2009	10	100,000,000	1,000,000,000	87,138,588	871,385,880	Capital increase of NT$ 1,163,150 by bond conversion	—	12/15/2009 Ri Jing Shou Shang Zi #09801288640
06/2010	10	100,000,000	1,000,000,000	87,386,978	873,869,780	Capital increase of NT$ 2,483,900 by bond conversion	—	06/18/2010 Ri Jing Shou Shang Zi #09901126330
09/2010	10	138,000,000	1,380,000,000	92,120,183	921,201,830	Capital increase of NT$ 43,866,750 by earnings and NT$ 3,465,300 by bond conversion	—	09/15/2010 Ri Jing Shou Shang Zi #09901209210
03/2012	10	138,000,000	1,380,000,000	92,321,927	923,219,270	Capital increase of NT$ 2,017,440 by bond conversion	—	04/02/2012 Ri Jing Shou Shang Zi #10101057510
06/2013	10	138,000,000	1,380,000,000	93,497,092	934,970,920	Capital increase of NT$ 11,751,650 by bond conversion	—	06/18/2013 Ri Jing Shou Shang Zi #10201112720
09/2013	10	138,000,000	1,380,000,000	94,395,779	943,957,790	Capital increase of NT$ 8,986,870 by bond conversion	—	09/17/2013 Ri Jing Shou Shang Zi #10201193750
12/2013	10	138,000,000	1,380,000,000	94,657,690	946,576,090	Capital increase of NT$ 2,619,110 by bond conversion	—	12/27/2013 Ri Jing Shou Shang Zi #10201264190
03/2014	10	138,000,000	1,380,000,000	95,297,072	952,970,720	Capital increase of NT$ 6,393,820 by bond conversion	—	04/02/2014 Ri Jing Shou Shang Zi #10301055370

2. Share types

As of 04/28/2019; Unit: One share

Share Types	Authorized Capital				Remark
	Outstanding shares		Unissued shares	Total	
	Listed	Un-listed			
Ordinary shares	95,297,072	—	42,702,928	138,000,000	

3. Information for shelf registration: Not applicable

(II) Shareholder structure

As of April 28, 2019

Shareholder Structure / Quantity	Government agencies	Financial institutions	Other juristic person	Individuals	Foreign institutions and individuals	Total
Number of shareholders	0	6	45	1,693	188	1,932
shareholding (shares)	0	11,118,000	31,381,100	25,132,201	27,665,771	95,297,072
Shareholding(%)	0.00%	11.67%	32.93%	26.37%	29.03%	100.00%

(III) Distribution of share ownership

1. Ordinary shares

NT$ 10 par

As of April 28, 2019

Shareholding class	Number of shareholders	Shareholding (shares)	Shareholding (%)
1～ 999	796	115,904	0.12%
1,000～ 5,000	805	1,379,316	1.45%
5,001～ 10,000	78	578,924	0.61%
10,001～ 15,000	35	432,113	0.45%
15,001～ 20,000	26	477,935	0.50%
20,001～ 30,000	37	929,850	0.98%
30,001～ 40,000	15	539,386	0.57%
40,001～ 50,000	14	655,094	0.69%
50,001～ 100,000	39	2,723,770	2.86%
100,001～ 200,000	22	2,961,145	3.11%
200,001～ 400,000	23	6,305,618	6.62%
400,001～ 600,000	11	5,279,138	5.54%
600,001～ 800,000	3	2,096,549	2.20%
800,001～ 1,000,000	7	6,507,264	6.82%
More than $ 1,000,001	21	64,315,066	67.48%
Total	1,932	95,297,072	100.00%

2. Preferred shares: None.

(IV) List of major shareholders

The name, number of shares, and stake held by the Shareholders with a stake of 5% or more or the top-10 shareholders

As of April 28, 2019

Shares / Shareholder	Shareholding (shares)	Shareholding (%)
Lin Tsung-Chi	8,260,121	8.67%
Hai Hu Investment Inc.	6,354,207	6.67%
Hong-Yi Investment Inc.	6,236,232	6.54%
Long Shen Investment Inc.	6,232,767	6.54%
Discretionary investment account of Cathay Life managed by Yuanta Investment Trust	5,667,000	5.95%
Sheng-Xuan Investment Inc.	4,278,035	4.49%
Fubon Life Insurance Co., Ltd	4,000,000	4.20%
Hui Ying Investment Inc.	3,749,606	3.93%
Lin Tsung-Lung	2,544,790	2.67%
Hua Juan Investment Inc.	2,100,338	2.20%

(V) Per share information, including market price, net worth, earnings, and dividends, and the related information in the past two years

Unit: NT$

Item \ Year			2017	2018	As of March 31 ,2019
market price per share	Highest market price	Before adjustment	477.00	465.00	363.00
		After adjustment (Note 1)	468.75	460.00	
	Lowest market price	Before adjustment	368.00	284.50	312.00
		After adjustment (Note 1)	359.75		
	Average market price		416.89	395.02	341.45
net worth per share (Note 2)	Before distribution		92.13	105.72	110.42
	After distribution		87.13	(Note 8)	(Note 8)
Earnings per share (Note 3)	Weighted average shares (thousand shares)		95,297	95,297	95,297
	Before adjustment		9.54	18.64	4.67
	After adjustment		9.54	(Note 8)	(Note 8)
dividend per share	Cash dividend		5.00	(Note 8)	—
	Stock dividend	Stock dividend from retained earnings	—	(Note 8)	—
		Stock dividends from capital surplus	—	—	—
	Accumulated undistributed dividends (Note 4)		—	—	—
Return on Investment	Price/Earnings Ratio (Note 5)		43.70	21.19	—
	Price/Dividend Ratio (Note 6)		83.38	(Note 8)	—
	Cash Dividend Yield (Note 7)		1.20	(Note 8)	—

Note 1: Adjusted retroactively the stock and cash dividends distributed during the current year.

Note 2: Based on the year-end number of the outstanding issued shares and the dividend allocation resolved in the shareholders' meeting held the next following year.

Note 3: Please provide per-share earnings for both before and after adjustment basis when there were stock dividends

Note 4: Please disclose the accumulated dividends in arrears up to the current year if any of the conditions of the equity securities issuance allows to defer the payment of the dividends until the year with operation surplus.

Note 5: Price/Earnings Ratio = Average market price / Earnings per share

Note 6: Price/Dividend Ratio = Average market price / Cash dividend per share

Note 7: Cash Dividend Yield = Cash dividend per share/ Average market price

Note 8: Pending for the approval of the annual shareholders' meeting the next following year.

(VI) Dividend policy and implementation

1. Dividend Policy under the Articles of Incorporation

   According to the Article 26 under the Articles of Incorporation:

   The Company's earnings, if any, should be applied for distribution as follows

   (1) Pay taxes and dues by law,
   (2) Offset the accumulated losses,
   (3) Set aside 10% of said profits as legal reserve. However, when the legal reserve is equivalent to the paid-in capital of the Company, the appropriation of legal reserve could be ceased
   (4) The special reserve shall be appropriated or reversed according to law and regulations
   (5) The remaining amount, if any, plus the accumulated unappropriated earnings shall be available for distribution according to the proposal of the Board of Directors. The distribution of dividends to the shareholders should be presented in the shareholders' meeting for resolutions.

   The Company engages in an innovative industry with products widely used in various industries, such as, cloud servers, network communication, kitchen ware, and consumer electronics. At the stage of growth the Company is, the dividend policy is in line with the current and future development plans and shall be made basing on the consideration of investment environment, capital demand, domestic and international competition as well as the interests of shareholders. Therefore, certain amount of the surplus might be reserved for the Company's operation needs,, and the remaining earnings shall be distributed to shareholders as dividends, whether by stock or in cash, of which the cash portion shall not less than 10% of the total distribution.

2. Proposal for the dividend distribution at the most recent shareholders' meeting

   A Cash dividend of NT$ 9.5 per share for a total of NT$ 905,322,184.

   The proposal above has approved by the Board meeting on February 27, 2019 and pending for the approval in the shareholders' meeting up to the publication date of the annual report.

3. If a material change in dividend policy is expected, provide an explanation: None

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: Not applicable

(VIII) Compensation of the employees, directors, and supervisors

1. The percentage or range with respect to employees, directors, and supervisors' compensation, as set forth in the Company's Articles of Incorporation:

   If the final annual accounts of the Company show a net profit for a given year, it shall allocate

   The Company's earnings, if any, should be appropriated

   (1) not less than 0.1% of the net profit as compensation to employees

   (2) not more than 5% of the net profit as compensation to directors and supervisors.

   If the Corporation still has any accumulated loss, it shall first set aside the amount to offset the loss before such allocation.

2. The basis for estimating the amount of employees, directors, and supervisors' compensation, the basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

   The distribution proposal approved in the meeting of the board of directors on February 27, 2019 was no different from the estimated distribution recognized in 2018, and paid in cash.

3. Board resolutions on compensation distributions:

   (1) Amount distributed in cash or by stock for employees, directors, and supervisors' compensation:

   ① Employees' compensation in cash NT$ 74,726,000

   ② Directors and supervisors' compensation in cash NT$ 6,500,000

   (2) The amount of any employee compensation distributed by stock and the size of that amount as a percentage of the sum of the net profit stated in the parent company only financial reports and individual financial reports and total employee compensation for the current period:

   Not applicable. All the distribution resolved by the meeting of the board of directors at February 27,2019 was made in cash.

4. The actual distribution of the compensation of the employees, directors, and supervisors for the previous fiscal year:

Distribution	2017			
	Actual distribution resolved in shareholders' meeting	Distribution proposed by the Board meeting	Discrepancy	Reason for discrepancy
1. Employee cash bonus (in NT$ thousands)	42,220	42,220	–	–
2. Employee stock bonus (in NT$ thousands)	-	-	–	–
3. Remuneration to directors and supervisors (in NT$ thousands)	6,500	6,500	–	–

(IX) Share repurchases: None

II. Corporate bonds issuance: None.

III. Preferred shares issuance: None.

IV. Issuance of global depository receipts: None.

V. Issuance of employee stock options: None.

VI. Issuance of new shares in connection with mergers or acquisitions: None.

VII. Implementation of capital allocation plans: None.

Five. Business Overview

I. Business scope

(I) Business coverage

1. Core business content

   (1) Research, design, manufacture and distribute Rail kits and server Rail kits

   (2) Research, design, manufacture and distribute slide rails for all purposes.

   (3) Research, design, manufacture and distribute hinges

   (4) Other mechanical product design, manufacturing and distribution

2. Sales breakdown:

Product	2018
Server Rail kits and other equipment rail kit	95%
Slide rails	1%
Hinge	3%
Other	1%
Total	100%

3. Current product items

Product items
1. 1U-7U server rail kit and other equipment Rail kits
2. Multi-functional slide rails
3. Multi-functional hinges

4. Products in pipeline

   (1) Functional 3C products and components

   Apply mechanical designs to develop peripheral products for server, LCD, ATM, printer, steel cabinet to meet multi-function purpose and the industry standards.

   (2) High-value added kitchen products for retail market and slide rails for system kitchen cabinets.

   (3) Full mechanical products applied in household that are humanized, safe, convenient, easy-to-use, easy installation and uninstallation.

(II) Industry overview

1. Current industry trend and development

Functional-extended products are offered for both computing servers and furnitures. Rail kit products are mainly used in Cloud computing devices, such as server, network communication equipment, Cloud data storage facilities and its peripheral facilities, followed by kitchen drawers. The hinge and slide products are mostly used in furniture, metal cabinets, industrial cabinets, etc.

(1) Computing server industry.

The servers are used as the central host and database for a group of PCs working together. Through the connecting to the identical server, each computer can function simultaneously. Enterprises servers are used to build the corporate network to allow data sharing and 24-hour accessibility for better work and cost efficiency.

Globally, there are three major sever assembly regions: North America (centered in U.S.A.) for high-to-mid end models, Europe (centered in U.K.) for mid-to-low end models and Asia Pacific region (centered in China) for low-end models. High-to-mid end models focus in North America, global top four server provider such as IBM, HP, Oracle and Dell are American company as all the center R&D team are located in US. For Europe, the local R&D talents and demands have fostered the production center for mid-to-low end models. Production site in Asia Pacific region concentrates in China mainly due to the low production cost , which was the key to high competition for low-end server products. In recent years, Inspur (a Chines sever brand) taps into mid-high end model, although increasing shipment growth from Huawei and Lenovo did not impact American Brand Dell, HP’s place in the market. However, both volume and revenue on server sales have grown significantly in the China market.

To keep the production cost low and increase resource utilization, major international sever suppliers continue outsourcing manufacturing to contractors. The top-three suppliers, HP, Dell and IBM, are accounted for the significant share of global sever shipment volume, followed by Oracle and Fujitsu. Less than 30% shipment come from NEC, Rackable Systems, Acers, Lenovo and other regional brands. Server makers in Taiwan are divided into OEMs that manufacture for major sever brand owners and ODMs that manufacture for white brand servers Leaders from the former category are Inventec, MiTAC, Wintrorn, Quanta Computer, and Hon Hai. Makers of the latter category are also known as sever distributors (suppliers of motherboards and barebones) include Supermicro, Intel, Asus, MSI and Gigabyte.

Outsourcing server design and production has been a long-term practice, and

Taiwan is the major manufacturing hub for leading brands like HP, Dell, Cisco, etc., thanks to the completeness of its local industry chain. Not only that, new industry players like Chinese brands and other western distributors (ZT System and Penguin Computing) have also worked closer now with Taiwanese manufactures. Due to the soaring demands from mega data centers, growths of white-brand servers have exceeded the top-three brands, HP, Dell and IBM. Their collective market share has now slipped to below 60% from 70% or more in the past. The shift mainly came from the rise of Cloud computing services offered by AWS, Microsoft and Google, which cut down the server purchases from mid-to-big corporations who used to be the key buyers of big-brand servers

Server types can be broken down by appearance: Tower (or Pedsta), Blade and Rack-Mounted. Due to the trend of high density, 1U Rack and Blade model are becoming the growing drivers for the sectors. Also, downward server prices have made 1U Rack and Blade more affordable to enterprise customers.

In the meantime, Tower models because they are hard to stack up and take more room, tower products' demand is decreasing. Although Blade Sever is in its growth stage, the initial investment is still considered expensive for most consumers. Currently, Rack Mount servers are dominating the mainstream market, especially 1U and 2U are accounted for 60% shipments from Taiwan makers.

In addition, with the increasing of mobile lifestyle, looking at the market demand, long term online connection and diverse information applications service demand broadly required, easier mobile device and fast application service has become future trend. In which, it drive more server demand for Cloud computing as in the market supplies, the big server brands continue to offer energy saying solutions, as server-based computing computing decrease has side impact to increase data center's operation cost especially on the use of server electricity and cooling system is the main drive on eletricitiy expense. Therefore, big brand server vendors continue to improve its hardware by focusing on energy saving, and acquire planning of more storage equipments and network companies in order to offer completed IT solutions to the corporate customers in the future. Governments worldwide are keen in working together with corporate partners to construct Cloud computing plants and facilities. Many big companies are searching for data center sites that offer cheaper electricity. Both shall continue to drove the growth stability of server industry.

The development of Cloud and mobile computer has been the major growth drivers for severs and data centers. According to Cisco Global cloud index, data flows from global data center will be expanded at a compound growth rate of 19% from 2016 to 2021 (Chart 1). Factored in the growth of Internet devices and data transmission needs from ever-growing media streaming, Cisco expected data flow of global Cloud will reach to 19.5 ZB (1 ZB = 1 trillion gigabytes), which is 3.25 times over 6.0 ZB from 2016 (Chart 2). In 2021 Cloud data center will be in processing 94% global data flow vs. 6% by the traditional data centers. Also corporates will continue to switch its data warehousing to Cloud for its high speed and scalability, and, therefore, further propel Cloud data growth.

Chart 1: Projected growth of data flows from global data centers.

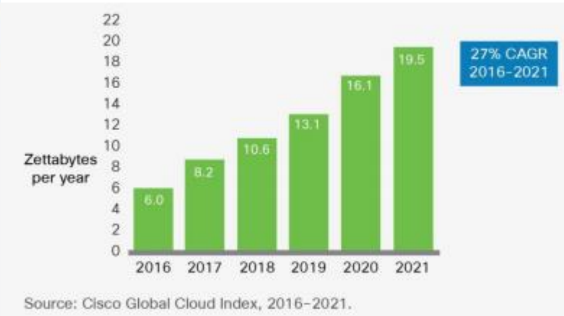
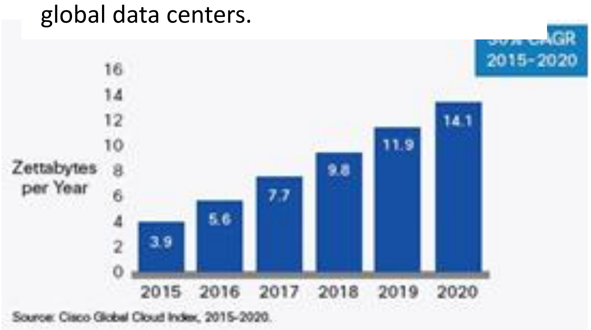


Chart 2: Projected growth of Cloud data flows



According to Cisco Global cloud index the number of hyperscale data centers will grow from 338 in 2016 from to 628 in 2021. It is expected data flows from these centers will increase by three folds in the next five years. In 2021, infrastructure building of hyperscale data centers will take up 53% of total servers used all data centers (Chart 3) which demonstrates a steady upward trend for the sever sector.

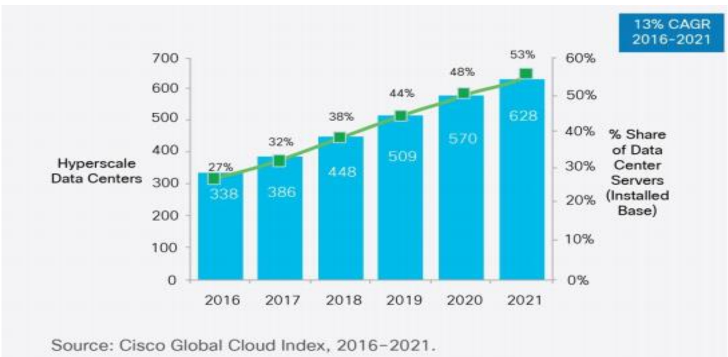


Chart 3: Projected growth of data flows from hyperscale data center.

(2) Hinges and Slides:

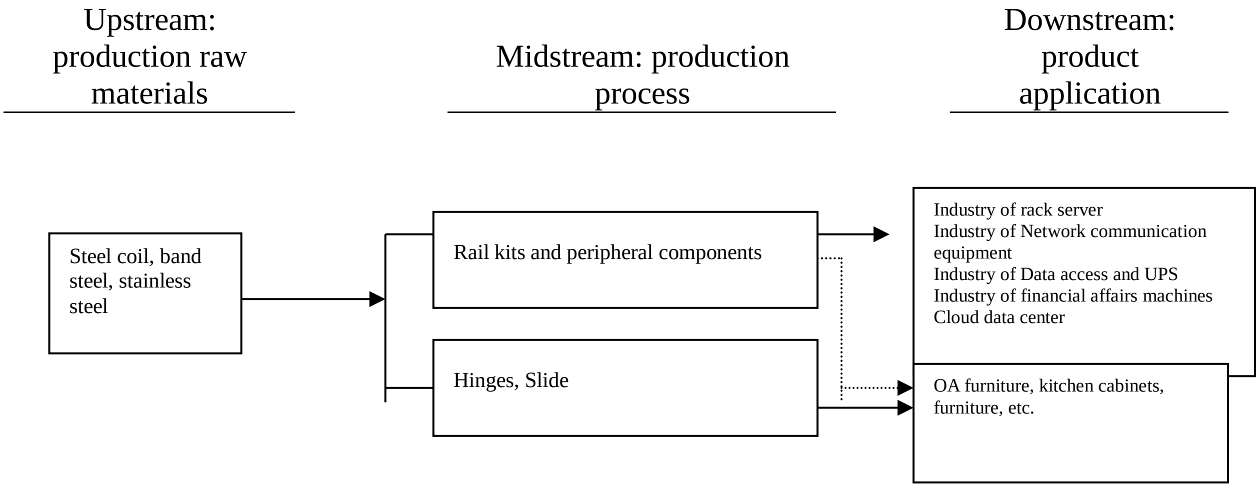
Through the technology evolution, applications of hinge and slide have expanded widely from daily cabinets, kitchen cupboards to office facilities and copiers. We will use the furniture and internal decoration sectors to illustrate hinge and slide markets.

The furniture industry in Taiwan started to form since the introduction of woodworking machinery for semi-automated production in 1956 after nearly a decade of hand-made production. The furniture industry in Taiwan took off during the period of 1966 and 1975 owing to new and automatic production facilities which stimulated exporting orders. The industry began a decade of steady growth after 1976, and Taiwan had owned the reputation as furniture kingdom for its reliable quality and low costs. It was estimated, one of every five furniture in U.S.A. was made in Taiwan. The metallic furniture industry in Taiwan began to sprout starting from the 70's under the background of abundant steel supplies and seasoned R&D capacity and automated production procedure. Export volume from the category was strong during that period. Nevertheless, the dominant position had lost to China and some S.E. Asian countries in recent years due to contracting raw material sources and labor force which cause wage surge.

In the meantime, a large majority of the industry players, including furniture and interior decoration, have moved their operation to China; hence the turnover for the sector has dropped sharply in Taiwan and is expected to continue the trend. To survive, the local players need to come up with breakthrough technology and provide small-volume large-variety production to meet the market demands and enhance value adds.

As the Taiwanese information hardware makers usually do, local sever makers also have greater focuses on OEM and ODM business, which account for 80% top line. Reflected by global sales mix, the low-to-mid end models are the key growth drivers, especially the low-end models, which the majority of Taiwanese makers are shipping to the major international brands. It's expected the OEM and ODM business will remain at high percentage for the local producers. While facing the ever changing industry landscape, coping with virtual reality and Cloud computing are more of the 2nd trial test for Taiwanese sever makers. To break through, hardware manufacturers have no choice but work together with the brand companies to provide better value-added solutions, including storage, software and integrated selling package, apart from upgrading production technology, to stand out in the industry competition and grasp the new opportunity ahead.

2. Links among each segments of the industry supply chain



3. Product development trend

(1) Rail kits and other components:

Along with the advance with technology, information products with light, slim, short and small-size designs are becoming the major trend, which has led to the launch of rack servers and other rackmount networking product mainly to focus on spacing saving, safety convenience and user-friendly features. This trend will change all the current PC products. The server product and other related networking product design is keen towards PC, Workstation development move into Blade server and current server is moving towards rack-server. Another new product integrated network equipment and server together this development tread apply Rail kits more extensively, as the components allow the features of slim, heavy loading, user-friendly, installation friendly and safety on the same sever to comply market demand trend in the future.

(2) Hinges and slide rails:

The products are consumer commodities, and the future development trend will be in line with the market driven by high life quality, efficiency, convenience, aesthetics and hidden, multifunctional, easy installation, high added value and high quality.

4. Competition

(1) Rail kits and accompanying Rail kits:

Our current lines of products are very close to completeness and are gradually adopted on new launched products from various international brands. As our products broadly promoted in the market this will increase market share, and the human-friendly feature and superior functionalities are better than our competition in the market; the professional marketing can help more Taiwan server maker to compete with Korea to earn more purchase order benefiting the big brand vendor in their marketing and distribution other vendors can also have positive feedback by using our product.

(2) Hinges and slide rails:

Some product lines are price-competitive commodity, to compete, we are offering the products in our brand name, King Slide, to ensure quality and design differentiation for price premium in both domestic and international markets.

(III) Technology and R&D status

1. R&D expenditures during the current year and up to the publication date of the annual report:

Unit: NTDthousand

Item \ Year	2018	As of March 31, 2019
Research expenditure	206,605	54,651
Net revenue	4,435,607	1,149,456
Research expenditure as a percentage of net revenue	4.66%	4.75%

2. Technologies and/or products successfully developed during the current year and up to the publication date of the annual report:

While continuous upgrading the production procedures for server products, distributing channels, high-end slides and hinges, we never stop innovating new product lines. So far, we have come up with new sever models that are installation friendly. Also several new lines of slide rails and hinges, together with their production modules and assembly/production lines, that target distribution channels and high-end market have also been rolled out. Additional system assembly products have been added to retail channels and high-end kitchen and bed frame products. Additional product specs have also added to high-end kitchen cabinet applications to satisfy new customers, which have been applied on the new cabinet products from our existing customers.

List of patent rights granted and application during the current fiscal year up to the date of publication of the annual report:

Year	Number of patents
2018	Application number: 215; Number of granted: 333
2019 and up to the date of publication of the annual report	Number of patent rights applied: 54; Number of patent rights granted: 91

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

1. Long- term business development plans:

(1) Marketing strategy

Provide global customer service, cut down delivery time to obtain higher volume of orders from the complete consumer product category as well as expanding the market share. Continue building shipping warehouse and selling base globally to widen our network worldwide

(2) Production policy

In-depth development of stamping, roller forming and parts processing technologies with the integration of mechanical and electrical automation production for further stamping breakthroughs on different materials and product moldings to strive for cost reductions, quality improvement and product competitiveness.

(3) Product R&D direction

① Mechanical R&D for meeting the convenience of modern life, so as to gain extra market share from increasing consumer reliance.

② Integrating design, development ability and market population together with the existing mechanical know-how, mold and automation equipment for functional 3C product R&D, with the focus on the long-term strategy and sustainability.

(4) Operation scale

To serve the big system integrators, both domestic and international, and consumers, and expanding the global market effectively, we plan to increase the number of shipping warehouses and marketing offices in the future to expand market share and global visibility.

(5) Financial backup

Building the optimal capital structure through a diversified funding channel to obtain sufficient capital at the most advantageous cost. Manage the capital smartly through various investment channels so as to increase the profits of from the core business and non-business operation.

2. Short- term business development plans:

(1) Marketing strategy

① Endeavor to win orders from major industry players (from computing server, network communication, computer system and Cloud data center), with the marketing focus on new products for expanding market shares.

② Promote mature product lines with existing brand awareness to tap into international suppliers of steel cabinets and server racks. For kitchen cabinets, focus will be placed on introducing newly developed high-end mechanical kitchen sets and a new series of functional products to kitchen equipment suppliers and retail distributors to establish a global network and position King Slide as a worldrenowned brand.

(2) Production strategy

We are aiming to rationalize the production procedures with intellectual production management system by phasing in streamlined manufacturing for cuttig down production and warehousing costs. Also production of products with low added value will be outsourced or through purchase to upgrade the Company’s product value.

(3) Product R&D direction

① For rail kit lines, efforts will be placed on rack integration, and multi-functional and humanized installation.

② Customized product design to establish close ties from international customers and create additional value for our products.

(4) Operation scale

To provide long-term service for the big system integrators and end consumers, at home and overseas, and expand the global market effectively, we plan to increase the number of global dealers in the near future, and establish mainland channels and local marketing offices, so as to achieve the long-term goal of business scale.

(5) Financial backup

Leverage the advantages of industrial technologies and fixed assets of PP&E to obtain loans from financial institutions with preferential costs.

II. Market analysis and production & marketing

(I) Market analysis

1. Geographic areas where the main products are supplied, and the Company's market share

(1) Geographic areas where the main products are supplied in 2018

Product / Area	Guide track	Slide rails	Hinge	Other	Total
Taiwan	23%	0%	3%	0%	26%
China	19%	0%	0%	1%	20%
U.S.A.	25%	0%	0%	0%	25%
Other	28%	1%	0%	0%	29%
Total	95%	1%	3%	1%	100%

(2) Product market share

The market share data is not applicable to our products. Our Rail kits, slides and hinges, are mostly customized-made and widely applied in different sectors. The product specification and unit prices vary with the end applications; therefore, it is not easy to obtain the annual output, output value and market share data from each of our customers.

2. Future market demand and supply

(1) Market need analysis

① Slide rails and hinges

Through the technology evolution, uses of hinges and slides have expanded widely and become ubiquitous from home cabinets, to office facilities and computer peripherals. The demands have also expanded. However, owing to the shrunk global economy in the past few years, as much as 20% to 25% international brands had outsourced production to Chinese OEM/ODM makers, which showered the market with cheap and low-quality goods and eroded the mid-to-high end market share. Now the mid-to-high end market is dominated by BLUM and SALICE that accounted for about 35% of the market. We expect demands for high quality goods will go up under the current recovery; and international orders will flow to S.E. Asia from China for cost concerns, which shall benefit experienced Taiwanese companies, including King Slide.

② Rail kits:

In terms of server appearance, the old models are prevalent in the current use due to its scalability which is the major concern for mid-to- big corporations. As such, big brand suppliers have been concentrating on rack severs with 5U laid height, which shall directly benefit the King Slide.

From a global growth perspective, Cloud service providers are still expanding hardware investment due to increasing customer base. The Open Compute Project, OCP, partnered between Facebook and Taiwan suppliers have begun to fruit with technology recognition globally. Other than first-tier data center operators, Google, Facebook and Amazon, Internet and Cloud service providers, as well as international media and telecommunication operators and financial institutions are in talks with Taiwan suppliers for ODM Direct ventures. Therefore, many hyperscale data centers started to buy from original sever makers, which will no doubt further boost up the sever shipment worldwide. With Cloud service gaining acceptance and become prevalent, more small-to-medium corporates no longer host in-house data centers to cut IT operation costs. For internal sever brands, revenue contribution from corporate accounts are trending down; meanwhile corporates' server needs are cut further after the introduction of VR application and high-density models, which will cause negative impact to the overall shipment figures.

Amidst the booms of servers used in data centers, traditional server brands are losing their dominance. According to DRAMeXchange from TrendForce, 2018 global server shipment reached 12.42 million units in 2018, or grew by 5%. Growth for 2019H1 is expected at 2%, but with the launch of Intel's Gen 2 and AMD's Rome in 2019H2, the momentum will pick up again. Referred to DIGITIMES Research, server shipment will continue to be vibrant from 2019 to 2022.

For Taiwan server makers, two major growth catalysts will come from data centers in China, including Baidu, Alibaba and Tencent, and the replacement needs from Amazon, that intends to apply ODM Direct models to cut costs. Therefore, the growth prospect for Taiwanese server makers shall remain strong. In addition, under the ever increasing needs from computing, we expect Taiwan makers to keep leading the manufacturing roles. Other than Chinese brands who might resort to in-house production, whether hyperscale Internet service providers or international server brands, their orders shall continue to fall on Taiwan players, regardless shifts in hardware mix.

Also due to the strong demands from hyperscale data centers and their customization needs, it is expected business opportunities for OEMs/ODMs and components will keep expanding. Server ODMs such as Quanta Computer, Inventec and Wistron, are integrating sever mainboards and systems to rack models (including servers, Ethernet switches and storage) to directly compete with HP, Dell and Cisco. This could also boost manufacturing needs and the business. Apart from the strong demands from data centers, increasing shipment growth in rack models (accounted for 20~30% total server sales) which pushes the average pricing up is another sales growth driver. We expect rack model sales will continue its uptrend that began in 2017 and will benefit the associated player under the industry chain.

(2) Market supply

① Rail kits:

Guided rails used in data center severs and their accompanying facilities come with high-entry barriers, which are mostly controlled by major international suppliers. We have been co-working with these big players for a long time and as such market supply is a less concern for us.

② Slide rails and hinges

Although the market demands are increasing gradually, new competitors are coming in with a faster speed. The market is currently oversupplied and facing fierce price competition, which has caused production halts on European slide tracks and hinges from some Western makers. Plus orders' transferring to S.E. Asia, manufacturing requests have largely forwarded to makers in China and Taiwan, which has caused demands over supply especially with makers who come with scale and stable quality.

(3) Market growth potential:

① 3C products:

In a long rung, major demands of Cloud severs lie on telecommunication, financial, and large industry manufacturing sectors and government agencies. Along with mass prevalence of low-to-mid end handsets, we believe it will also increase the sever needs. According to MIC studies, severs made in Taiwan fill in the most needs from big data centers, which will continue to happen. Moreover, with the brand owners strive to act beyond a hardware role and keep roll out new products with new embedded features, such as new service and application, their ODM contractors as well as the related players in the industry chain will grow together with new product lines. In addition, with the rise of Chinese brands and increasing procurement order made to white-label servers from Internet service providers, a new strategy of acquiring orders from Chinese brands and white label operators must be adopted by Taiwan sever makers.

The market potential for the Company shall be enormous under the current relationship with international brands , including IBM, HP, Dell Oracle and Fujitsu-Siemens as well as the and white-label operators. Moreover extra growth will come from appearance adjustment to current sever models and the peripheral features' (such as Internet communication, storage, UPS and KVM) transition to rack model, which shall expand the usage of Rail kits. There has not been concrete statistics about the Rail kit market, but the application shall be greatly expanded.

② Traditional market:

We believe the traditional market and real estate market will recover gradually and benefit the Company's business.

③ Steel cabinets:

Many international supplies are moving their orders for cost and production concerns at a faster rate. We believe our steel cabinet business will continue to grow under the current foundation.

(4) Market competitive niche:

① Rail kits:

Through years of development and transformation, the Company has successfully taped into component market for severs and Internet communication facilities, plus the newly created parts and guide slides for rack servers. Many of these components have also received patent rights from different regions, which have create entry barriers for competitors in a sector that hasn't completed the standard setting. For this, getting certifications from international brands is additionally challenging, in terms of timely R&D and production. Under the dominance by western players such as Accuride, Jonathan and Generdevice, the Company has successfully awarded with certifications from IBM, HP, Sun, Fujitsu-Siemens and Dell and manufacturing orders from them. Moreover, our product design, quality, pricing, testing criteria, production schedule and functionalities have been ranked above other competitors; therefore, our guide slides are widely used in the new products of the international brands, which has set an firm competitive edge over others.

② Slide rails and hinges

Although the market had been filled with price competitive China-made goods over the past few years during the global economy downturn, King Slide was able to survive and establish its brand reputation for reliable quality and on-schedule delivery versus inferior quality and low-yield productions from China which were also infamous for late delivery. The current market trend is gradually focusing on producers that are able to deliver goods that fit the market demands and come with steady quality and reasonable prices. Among all S.E. Asian players, only King Slide is comparable to the Western peers, in terms of all criteria but cost a lot less. We believe being a cost-performance maker will no doubt win us customer orders and benefit us even more under the current economy recovery.

3. Positive and negative factors for future development, and the countermeasures to such factors

(1) Positive factors

① Rail kits:

The Company not only have certifications from and IBM, HP, Oracle and Fujitsu-Siemens and Dell, through co-development with these big brands, the first-hand market information is also on the hand which is helpful when marketing into system ODMs, Internet communication service providers, cabinets and distributors, as well as 3C suppliers.

② Slide rails and hinges

To cut cost, many international furniture and kitchen cabinet companies have turned to manufactures in S.E. Asia that are with scale of economy, right product offering, short delivery time, R&D capacity, stable quality and reasonable pricing. The trend have certainly benefit King Slide who has established reputation worldwide and ranked one of the top-four brands in the U.S. traditional market. In the past few years, we have obtained orders from top U.S. suppliers in furniture, kitchen cabinet and steel cabinet fields, and the number-two DIY furniture and kitchen cabinet supplier from Japan. In the future, we will continue to develop products for our-own private brands and develop customization capability based on customer request to solidify our future advantages.

All our products are the mainstream products in the market; therefore we expect strong growth through the network of our global selling points, customization orders and retailing channels.

(2) Disadvantages

Possible inflated production cost due to rising raw material prices.

(3) Countermeasures

① Increase levels of automation production and value-added purchase to reduce labor costs and overall production cost.

② Accelerate new market developments, enhance the after-sales technical service, select favorable product mix and customer group, especially the electronic product suppliers who require customized R&D developments, so as to improve the business base, reduce the expense ratio and mitigate the adverse factors of rising material costs.

(II) Main product usages and production process

1. Usage

Main products	Usage
Rail kits and peripheral components for server	1. Rack servers, UPS, rack Internet communication facilities, TAPE, and related accompanying facilities for computer networking and Cloud data centers. 2. Electric vehicles, massage sofa, ATM machine, multi-function printers, automobile, OA furniture, kitchen, industry-tool and steel cabinets.
Slide rails, hidden hinges	OA furniture, kitchen cabinets, furniture, etc.

2. Production procedures:

Hinges: accessory stamping→ precision finishing → accessories heat treatment→ accessory barrel plating→ finished accessory

feeding finished accessories and purchased accessories → assembling finished goods →packaging check and warehousing

Slide rails: slide stamping →molding completed

slide coating→ feeding finished accessories and purchased accessories → assembling finished goods → packaging check and warehousing

Rail kits: (1) accessory stamping→ precision finishing → accessories heat treatment→ accessory barrel plating→ finished accessory

(2) Rail kit precision finishing → stamping →molding completed

(3) Feeding finished guide slides →barrel plating feeding finished accessories and purchased accessories→ ….

Finished product assembly → packaging check and warehousing

(III) Mainraw materials supplies

Steel coil is our mainraw material, which we purchase mainly from China Steel and partly from local coil center factories and Japan. The supplies of the material have been sufficient and stable.

(IV) Suppliers and clients accounted for 10% or more of the Company's total purchase(sales) amount in either of the 2 most recent fiscal years and explanation for changes

1. Top suppliers

Unit: NT$ thousands

Items	2018				2017				1Q 2019			
	Supplier	Amount	As a percentage of total purchase for the year (%)	Relation with the Company	Supplier	Amount	As a percentage of total purchase for the year (%)	Relation with the Company	Supplier	Amount	As a percentage of total purchase for the 1st quarter (%)	Relation with the Company
1	China Steel	607,010	44.94	None	China Steel	592,834	45.62	None	China Steel	137,498	42.66	None
	Others	743,706	55.06		Others	706,787	54.38		Others	184,830	57.34	
	Purchase amount	1,350,716	100.00		Purchase amount	1,299,621	100.00		Purchase amount	322,328	100.00	

Change analysis: China Steel is a leading domestic steel supplier and a mainraw material supplier for the Company and the industry. Its products meet the Company's requirements in terms of delivery and quality. Therefore, it has been the number-one supplier for the past two years.

2. Top customers

Unit: NT$ thousands

Items	2018				2017				1Q 2019			
	Supplier	Amount	As a percentage of total net sales for the year (%)	Relation with the Company	Supplier	Amount	As a percentage of total net sales for the year (%)	Relation with the Company	Supplier	Amount	As a percentage of total net sales for the 1st quarter (%)	Relation with the Company
1	Customer A	641,514	14.46	None	Customer A	549,289	13.36	None	Customer A	175,543	15.27	None
2	Customer B	422,917	9.54	None	Customer B	303,283	7.38	None	Customer B	105,994	9.22	None
	Others	3,371,176	76.00		Others	3,258,000	79.26		Others	867,919	75.51	
	Net sales	4,435,607	100.00		Net sales	4,110,572	100.00		Net sales	1,149,456	100.00	

Change analysis: Customer A is the designated manufacture for multiple major international server suppliers. As shipments of several of our OEM customers were asked to send to the Customer A’s global HUB , it has been listed as the number-one customer for the past two years.

(V) Production volume for the two most recent fiscal years

Unit: Rail kitand slide in thousand sets; hinges in thousand pieces/ NT$ thousand

Year / Production value / Main products	2018 Year			2017 Year		
	Capacity	Production volume	Production value	Capacity	Production volume	Production value
rail kits	19,020	12,613	1,942,847	18,910	12,301	1,781,096
Slide rails	4,224	982	26,074	4,224	893	21,165
Hinges	1,920	1,068	39,110	1,920	840	29,784
Other	—	—	61,439	—	—	33,056
Total			2,069,470			1,865,101

(VI) Product units sold for the two most recent fiscal years

Unit: NT$ thousands

Year / Product units sold / Main products	Unit	2018				2017			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
rail kits	thousand sets	3,200	1,011,628	9,286	3,183,444	3,525	1,040,485	8,646	2,831,174
Slide rails	thousand sets	262	9,567	1,561	36,755	350	10,383	2,017	49,248
Hinges	thousand units	3,380	116,655	196	10,278	3,369	109,101	155	10,718
Other		—	7,611	—	59,669	—	14,376	—	45,087
Total			1,145,461		3,290,146		1,174,345		2,936,227

III. Human resource

Unit: one person; %

Year		2018	2017	As of March 31, 2019
Number of employees	Direct labor	740	708	766
	Indirect labor	334	338	337
	Total	1,074 (Note 1)	1,046 (Note 2)	1,103 (Note 3)
Average age		33.6	32.9	34.5
Average service years		6.01	5.50	5.95
Average education %	Ph.D	0.09%	0.10%	0.09%
	Master	6.15%	6.31%	5.89%
	College	39.76%	38.53%	39.44%
	High school or below	54.00%	55.06%	54.58%
	Total	100.00%	100.00%	100.00%

Note1: The figures above do not include the contracted workers: 164 people.
Note2: The figures above do not include the contracted workers: 161 people.
Note3: The figures above do not include the contracted workers: 221 people.

IV. Disbursements for environmental protection

(I) Total losses (including compensation) and fines for environmental pollution during the most recent fiscal year and up to the publication date of the annual report: Fines of NT$ 60,000 and NT$ 6,000 were issued to the Company, respectively on Decmber2017 and June 2018 for violation of Waste Disposal Act.

(II) Countermeasures:

1. Future countermeasures and improvement plans:

(1) In order to promote the quality and efficiency of wastewater treatment, daily analysis and monitoring procedures are conducted by the production plant for adjusting parameters in the treatment equipment and checking all detecting facilities on a weekly basis to ensure the wastewater treatment system perform efficiently, so as to conform to the wastewater treatment standards. Certified testing agents are commissioned regularly to conduct raw water and effluent testing.

(2) The Company has obtained relevant licenses in water pollution prevention and air pollution control. To further prevent air pollution, natural gas has been adopted for steam boiler, instead of heavy oil. This shall emission of reduce sulfur oxide and particulate pollution emissions significantly. The Company’s waste disposal has also been approved by the environmental protection bureau. The waste produced will be

cleaned, transported and disposed by qualified operators. There shall be no concerns for environment pollution.

(3) We were fined due to discrepancy between volumes of tentative waste storage and waste output filled unintentionally by the clerk. The error was detected on and punished. To prevent the mistake from recurring, the filing data will be reviewed and checked by the supervising managers of the department before filing through Internet.

2. Investment made for pollution control and possible benefits generated:

December 31, 2018; Unit: NT$ thousand

Pollution control facilities	Quantity	Date acquired	Investment amount	Non-depreciated balance	Possible benefits generated
Laboratory equipment for chemical testing	1	12/14/2000	300	–	Wastewater testing
Air agitation plumbing	1	05/07/2001	152	–	Exhaust gas (HCL) treatment for regulation compliance
Air shield	1	05/07/2001	200	–	Exhaust gas (HCL) treatment for regulation compliance
Exhaust ventilation	1	05/07/2001	942	–	Exhaust gas (HCL) treatment for regulation compliance
RC wastewater storage tank lining project	1	05/07/2001	429	–	Wastewater for regulation compliance
Plant and frame filter press	1	12/16/2004	820	–	Sludge treatment
Squatting building sewage treatment facility	1	12/01/2005	410	–	Wastewater for regulation compliance
Water recycling accomplishing	1	03/23/2006	16,163	263	Recycle some of the water and discharge the wastewater to the wastewater treatment accomplishing assembly to meet the standard
Wastewater treatment accomplishing	1	03/23/2006	1,071	–	
Filled scrubber	1	12/25/2006	2,295	–	Exhaust gas (HCL) treatment for regulation compliance
Equalization tank	1	03/07/2007	550	–	Wastewater quality equalization
Plant and frame filter press	1	07/10/2007	250	–	Sludge treatment
Condensing sludge dryer	1	07/18/2008	2,923	458	Sludge treatment
RO-1-2 set	1	04/20/2015	2,513	1,598	Efficiency improvement for water recycling
Wastewater mixing tank	1	08/08/2015	4,427	3,481	(1) Adjusting wastewater quality to reach the stability of wastewater treatment (2) Acquiring the tentative storage tank for emergency
Wastewater treatment accomplishing (facility expansion)	1	08/21/2015	4,550	2,823	Enhancing wastewater treatment capacity and the satiability of COD removal for regulation compliance
Fiber filters	2	09/01/2016	1,680	1,244	Efficiency improvement for water recycling
Spectrophotometers	1	06/11/2018	140	120	Water quality testing

3. Possible expenditure (including the estimated amount of loss, punishment and compensation that may occur if no countermeasuress are taken, and the fact that it cannot

be reasonably estimated should be stated):

(1) In order to improve the accuracy of the analysis results and comply with the current environmental protection laws and regulations, certified testing agents are commissioned regularly to conduct testing on raw water and effluent (twice a year), general business waste (once a year) and hazardous industrial waste (twice a year). Estimated testing cost for the next year is NT$ 65,000.

(2) To reduce the sludge and cut down the expenses on associated cleaning , additional sludge dryers have purchased in 2019 Q1. The trial operation has begun. The capital expenditure was NT$2,950 thousand.

V. Labor relations

(I) Employee benefit plans, continuing education, and retirement programs with the implementation status. worker-employee agreement and measures for preserving employees' rights and interests.

1. Employee benefit plans

The Company has been maintaining a harmonious relation with its employees. Apart from the basic requirements set under Labor Standards Act, the Company gives away extra gratuity money on labor’s day, Dragon Boat Festival and Mid-Autumn festival to all employees, and hosts a year-end dinner and company outings and birthday celebrations on a regular basis.

In addition, we have greatly improved cares for pregnant employees. Clean and cozy nursery rooms are available inside the office with special accompanying measures. The Company’s goal is to create a pleasant workplace and to ensure the health of every employee.

The Company encourages staff taking no-pay maternity leaves. In accordance with Act of Gender Equality in Employment and the implementation rules for no-pay maternity leaves, all employees, after first six months of working, are eligible for applying the leave before their children reach the age of three for a period of no more than two years. After returning, the employee will continue the old post in the same unit without differential treatment.

2. Continuing education and training

In order to improve the quality and development advantages of human resources, the Company has formulated educational training management measures which works together with the promotion system. Internal and external training programs are provided from time to time based on the job contents and future development to improve employees’ working skills. Employees are required to complete training reports to allow feedbacks to the Company.

3. Retirement program and implementation

The Company set up its retirement program based on Labor Standards Act. Workers may apply for voluntary retirement when: (1) he/she reaches the age of 55 and has worked for fifteen years; (2) he/she has worked for more than twenty-five years and (3) he/she reaches the age of 60 and has worked for ten years. The Company appropriates, based on the stipulated ratios, employee retirement fund that is later deposited in Bank of Taiwan. Pension is distributed to the retired employees according to Labor Standards Act. Began from July 01, 2005, a distribution of no less than 6% of monthly salary will be made to individual retirement account for employees who chose adopting Labor Pension Act for his/her pension program.

4. Worker-employee agreement and measures for preserving employees' rights and interests:
   (1) Propositions can be made in the morning meeting held every week.
   (2) The proposition shall be made in written using the official forms or proposals regarding rewarding program can be presented.
   (3) Labor meetings are held on a quarterly basis through representatives elected by all employees.
   (4) To complete the employee grievance system, communication channels were provided to strengthen the labor relations. Complaint channels include exclusive hotline, email box and suggestion box are available to take in and handle employee complaints with dedicated personnel. Complaints can also be filed through internal administrative system. Managers from the associated units shall react immediately when receiving them.
   (5) The promotion examinations are held every year in accordance with the "Promotion measures ." Exams are taken on a voluntarily basis, removing influence from a third party.
   (6) Assistants are provided during orientation program and presentation session for new hires to help the new employees get accustomed to the Company. “Sustainable heritage of care” is carried out to ensure new employees are taken care of.
   (7) Tow communication meetings are held every month for foreign workers.
   (8) Regular employee care program is conducted for new employees to accelerate their adaptability to the new job through face-to-face interviews.
   (9) Formulating "Measures for staff religious beliefs and facility service application" to ensure staff are not discriminated against to their beliefs, and facilities are available

for holding religious activities when needed.

5. Other major agreements: none

(II) Loss incurred as a result of labor disputes with an estimate of losses incurred to date or in the future and the countermeasures during the current year and up to the publication date of the annual report: None

VI. Important contracts:

Nature of the contracts	Contracting parties	Contract period	Main contents	Restrictions
Raw material supply contract	China Steel Co.	Quarterly	Steel coil supply	None

Six. Financial overview

I. Five-year financial summary

(I) 1. Condensed Balance Sheet, Consolidated

Unit: NT$ thousands

Item \ Year		Financial information from 2014~2018 (Note 2) 2018	2017	2016	2015	2014	As of Financial information, as of March 31, 2019 (Note 3)
Current Assets		9,615,249	8,259,584	8,389,302	7,734,240	6,872,324	10,023,490
Property, Plant and Equipment		1,353,349	1,425,528	1,389,866	1,430,366	1,481,941	1,358,987
Right-of-use Assets		-	-	-	-	-	696,807
Intangible Assets		269	1,274	2,847	3,490	1,947	1,811
Other Assets		237,788	199,653	137,074	77,639	57,368	251,251
Total Assets		11,206,655	9,886,039	9,919,089	9,245,735	8,413,580	12,332,346
Current Liabilities	Before distribution	1,038,010	1,018,422	1,127,772	1,015,702	992,979	1,044,600
	After Distribution (Note 1)	Before Distribution	1,494,907	1,913,973	1,978,202	1,850,653	Before Distribution
Noncurrent Liabilities		94,094	88,292	131,313	161,211	412,408	765,263
Total Liabilities	Before distribution	1,132,104	1,106,714	1,259,085	1,176,913	1,405,387	1,809,863
	After Distribution (Note 1)	Before Distribution	1,583,199	2,045,286	2,139,413	2,263,061	Before Distribution
Equity Attributable to Shareholders of the Parent		10,074,551	8,779,325	8,660,004	8,068,822	7,008,193	10,522,483
Ordinary shares		952,971	952,971	952,971	952,971	952,971	952,971
Capital Surplus		796,691	796,691	796,691	796,691	796,691	796,691
Retained Earnings	Before distribution	8,329,138	7,032,605	6,910,881	6,308,623	5,246,994	8,773,740
	After Distribution (Note 1)	Before Distribution	6,556,120	6,124,680	5,346,123	4,389,320	Before Distribution
Other Equity		(4,249)	(2,942)	(539)	10,537	11,537	(919)
Treasury Stock		-	-	-	-	-	-
Noncontrolling Interests		-	-	-	-	-	-
Total Equity	Before distribution	10,074,551	8,779,325	8,660,004	8,068,822	7,008,193	10,522,483
	After Distribution (Note 1)	Before Distribution	8,302,840	7,873,803	7,106,322	6,150,519	Before Distribution

Note 1: Based the resolutions from the shareholders' meetings next following years. 2018 figures are pending for the approval from the shareholders' meeting.

Note 2: All financial statement are certified by the external auditors

Note 3: Financial statements for ended March 31, 2019 are reviewed by the external auditors

2. Condensed Balance Sheet, Unconsolidated

Unit: NT$ thousands

Item \ Year		Financial information from 2014~2018 (Note 2)					As of Financial information, as of March 31, 2019 (Note 3)
		2018	2017	2016	2015	2014	
Current Assets		3,951,935	3,824,862	4,397,492	4,249,075	3,578,898	-
Investment using equity method		6,301,925	5,116,739	4,554,765	4,069,722	3,622,982	-
Property, Plant and Equipment		375,915	383,808	388,689	384,112	387,798	-
Intangible Assets		-	278	597	1,311	1,463	-
Other Assets		61,279	65,888	41,085	43,217	41,557	-
Total Assets		10,691,054	9,391,575	9,382,628	8,747,437	7,632,698	-
Current Liabilities	Before distribution	528,162	523,958	611,511	551,219	516,886	-
	After Distribution (Note 1)	Before Distribution	1,000,443	1,397,712	1,513,719	1,374,560	-
Noncurrent Liabilities		88,341	88,292	111,113	127,396	107,619	-
Total Liabilities	Before distribution	616,503	612,250	722,624	678,615	624,505	-
	After Distribution (Note 1)	Before Distribution	1,088,735	1,508,825	1,641,115	1,482,179	-
Capital Stock		952,971	952,971	952,971	952,971	952,971	-
Capital Surplus		796,691	796,691	796,691	796,691	796,691	-
Retained Earnings	Before distribution	8,329,138	7,032,605	6,910,881	6,308,623	5,246,994	-
	After Distribution (Note 1)	Before Distribution	6,556,120	6,124,680	5,346,123	4,389,320	-
Other Equity		(4,249)	(2,942)	(539)	10,537	11,537	-
Total Equity	Before distribution	10,074,551	8,779,325	8,660,004	8,068,822	7,008,193	-
	After Distribution (Note 1)	Before Distribution	8,302,840	7,873,803	7,106,322	6,150,519	-

Note 1: Based the resolutions from the shareholders' meetings next following years. 2018 figures are pending for the approval from the shareholders' meeting.

Note 2: All financial statement are certified by the external auditors

Note 3: The Company did not compile unconsolidated statements for the period ended March 31, 2019. No applicable data available for the table.

(II) 1. Condensed Statement of Comprehensive Income, Consolidated

Unit: NT$ thousands

Year / Item	Financial information from 2014~2018 (Note 1)					Financial information, as of March 31, 2019 (Note2)
	2018	2017	2016	2015	2014	
Operating Revenue	4,435,607	4,110,572	4,466,110	4,498,347	4,282,201	1,149,456
Gross Profit	2,326,612	2,192,307	2,550,860	2,583,335	2,349,167	603,419
Profit from Operations	1,738,196	1,665,077	2,024,747	2,023,512	1,798,725	452,725
Non-Operating Income and Expenses	433,682	(441,247)	(51,430)	354,736	362,077	76,545
Profit Before Income Tax	2,171,878	1,223,830	1,973,317	2,378,248	2,160,802	529,270
Net Income from Continuing Operation	1,775,964	908,700	1,571,791	1,922,962	1,808,777	444,602
Loss from Discontinuing Operation	-	-	-	-	-	-
Net Income (Loss)	1,775,964	908,700	1,571,791	1,922,962	1,808,777	444,602
Other Comprehensive Income for the Year (Net of Income Tax)	(4,253)	(3,178)	(18,109)	(4,659)	6,445	3,330
Total Comprehensive Income for the Year	1,771,711	905,522	1,553,682	1,918,303	1,815,222	447,932
Net Profit (Loss) Attributable to Owner of the Company	1,775,964	908,700	1,571,791	1,922,962	1,808,777	444,602
Net Porfit (Loss) Attributable to Noncontrolling Interests	-	-	-	-	-	-
Total Comprehensive Income (Loss) Attributable to Owner of the Company	1,771,711	905,522	1,553,682	1,918,303	1,815,222	447,932
Total Comprehensive Income (Loss) Attributable to Noncontrolling Interests	-	-	-	-	-	-
Earnings Per Share (NT$)	18.64	9.54	16.49	20.18	18.98	4.67

Note 1: All financial statement are certified by the external auditors

Note 2: Financial statements of ended March 31, 2019 are reviewed by the external auditors

2. Condensed Statement of Comprehensive Income, Unconsolidated

Unit: NT$ thousands

Item \ Year	Financial information from 2014~2018 (Note 1)					Financial information, as of March 31, 2019 (Note2)
	2018	2017	2016	2015	2014	
Operating Revenue	1,932,513	1,995,243	2,210,327	2,304,100	2,288,346	-
Gross Profit	662,743	751,573	949,906	1,027,714	992,212	-
Profit from Operations	369,433	491,971	678,469	763,668	736,989	-
Non-Operating Income and Expenses	1,549,969	540,435	1,089,097	1,403,811	1,264,464	-
Profit Before Income Tax	1,919,402	1,032,406	1,767,566	2,167,479	2,001,453	-
Net Income from Continuing Operation	1,775,964	908,700	1,571,791	1,922,962	1,808,777	-
Loss from Discontinuing Operation	-	-	-	-	-	-
Net Income (Loss)	1,775,964	908,700	1,571,791	1,922,962	1,808,777	-
Other Comprehensive Income (after tax)	(4,253)	(3,178)	(18,109)	(4,659)	6,445	-
Total Comprehensive Income for the Year	1,771,711	905,522	1,553,682	1,918,303	1,815,222	-
Earnings Per Share (NT$)	18.64	9.54	16.49	20.18	18.98	-

Note 1: All financial statement are certified by the external auditors

Note 2: The Company did not compile unconsolidated statements for the period ended March 31, 2019. No applicable data available for the table.

(III) Auditors' opinions from 2014 to 2018

Year	Accounting Firm	CPA	Opinion
2014	Deloitte & Touche	Kuo Lee-Yuan and Wu Chiu-Yen	An Unqualified Opinion
2015	Deloitte & Touche	Kuo Lee-Yuan and Wu Chiu-Yen	A modified unqualified opinion
2016	Deloitte & Touche	Wu Chiu-Yen and Kuo Lee-Yuan	An Unmodified Opinion(Note)
2017	Deloitte & Touche	Wu Chiu-Yen and Kuo Lee-Yuan	An Unmodified Opinion
2018	Deloitte & Touche	Wu Chiu-Yen and Kuo Lee-Yuan	An Unmodified Opinion

Note: According to the new auditing standard of the Republic of China, "An Unqualified Opinion" is replaced by "An Unmodified Opinion" since 2016.

II Financial Analysis from 2014 to 2018:

(I) 1. Consolidated

Analysis Item \ Year		Financial Analysis from 2014 to 2018(Note 1)					Financial information, as of March 31, 2019 (Note 2)
		2018	2017	2016	2015	2014	
Financial Structure (%)	Ratio of liabilities to assets	10.10	11.19	12.69	12.72	16.70	14.67
	Long-term Fund to Property, Plant and Equipment	751.36	622.05	632.53	575.38	500.73	830.60
Solvency	Current Ratio (%)	926.31	811.01	743.88	761.46	692.09	959.55
	Quick Ratio (%)	878.67	766.23	713.94	726.70	651.25	913.72
	Times Interest Earned (Times)	N/A	N/A	N/A	36,589.43	347.67	184.32
Operating Performance	ReceivablesTurnover (Times)	4.42	3.97	4.19	4.34	4.53	4.57
	Days Sales Outstanding (Days)	83	92	87	84	81	80
	Inventory Turnover (Times)	4.70	5.11	5.87	5.31	5.03	4.73
	Payables Turnover (Times)	6.68	6.00	6.73	7.28	7.59	6.92
	Days Inventory (Days)	78	71	62	69	73	77
	Property, Plant and Equipment Turnover (Times)	3.27	2.88	3.21	3.14	2.89	3.38
	Total Assets Turnover (Times)	0.39	0.41	0.45	0.48	0.50	0.37
Profitability	Return on Total Assets (%)	16.84	9.17	16.40	21.77	23.22	15.18
	Return on Total Equity (%)	18.83	10.42	18.79	25.50	28.04	17.26
	Pre-tax Income to Paid-in Capital Ratio (%)	227.90	128.42	207.07	249.56	226.74	222.15
	Net Margin (%)	40.03	22.10	35.19	42.74	42.23	38.67
	Earnings Per Share (NT$)	18.64	9.54	16.49	20.18	18.98	4.67
Cash Flow	Cash Flow Ratio (%)	176.97	86.72	150.95	220.10	191.28	212.85
	Cash Flow Adequacy Ratio (%)	185.20	185.01	206.69	211.04	191.50	187.68
	Cash Flow Reinvestment Ratio (%)	11.62	0.93	7.27	14.42	13.72	4.57
Leverage	Operating Leverage	1.23	1.21	1.17	1.16	1.17	1.22
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Analysis of differences for the last two years
1. Probability (Return on Total Assets, Return on Total Equity, Pre-tax Income to Paid-in Capital, Net Margin, Earnings Per Share) improved mainly due to revenue in 2018 grew by 7.91% and increase in net income for NT$ 948.048 million in 2016 due to NTD depreciation. 2. The increase of Long-term Fund to Property, Plant and Equipment contributed by the same reason above led to the higher shareholders' equity. 3. Higher cash flow ratio and cash flow reinvestment ratio was due to cash flow from operating activities increased by NT$ 953.760 million and cash dividend decreased by NT$ 309.716 million in 2018, compared to those from 2017.

Note 1: All financial statement are certified by the external auditors

Note 2: Financial statements of ended March 31, 2019 are reviewed by the external auditors

2. Financial Analysis from 2014 to 2018, Unconsolidated

Year / Analysis Item		Financial Analysis from 2014 to 2018(Note 1)					Financial information, as of March 31, 2019 (Note 2)
		2018	2017	2016	2015	2014	
Financial Structure (%)	Ratio of liability to Assets	5.76	6.51	7.70	7.75	8.18	-
	Long-term Fund to Property, Plant and Equipment	2,703.50	2,310.43	2,256.59	2,133.80	1,834.92	-
Solvency	Current Ratio (%)	748.24	729.99	719.11	770.85	692.39	-
	Quick Ratio (%)	708.96	691.32	692.63	743.12	656.51	-
	Times Interest Earned (Times)	N/A	N/A	N/A	N/A	33,923.93	-
Operating Performance	ReceivablesTurnover (Times)	4.36	4.37	4.64	4.10	4.03	-
	Days Sales Outstanding (Days)	84	84	79	89	91	-
	Inventory Turnover (Times)	6.93	7.62	9.00	8.37	7.67	-
	Payables Turnover (Times)	7.09	6.53	6.86	7.31	7.64	-
	Days Inventory (Days)	53	48	41	44	48	-
	Property, Plant and Equipment Turnover (Times)	5.14	5.19	5.68	5.99	5.90	-
	Total Assets Turnover (Times)	0.18	0.21	0.23	0.26	0.30	-
Profitability	Return on Total Assets (%)	17.68	9.68	17.33	23.47	25.75	-
	Return on Total Equity (%)	18.83	10.42	18.79	25.50	28.04	-
	Pre-tax Income to Paid-in Capital Ratio (%)	201.41	108.33	185.48	227.44	210.02	-
	Net Margin (%)	91.89	45.54	71.11	83.45	79.04	-
	Earnings Per Share (NT$)	18.64	9.54	16.49	20.18	18.98	-
Cash Flow	Cash Flow Ratio (%)	122.16	38.95	192.06	314.19	284.48	-

	Cash Flow Adequacy Ratio (%)	130.33	136.08	167.65	170.81	160.71	-
	Cash Flow Reinvestment Ratio (%)	1.52	-5.96	2.19	9.66	9.52	-
Leverage	Operating Leverage	1.53	1.35	1.26	1.21	1.22	-
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	-

Analysis of differences for the last two years

1. Probability (Return on Total Assets, Return on Total Equity, Pre-tax Income to Paid-in Capital, Net Margin, Earnings Per Share) improved mainly due to NTD depreciation and increase in an increase of NT$ 621.552 from "share of profit or loss of subsidiary companies using equity method".
2. Higher cash flow ratio and cash flow reinvestment ratio was due to cash flow from operating activities increased by NT$ 441.123 million and cash dividend decreased by NT$ 309.716 million in 2018, compared to those from 2017.

Note 1: All financial statement are certified by the external auditors

Note 2: The Company did not compile unconsolidated statements for the period ended March 31, 2019. No applicable data available for the table.

Calculation equations:

1. Financial structure
   (1) Ratio of liability to Assets = total liabilities/total assets
   (2) Long term funds to Property, Plant and Equipment = (net shareholder's equity + long-term liabilities)/net Property, Plant and Equipment
2. Solvency
   (1) Current ratio=current assets/current liabilities
   (2) Quick ratio=(current assets-inventory-prepaid expense)/current liabilities
   (3) Times Interest Earned= income before tax and interest expense/interest expense
3. Operating Performance
   (1) Receivable turnover (including accounts receivable and notes receivable resulted from business operation)=net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)
   (2) Days Sales Outstanding = 365/account receivable turnover
   (3) Inventory turnover=operating cost/average inventory
   (4) Payable turnover (including accounts payable and notes payable resulted from business operation) =operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation)
   (5) Days Inventory = 365 / average inventory turnover
   (6) Property, plant and equipment turnover = net sales / average net property, plant and

equipment

(7) Total assets turnover = net sales / average total assets

4. Profitability

   (1) Return on total assets = [net income + interest expenses * (1 - effective tax rate)] / average total assets

   (2) Return on equity = net income / average equity

   (3) Net margin = net income / net sales

   (4) Earnings per share = (net income attributable to shareholders of the parent - preferred stock dividend) / weighted average number of shares outstanding

5. Cash flows

   (1) Cash flow ratio = net cash from operating activities / current liabilities

   (2) Cash flow adequacy ratio = five-year sum of cash from operations / five-year sum of (capital expenditures, inventory additions, and cash dividend)

   (3) Cash flow reinvestment ratio = (cash from operating activities - cash dividends)/ (gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage

   (1) Operating leverage = (net sales - variable cost) / operating income

   (2) Financial leverage = operating income/ (operating income - interest expenses)

III. Supervisors' or audit committee's report for the most recent year's financial statement: Please refer to Page 119 in this annual report.

IV. Financial statement for the most recent fiscal year: Please refer to Page 120 to Page 172 in this annual report.

V. Certified parent company only financial statement for the most recent fiscal year: Please refer to Page 173 to Page 223 in this annual report.

VI. Financial difficulties experienced by the Company and its subsidiaries during the most recenet fiscal year and the current year up to the publication date of the annual report and impacts to the financials: None.

Seven. Review of financial conditions, operating results, and risk management

I. Analysis of financial status

Main reasons for and impacts from any material change in assets, liabilities, or equity during the past two fiscal years. Countermeasures if the impacts are of material significance

Unit: NTD thousands.

Item \ Year	2018end	2017end	Change	
			Amount	%
Current assets	$ 9,615,249	$ 8,259,584	$ 1,355,665	16.41
Property, Plant and Equipment	1,353,349	1,425,528	(72,179)	(5.06)
Intangible Assets	269	1,274	(1,005)	(78.89)
Other Assets	237,788	199,653	38,135	19.10
Total Assets	11,206,655	9,886,039	1,320,616	13.36
Current liabilities	1,038,010	1,018,422	19,588	1.92
Noncurrent Liabilities	94,094	88,292	5,802	6.57
Total liabilities	1,132,104	1,106,714	25,390	2.29
Equity Attributable to Shareholders of the Parent	10,074,551	8,779,325	1,295,226	14.75
Capital Stock	952,971	952,971	-	-
Capital Surplus	796,691	796,691	-	-
Retained earnings	8,329,138	7,032,605	1,296,533	18.44
Other Equity	(4,249)	(2,942)	(1,307)	(44.43)
Treasury Stock	-	-	-	-
Noncontrolling Interests	-	-	-	-
Total of equity	10,074,551	8,779,325	1,295,226	14.75

1. Analysis:
   (1) Intangible assets decreased mainly due to the depreciation of computer software.
   (2) Other equity decreased mainly due to Exchange Differences on Translation of Foreign Financial Statements
2. Countermeasure: None.

II. Analysis of financial performance

Main reasons for material changes in operating revenues, operating income, or income before tax during the past two fiscal years. Sales forecast and the effect upon the financials and operation with measures to be taken in:

Unit: NT$ thousands

Year / Item	2018		2017		Change	Change % (%)
	Sub-total	Total	Sub-total	Total		
Net revenue		$4,435,607		$4,110,572	$ 325,035	7.91
Operating cost		2,108,995		1,918,265	190,730	9.94
Gross Profit		2,326,612		2,192,307	134,305	6.13
Operating expenses		588,416		527,230	61,186	11.61
Operation income		1,738,196		1,665,077	73,119	4.39
Non-Operating Income and Expenses						
Interest income	$ 141,008		$ 80,618			
Other gains and losses	292,674		(521,865)			
Financial cost	-	433,682	-	(441,247)	874,929	198.29
Income Before Income Tax		2,171,878		1,223,830	948,048	77.47
Income tax expense		395,914		315,130	80,784	25.64
Net income		$ 1,775,964		$ 908,700	$ 867,264	95.44

Explanation:

1. Change analysis
   (1) Increases in non-operation revenue, income before tax and net income were due to an exchange gains of NT$ 235,089 thousand in 2018, versus an exchange loss of NT$ 555,555 thousand which exchanges 790,644 thousand in 2017.
   (2) Increase in tax expense was due to increase in income before tax.
2. Based on the past business records, current orders and future market trend, shipment for 2019 are estimated as follows: Rail kits: 15.235 million sets; slide rails: 1.368 sets and hinges 4.113 million units.
3. Countermeasure: None.

III. Analysis of cash flow

(I) Cash flow analysis for the most recent year, corrective measures for illiquidity

Year / Item	2018	2017	Change % (%)
Cash flow ratio	176.97	86.72	104.07
Cash flow adequacy ratio	185.20	185.01	0.10
Cash re-investment ratio	11.62	0.93	1,149.46

Explanation: 1. Change analysis (1) Cash flow ratio went up due to cash inflow from operating activities increased NT$ 953.760 million for the year of 2018. (2) Cash re-investment ratio (3) Please refer to (1) for the reason of increase 2. Improvement plan: None.

(II) Liquidity analysis for the coming year

Unit: NT$ thousands

Cash and cash equivalents, beginning of year ①	Estimated Net Cash Flow from Operating Activities②	Estimated Cash Outflow③	Estimated cash Surplus (Deficit) ①+②-③	Remedy for remedy for cash deficit	
				Investment plans	Financing plans
$8,042,135	$2,317,005	$3,311,807	$7,047,333	$ -	$ -

1. Cash flow analysis:
   (1) Net cash inflow from operation activities: Mainly due to the expected positive operating result in 2019.
   (2) Net cash outflow from investment activities: Mainly due to expenditures for property, plant and facilities in 2019.
   (3) Net cash outflow from financial activities: Mainly due to cash dividend distribution in 2019.
2. Remedy for cash deficit and liquidity analysis: Not applicable.

IV. Major capital expenditure in the last year and its impacts to financials and business: None.

V. Investment policy in the last year, main causes for profits or losses, improvement plans and investment plans for the coming year:

(I) Investment policy in the last year: There was no plan for additional investment in 2018.

(II) Main causes for profits or losses:

1. King Slide Technology (China) Co.,Ltd., owned by our 100%-owned King Slide (Samoa) Co., Ltd., is still in the early stage of operation. Due slowed down sales in 2018, the subsidiary recognized an investment gains of NT$ 353 thousand.
2. Investment gains recognized by King Slide Technology Co., Ltd. in 2018 reached NT$ 1,388.330 million, which indicated increasing investment benefits.

(III) Improvement plan: Not applicable

(IV) Investment plans for the coming year: The Company made extra capital injection of NT$ one million to King Slide USA, Inc. to strengthen its working capital.

VI. Risk analysis

(I) Impacts to the Company's profits (losses) from interest and exchange rate fluctuations and changes in the inflation rate, and countermeasures:

1. Interest and exchange rate

Unit: NT$ thousands

Items	2019 Q1	As a percentage of income before tax	2018	As a percentage of income before tax	2017	As a percentage of income before tax
Interest expense	2,887	0.55%	-	0.00%	-	0.00%
Net exchange gain	26,696	5.04%	235,089	10.82%	(555,555)	(45.39%)

(1) There were no interest expense incurred in 2017 or 2018. Due to the initial adoption of IFRS 16 Leases, an interest expense of NT$ 2.887 million, or 0.55% of income, before interest incurred in the first quarter of 2019, which exercised no significant impact to the Company's profitability.

(2) 2017, 2018 and 1Q2019 As an exchange-oriented business, the Company is affected by exchange rate volatility. Net exchange gains accounted for -45.39% and 10.82% and 5.04% of income before tax for 2017 and 2018, respectively. Due to the appreciation of NTD in 2017, the exchange loss reached NT$ 555.555 million, or -45.39% of the pre-tax income. The depreciating trend of NTD began in 2Q2018 and resulted in net exchange gains of NT$ 235.089 million and NT$ 26,696 (or 10.82% and 5.04% pre-tax income) for 2018 and 1Q2019. As a measure to deal with exchange rate changes under the current volatile trend, the Company adopted the natural hedging strategy by increasing foreign purchase to balance foreign exchange income and expenditure, instead of financial tool dealing. Current exchange gain generating will continue to last. In the long-run our business shall not be affected much by foreign exchange, as we will keep roll out new products.

2. Inflation: No major impacts.

(II) Impacts from the policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions. The main reasons for the profits/losses generated thereby; and countermeasures

The Company has never engaged in high-risk investments or borrowing to others etc. Any derivative trading engaged by the Company is for the purpose of exchange rate hedging for the assets or liabilities held. The gains was generated due to the execution rate was higher than the average rate of the net assets, thus risk-free. The Company plans to continue dealing for hedging purpose.

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

Unit: NT$ thousands

R&D Project	Current progress	Estimated R&D expenditure	Estimated mass production timeline	Factors affecting the results of R&D
1. Full-line of environmental and innovative mechanical IOT products that can be apply in household and personal applications and features of: user-friendly, safety, convenience, light-weight, easy assembly and high-quality function. 2. Continues development in integrated Cloud server slide Rail kits 3. Development integration of kitchen and peripheral system cabinet Rail kits.	Design Brainstorming and Integration	1. 90,000 2. 45,000 3. 80,000	From 2019 to 2020	Innovation and technology breakthroughs

(IV) Effects of and countermeasures to changes in domestic and international policies and regulations relating to corporate financials and sales:

No changes in domestic and international policies and regulations have made impacts to the Company.

(V) Effects and countermeasures to the changes in technology and industry relating to financial and sales:

Due to the evolution in the server market and rise of Cloud data centers, markets for rail server, blade server, storage, data center and platform vendor have enlarged and spurred increasing R&D activities in rack markets and in the Company. We believe our current production capacity and technologies are capable of handing the new business opportunities. Plus the positive feedbacks from the new rails for the high-end kitchen cabinets the sales gradually increase, the technology changes has positive impact to the Company’s financials and business.

(VI) The Impact of changes in corporate image on corporate risk management, and the Company’s countermeasures:

No such event has occurred to the Company.

(VII) Expected benefits from, risks relating to and countermeasures to merger and acquisition plans:

No such event has occurred to the Company.

(VIII) Expected benefits from, risks relating to and countermeasures to factory expansion plans:

(IX) Risks relating to and response to risks of supplier and customer concentration:

1. Risks of supplier concentration and countermeasures:

   China Steel is the Company's key supplier. To secure the delivery and supply, the Company signs quarterly purchase contract with the company. Our relation with China Steel is stable and long-term oriented. In the meantime, we have created a supplier list to adjust supply when necessary and diversify the concentration risk.

2. Risks of consumer concentration and countermeasures:

   Shipments to Customer A exceed more than 10% of the total volume in 2017 and 2018. The customer is the designated manufacture for multiple major international server suppliers. As orders of several of our OEM customers were asked to send to the Customer A's global site, sales to the account took up 13.36% and 14.46% of total sales, respectively in 2017 and 2018. We believe the risk is at low level and will be improved gradually as the Company expand its customer base and enlarge its product lines.

(X) Effects of, risks relating to and countermeasures to large share transfers or changes in shareholdings by directors, supervisors, or shareholders with shareholdings of over 10%: None.

(XI) Effects of, risks relating to and countermeasures to the changes in management rights: None.

(XII) Litigation or non-litigation matters: None.

(XIII) Other major risks and countermeasures: None.

VII. Other Major Matters: None.

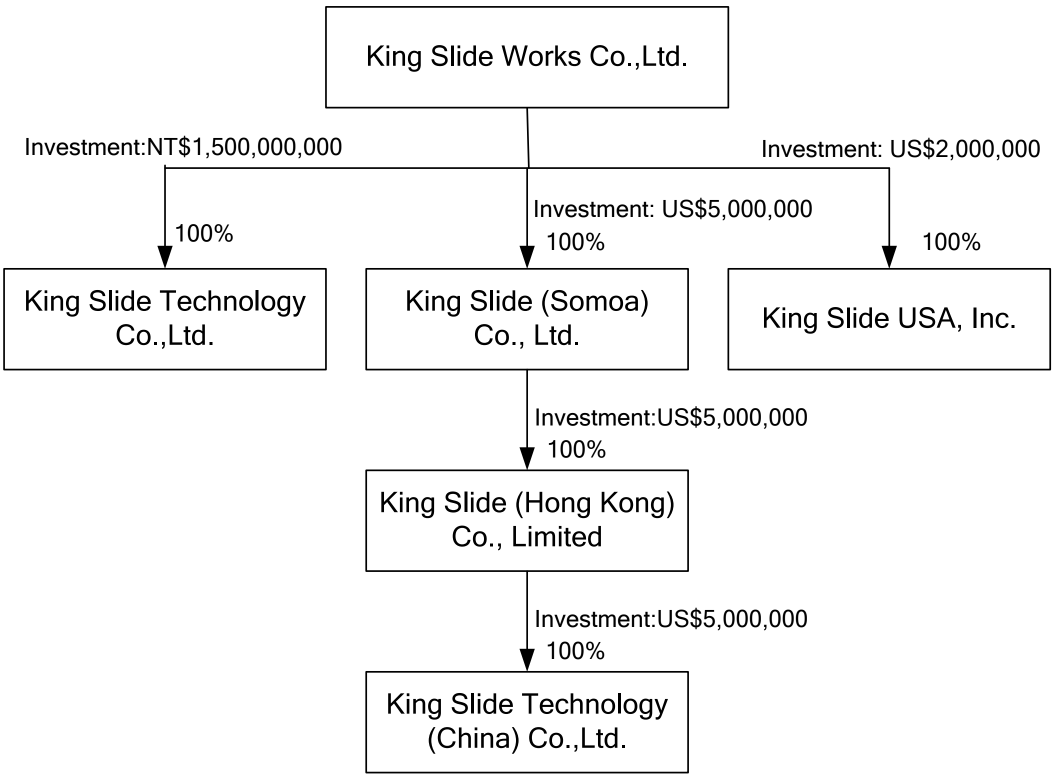
Eight: Other Special Notes

I. Subsidiary Companies:

(I) Consolidated business report of subsidiaries

1. Subsidiaries Chart:

March 31 ,2019



2. General information of subsidiaries:

March 31, 2019

Company name	Date of establishment	Address	Paid-in capital	Business activities
King Slide USA, Inc.	11/06/2006	12989 Bellaire Blvd. #8, Houston, TX 77072	US$ 2,000,000	Rail kits and slide rails and hardware trading
King Slide Technology Co., Ltd.	01/08/2007	No. 6, Luke 9th Rd., Luzhu Dist., Kaohsiung City 821, Taiwan	NT$ 1,126,000,000	Making and selling integrated mechanical slide rails for server and network devices
King Slide (Samoa) Co., Ltd.	02/01/2008	PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 1225, APIA, SAMOA	US$ 5,000,000	Overseas investment
King Slide (Hong Kong) Co., Limited King Slide (Hong Kong) Co.,Limited	03/05/2008	Rm.2401,24/F.,101King's Road,Fortress Hill, H.K.	US$ 5,000,000	Overseas investment
King Slide Technology (China) Co.,Ltd.	07/25/2008	Room 426, No. 473 Fu Te Xi Yi Road, Waigaoqiao Free Trade Zone, Shanghai	US$ 5,000,000	Rail kits and slide rails and hardware products wholesaling with supplementary services

3. Shareholders of companies meets the presumption of a control or subordination relationship
4. Business scopes of the business operated by the subsidiaries:

   Please refer to the table of general information of subsidiaries for their business activities
5. Directors, supervisors and general managers of the subsidiaries:

Company name	Title	Name or representative	Share held	
			Numbers of shares	%
King Slide USA, Inc.	Chairman General manager	Lin Tsung-Chi Wang Chun Chiang	— —	— —
King Slide Technology Co., Ltd.	Chairman Director Director Supervisor General manager	Lin Tsung-Chi Lin Shu-Hui Lin Shu-Chen Zheng Yu-Ba Lin Shu-Chen	— — — — —	— — — — —
King Slide (Samoa) Co., Ltd.	Executive director	Lin Shu-Hui	—	—
King Slide (Hong Kong) Co., Limited	Executive director	Zheng Yu-Ba	—	—
King Slide Technology (China) Co.,Ltd.	Executive director and president	Lin Shu-Chen	—	—

6. Operational Highlights from Subsidiaries:

December 31,2018 (Unite: NT$ thousand; thousand shares)

Re-invested enterprises	Core business	Investment amount	Book value	Shareholding		Share net worth	Market value	Accounting treatment	Investment return in the most recent year		Number of shares held
				Numbers of shares	Shareholding ratio				Investment gains/ losses	Dividend distribution	
King Slide USA, Inc.	Rail kits and slide rails and hardware trading	32,588	12,123	100	100%	12,123	Note 1	Equity method	(2,371)	—	—
King Slide Technology Co., Ltd.	Making and selling integrated mechanical slide rails for server and network devices	1,500,000	6,168,098	112,600	100%	6,168,098	Note 1	Equity method	1,388,330	200,000	—
King Slide (Samoa) Co., Ltd.	Overseas investment	158,122	121,704	5,000	100%	121,704	Note 1	Equity method	343	—	—
King Slide (Hong Kong) Co., Limited	Overseas investment	158,122	121,704	5,000	100%	121,704	Note 1	Equity method	343	—	—
King Slide Technology (China) Co.,Ltd.	Rail kits and slide rails and hardware products wholesaling with supplementary services	157,282	123,364	-	100%	123,364	Note 1	Equity method	353	—	—

Note 1: Not applicable to not-listed entities

(II) Consolidated Financial Statements of the Subsidiaries: Please refer to Page 120 in this annual report.

(III) Subsidiaries Report: Please refer to Page 120 in this annual report.

II. Private placement of securities during the most recent fiscial year and the current fiscial year up to the publication date of the annual report Use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan: None

III. Shares in the Company Held or Disposed of by Subsidiaries during the most recent fiscal year and the current fiscial year up to the publication date of the annual report: None

IV. Other important supplementary information: None.

V. Events occurred during the most recent fiscal year and the current fiscial year up to the publication date of the annual report, which significantly affect shareholders' equity or price of shares pursuant to Paragraph 3.2 of Article 36 of the Securities and Exchange Act: None

King Slide Works Co.,Ltd.

Internal Control System Statement

Date: February 27, 2019

We have conducted the self-assessment of the internal controls for the year of 2018, and hereby declare that:

I. We fully understand that the Board of Directors and the management of the Company is responsible for establishing, implementing and maintaining adequate internal controls, and we have established such system. The internal control system is a process designed to reasonably ensure that the objectives of the Company's operations, financial reporting and legal compliance are achieved. The objective of the operations is effectiveness and efficiency, including profits, performance and safeguarding asset security.

II. Due to its inherent limitations, an effective internal control system may only provide reasonable assurance regarding the achievement of the three objectives above; also, the effectiveness of internal control system may vary because of changes in the environment and condition. We have established the self-monitoring mechanism over internal control system and once a defect is detected, we will take corrective action immediately.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. There are sub-items under each components. Please see the Regulation for detail.

IV. We have conducted self-inspection and internal audit to examine the effectiveness of the design and implementation of internal control system.

V. Based on the findings of such evaluation, The Company believes that, on December 31, 2018, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.

VI. This statement forms an integral part of the Company's annual report and prospectus. Any illegal misrepresentation or non-disclosure in the public statement above is subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act or the Insurance Act and other relevant laws and regulations

VII. The Statement was approved at the meeting of the board of directors on February 27, 2019, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

King Slide Works Co.,Ltd.

Chairman: Lin Tsung-Chi Signature

President: Lin Shu-Chen Signature

King Slide Works Co., Ltd.
Supervisor's Review Report

The Company's Board of Directors prepared and presented the 2018 individual financial statements, consolidated financial statements, business report, and earnings distribution proposal. The 2018 financial statements and consolidated financial statements were audited by CPA Chu-Yuan Wu and CPA Li-Yuan Kuo of Deloitte & Touche Taiwan with an unmodified opinion issued in the independent auditor's report. The aforementioned accounting statements were reviewed and verified by the supervisors with a supervisor's review report prepared and presented in accordance with the provisions of Article 219 of the Company Act.

To
The Company's 2019 Annual Meeting of Shareholders

King Slide Works Co., Ltd.

Supervisor: Yin Li Investment Inc.
Representative: Lin, Jhang A-Jhu

Wu Ming-Jen

February 27, 2019

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of King Slide Works. Co., Ltd. as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, King Slide Works Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

King Slide Works Co., Ltd.

By

____

Tsung-Chi Lin
Chairman of the Board

February 27, 2019

INDEPENDENT AUDITORS' REPORT

King Slide Works Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of King Slide Works Co., Ltd. (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (FSC).

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2018 are stated as follows:

<u>Impairment assessment of accounts receivable</u>

As disclosed in Note 7 to the consolidated financial statements, as of December 31, 2018 the net amount of accounts receivable of the Company and its subsidiaries was NT$1,005,838 thousand, representing 9% of the Company and its subsidiaries' total assets, and the management estimated the allowance for impairment loss based on the aging of accounts receivable and the expected recovery status. Since the allowance for impairment loss involved significant estimates and judgment, therefore, we assessed whether the amount of the allowance for impairment loss of accounts receivable was reasonable. We assessed the correctness of the Company and its subsidiaries' accounting policy of allowance for impairment loss and tested the aging schedule prepared by the Company and its subsidiaries against the supporting documents on a sample basis. We assessed individually the recoverability of overdue accounts or doubtful accounts. We reviewed the reasonableness of the impairment loss based on the historical experience of collection and other available information.

Other Matter

We have also audited the parent company only financial statements of King Slide Works Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the supervisors, are responsible for overseeing the Company and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chiu-Yen Wu and Lee-Yuan Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2019

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 8,042,135	72	$ 6,824,301	69
Notes receivable (Notes 4, 7 and 16)	45,006	1	44,994	1
Accounts receivable, net (Notes 4, 5, 7 and 16)	1,005,838	9	911,652	9
Other receivables	17,914	-	11,215	-
Inventories (Notes 4 and 8)	466,015	4	431,615	5
Other current assets	38,341	-	35,807	-
Total current assets	9,615,249	86	8,259,584	84
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 5, 10 and 24)	1,353,349	12	1,425,528	14
Other intangible assets (Note 4)	269	-	1,274	-
Deferred tax assets (Notes 4 and 18)	32,797	-	54,383	1
Prepayments for equipment	204,590	2	144,954	1
Refundable deposits	401	-	316	-
Total non-current assets	1,591,406	14	1,626,455	16
TOTAL	$ 11,206,655	100	$ 9,886,039	100

	December 31, 2018		December 31, 2017	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Notes payable (Note 11)	$ 239,089	2	$ 234,962	2
Accounts payable (Note 11)	73,254	1	83,565	1
Other payables (Note 12)	439,882	4	402,521	4
Current tax liabilities (Note 18)	252,781	2	256,704	3
Provisions (Notes 3, 4 and 13)	-	-	19,520	-
Refund liability - current (Notes 3 and 13)	18,243	-	-	-
Other current liabilities	14,761	-	21,150	-
Total current liabilities	1,038,010	9	1,018,422	10
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	54,679	1	48,017	1
Net defined benefit liabilities (Notes 4 and 14)	39,415	-	40,275	-
Total non-current liabilities	94,094	1	88,292	1
Total liabilities	1,132,104	10	1,106,714	11
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 15)				
Ordinary shares	952,971	9	952,971	10
Capital surplus	796,691	7	796,691	8
Retained earnings				
Legal reserve	986,023	9	986,023	10
Special reserve	6,221	-	6,221	-
Unappropriated earnings	7,336,894	65	6,040,361	61
Total retained earnings	8,329,138	74	7,032,605	71
Other equity				
Exchange differences on translating the financial statements of foreign operations	(4,249)	-	(2,942)	-
Total equity	10,074,551	90	8,779,325	89
TOTAL	$ 11,206,655	100	$ 9,886,039	100

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

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 13 and 16)				
OPERATING REVENUE, NET	$ 4,435,607	100	$ 4,110,572	100
OPERATING COSTS (Notes 8 and 17)	2,108,995	48	1,918,265	46
GROSS PROFIT	2,326,612	52	2,192,307	54
OPERATING EXPENSES (Notes 7 and 17)				
Selling and marketing	182,007	4	170,359	4
General and administrative	194,708	4	174,750	4
Research and development	206,605	5	182,121	5
Expected credit loss	5,096	-	-	-
Total operating expenses	588,416	13	527,230	13
PROFIT FROM OPERATIONS	1,738,196	39	1,665,077	41
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 17)				
Interest income	141,008	3	80,618	2
Other gains and losses	292,674	7	(521,865)	(13)
Total non-operating income and expenses	433,682	10	(441,247)	(11)
PROFIT BEFORE INCOME TAX	2,171,878	49	1,223,830	30
INCOME TAX (Notes 4 and 18)	395,914	9	315,130	8
NET PROFIT FOR THE YEAR	1,775,964	40	908,700	22
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 14, 15 and 18)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(4,632)	-	(934)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	1,686	-	159	-
	(2,946)	-	(775)	-

(Continued)

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	$ (1,766)	-	$ (2,896)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	459	-	493	-
	(1,307)	-	(2,403)	-
Other comprehensive loss for the year, net of income tax	(4,253)	-	(3,178)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,771,711	40	$ 905,522	22
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$ 1,775,964	40	$ 908,700	22
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 1,771,711	40	$ 905,522	22
EARNINGS PER SHARE (Note 19)				
Basic	$ 18.64		$ 9.54	
Diluted	$ 18.59		$ 9.54	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITYFOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity	
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
BALANCE, JANUARY 1, 2017	$ 952,971	$ 796,691	$ 986,023	$ 6,221	$ 5,918,637	$ (539)	$ 8,660,004
Appropriation of 2016 earnings (Note 15)							
Cash dividends distributed by the Company - 82.5%	-	-	-	-	(786,201)	-	(786,201)
Net income in 2017	-	-	-	-	908,700	-	908,700
Other comprehensive loss in 2017, net of income tax	-	-	-	-	(775)	(2,403)	(3,178)
Total comprehensive income (loss) in 2017	-	-	-	-	907,925	(2,403)	905,522
BALANCE, DECEMBER 31, 2017	952,971	796,691	986,023	6,221	6,040,361	(2,942)	8,779,325
Appropriation of 2017 earnings (Note 15)							
Cash dividends distributed by the Company - 50%	-	-	-	-	(476,485)	-	(476,485)
Net income in 2018	-	-	-	-	1,775,964	-	1,775,964
Other comprehensive loss in 2018, net of income tax	-	-	-	-	(2,946)	(1,307)	(4,253)
Total comprehensive income (loss) in 2018	-	-	-	-	1,773,018	(1,307)	1,771,711
BALANCE, DECEMBER 31, 2018	$ 952,971	$ 796,691	$ 986,023	$ 6,221	$ 7,336,894	$ (4,249)	$ 10,074,551

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

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 2,171,878	$ 1,223,830
Adjustments for:		
Depreciation expense	140,720	140,479
Amortization expense	1,005	1,573
Expected credit loss recognized on accounts receivable	5,096	-
Impairment loss recognized on accounts receivable	-	279
Gain on disposal of property, plant and equipment, net	(241)	(481)
Interest income	(141,008)	(80,618)
Write-downs (reversal of write-downs) of inventories	3,052	(77)
Provision for sales allowances	5,470	4,684
Changes in operating assets and liabilities		
Notes receivable	(12)	(10,491)
Accounts receivable	(106,001)	165,276
Other receivables	(579)	(2,074)
Inventories	(37,452)	(112,883)
Other current assets	(2,534)	(7,150)
Notes payable	22,227	(25,081)
Accounts payable	(10,311)	(1,517)
Other payables	32,173	(46,714)
Other current liabilities	(6,427)	(469)
Net defined benefit liabilities	(5,492)	(7,613)
Cash generated from operations	2,071,564	1,240,953
Interest received	134,860	76,783
Income tax paid	(369,444)	(434,516)
Net cash generated from operating activities	1,836,980	883,220
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(143,024)	(198,787)
Proceeds from disposal of property, plant and equipment	853	1,384
Increase in refundable deposits	(85)	-
Decrease in refundable deposits	-	5
Net cash used in investing activities	(142,256)	(197,398)
CASH FLOWS FROM FINANCING ACTIVITIES		
Refunds of guarantee deposits received	38	-
Cash dividends	(476,485)	(786,201)
Net cash used in financing activities	(476,447)	(786,201)

(Continued)

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	$ (443)	$ (294)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,217,834	(100,673)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,824,301	6,924,974
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,042,135	$ 6,824,301

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

King Slide Works Co., Ltd. (the "Company") was incorporated in September 1986 under the laws of the Republic of China (ROC). The Company mainly manufactures, processes and sells the following products:

- Rail kits for cloud computing servers and data devices.

- Furniture accessories, slides and molds.

Since April 2005, the Company's shares had been traded on the Taipei Exchange, and from June 2008, the Company changed its stock exchange to the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 27, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Company and its subsidiaries (collectively referred to as the "Group"):

1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount	
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 6,824,301	$ 6,824,301
Notes and accounts receivable	Loans and receivables	Amortized cost	956,646	956,646
Other receivables	Loans and receivables	Amortized cost	11,215	11,215
Refundable deposits	Loans and receivables	Amortized cost	316	316

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

The Group elects to retrospectively apply IFRS 15 to contracts that are not completed on January 1, 2018. Retrospectively applying IFRS 15 will not have material impact on the Group's retained earnings as of January 1, 2018.

Impact on liabilities	**Carrying Amount as of January 1, 2018**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Refund liability - current	$ -	$ 19,520	$ 19,520
Provisions - current	19,520	(19,520)	-
Total effect on liabilities	$ 19,520	$ -	$ 19,520

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

<u>IFRS 16 "Leases"</u>

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Lease", IFRIC 4 "Determining whether an Arrangement Contains a Lease", and a number of related interpretations.

1) Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

2) The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at either an amount equal to the lease liabilities, adjusted by the amount of their carrying amount as if IFRS 16 had been applied since the commencement date. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

a) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

b) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

c) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

Anticipated impact on assets and liabilities

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Total effect on assets - right-of-use assets	$ -	$ 705,707	$ 705,707
Lease liabilities - current	$ -	$ 30,420	$ 30,420
Lease liabilities - non-current	-	675,287	675,287
Total effect on liabilities	$ -	$ 705,707	$ 705,707

3) The Group as lessor

The application will not have a material impact on the accounting of the Group as a lessor.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the application of other standards and interpretations will have no material impact on the Group’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 9 and Tables 4 and 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the Group functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and not retranslated subsequently.

For the purposes of presenting consolidated financial statements, the functional currencies of the Group's foreign operations into the presentation currency - the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, work-in-process and finished goods and merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted- average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of tangible and intangible assets

At the end of each reporting year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount deducting depreciation that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

2018

Financial assets are classified into financial assets at amortized cost.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, (including cash and cash equivalents, notes receivable, accounts receivable, other receivables and refundable deposits) are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2017

Financial assets are classified into loans and receivables.

Loans and receivables (including cash and cash equivalents, notes receivables, accounts receivable, other receivables and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets and contract assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

2018

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of rail kits. Sales of rail kits are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, with reference to the principal outstanding and at the applicable effective interest rate.

m. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group is lessee, the operating lease payments are recognized as an expense on a straight-line basis over the lease term.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders' approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused tax credits for purchase of equipment to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which liabilities are settled or assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets - 2018

   The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, refer to Note 7.

b. Estimated impairment of accounts receivable - 2017

   When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Useful lives of property, plant and equipment

   As described in Note 4 g., the Group reviews the residual value and estimated useful lives of property, plant and equipment at each balance sheet date. During the current period, management determined that the useful lives of certain items of equipment should be shortened, due to developments in technology. Refer to Note 10 for the estimated useful lives.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 91	$ 136
Checking accounts and demand deposits	1,019,978	1,191,891
Cash equivalents		
Commercial paper	950,958	-
Time deposits with original maturities less than 3 months	6,071,108	5,632,274
	$ 8,042,135	$ 6,824,301

The market interest rates of cash equivalents at the end of the reporting year were as follows:

	December 31	
	2018	**2017**
Commercial paper (%)	0.42	-
Time deposits (%)	0.60-3.25	0.6-2.90

7. NOTES, ACCOUNTS AND OVERDUE RECEIVABLE, NET

	December 31	
	2018	2017
Notes receivable		
At amortized cost		
Operating	$ 45,006	$ 44,994
Accounts receivable		
At amortized cost		
Gross carrying amount	$ 1,013,794	$ 914,540
Less: Allowance for impairment loss	7,956	2,888
	$ 1,005,838	$ 911,652
Overdue receivable (under non-current assets)		
Non-accrual loan	$ 1,213	$ 1,185
Less: Allowance for impairment loss	1,213	1,185
	$ -	$ -

a. In 2018

The average credit period of sales of goods was 30-150 days. No interest was charged on accounts receivable.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group’s credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group’s different customer base.

There were no notes receivable that were past due and not impaired at the end of the reporting year.

The following table details the loss allowance of accounts receivable based on the Group’s provision matrix.

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate (%)	0-0.1	1	10	50	100	-
Gross carrying amount	$ 696,677	$ 301,625	$ 11,777	$ 1,331	$ 2,384	$ 1,013,794
Loss allowance (Lifetime ECL)	(712)	(3,016)	(1,178)	(666)	(2,384)	(7,956)
Amortized cost	$ 695,965	$ 298,609	$ 10,599	$ 665	$ -	$ 1,005,838

The movements of the loss allowance of accounts receivable and overdue receivable were as follows:

	For the Year Ended December 31, 2018		
	Collectively Assessed for Impairment	Individually Assessed for Impairment	
	Accounts Receivable	Overdue Receivable	Total
Balance at January 1, 2018 per IAS 39	$ 2,888	$ 1,185	$ 4,073
Adjustment on initial application of IFRS 9	-	-	-
Balance at January 1, 2018 per IFRS 9	2,888	1,185	4,073
Add: Impairment losses recognized on receivables	5,068	28	5,096
Balance at December 31, 2018	$ 7,956	$ 1,213	$ 9,169

b. In 2017

The Group applied the same credit policy in 2018 and 2017. In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the accounts receivable from the initial credit date to the end of the reporting period. Allowance for impairment loss was recognized against accounts receivable based on the estimated unrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Aging analysis of accounts receivable was as follows:

	December 31, 2017
Not past due	$ 737,564
Past due 1-30 days	118,034
Past due 31-90 days	58,216
Past due over 91 days	726
	$ 914,540

The above aging schedule was based on the number of past due days from the end of the credit term.

There were no accounts receivable that were past due but not impaired on December 31, 2017.

Movements of the allowance for impairment loss on accounts receivable and overdue receivable were as follows:

	For the Year Ended December 31, 2017		
	Collectively Assessed for Impairment	Individually Assessed for Impairment	
	Accounts Receivable	Overdue Receivable	Total
Balance at January 1, 2017	$ 2,609	$ 1,185	$ 3,794
Add: Impairment losses recognized on receivables	279	-	279
Balance at December 31, 2017	$ 2,888	$ 1,185	$ 4,073

8. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 190,290	$ 165,476
Work-in-process	90,586	79,598
Raw materials	175,478	179,228
Supplies	9,591	7,285
Merchandise	70	28
	$ 466,015	$ 431,615

The provision for inventory write-downs (included in costs of goods sold) amounted to $11,330 thousand and $8,278 thousand as of December 31, 2018 and 2017, respectively.

The cost of inventories recognized as costs of goods sold was $2,108,995 thousand and $1,918,265 thousand for the years ended December 31, 2018 and 2017, respectively, which included the following items:

	For the Year Ended December 31	
	2018	2017
Write-downs (reversal)	$ 3,052	$ (77)
Income from sale of scraps	(46,045)	(34,680)
	$ (42,933)	$ (34,757)

9. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

			Percentage of Ownership	
Name of Investor	Name of Investee	Main Businesses and Products	December 31, 2018	December 31, 2017
The Company	King Slide Technology Co., Ltd.	Mainly manufacturing and selling of rail kits	100	100
	King Slide (Samoa) Co., Ltd.	International investment	100	100
	King Slide USA Co., Ltd.	Trade of rail kits, slides and accessories	100	100

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017
King Slide (Samoa) Co., Ltd.	King Slide (Hong Kong) Co., Ltd.	International investment	100	100
King Slide (Hong Kong) Co., Ltd.	King Slide Technology (China) Co., Ltd.	Wholesale and related services for rail kits, slides and accessories	100	100

(Concluded)

10. PROPERTY, PLANT AND EQUIPMENT

a. Movements of cost and accumulated depreciation are as follows:

For the year ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Others	Total
Cost							
Balance at January 1, 2018	$ 228,461	$ 1,074,828	$ 1,372,948	$ 7,736	$ 81,059	$ 274,236	$ 3,039,268
Additions	-	439	50,819	1,650	5,620	11,948	70,476
Disposals	-	-	(9,684)	-	(437)	(647)	(10,768)
Effect of foreign currency exchange differences	53	(1,574)	-	(15)	(146)	28	(1,654)
Balance at December 31, 2018	$ 228,514	$ 1,073,693	$ 1,414,083	$ 9,371	$ 86,096	$ 285,565	$ 3,097,322
Accumulated depreciation							
Balance at January 1, 2018	$ -	$ (303,605)	$ (1,046,381)	$ (5,516)	$ (67,777)	$ (190,461)	$ (1,613,740)
Depreciation expense	-	(30,901)	(82,816)	(532)	(5,348)	(21,123)	(140,720)
Disposals	-	-	9,072	-	437	647	10,156
Effect of foreign currency exchange differences	-	216	-	12	131	(28)	331
Balance at December 31, 2018	$ -	$ (334,290)	$ (1,120,125)	$ (6,036)	$ (72,557)	$ (210,965)	$ (1,743,973)
Carrying amounts at December 31, 2018	$ 228,514	$ 739,403	$ 293,958	$ 3,335	$ 13,539	$ 74,600	$ 1,353,349

For the year ended December 31, 2017

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Others	Total
Cost							
Balance at January 1, 2017	$ 228,605	$ 1,075,030	$ 1,228,909	$ 8,190	$ 85,320	$ 266,490	$ 2,892,544
Additions	-	2,653	162,105	218	4,234	10,436	179,646
Disposals	-	-	(18,066)	(584)	(8,381)	(2,614)	(29,645)
Effect of foreign currency exchange differences	(144)	(2,855)	-	(88)	(114)	(76)	(3,277)
Balance at December 31, 2017	$ 228,461	$ 1,074,828	$ 1,372,948	$ 7,736	$ 81,059	$ 274,236	$ 3,039,268
Accumulated depreciation							
Balance at January 1, 2017	$ -	$ (275,068)	$ (978,135)	$ (5,624)	$ (71,297)	$ (172,554)	$ (1,502,678)
Depreciation expense	-	(28,948)	(85,434)	(536)	(4,963)	(20,598)	(140,479)
Disposals	-	-	17,188	559	8,381	2,614	28,742
Effect of foreign currency exchange differences	-	411	-	85	102	77	675
Balance at December 31, 2017	$ -	$ (303,605)	$(1,046,381)	$ (5,516)	$ (67,777)	$ (190,461)	$ (1,613,740)
Carrying amounts at December 31, 2017	$ 228,461	$ 771,223	$ 326,567	$ 2,220	$ 13,282	$ 83,775	$ 1,425,528

b. Estimated useful lives

Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	
Plant	10-35 years
Office	50 years
Others	5-35 years
Machinery and equipment	
Molding	8 years
Electroplating	8 years
Assembling	8 years
Press	8 years
Others	2-11 years
Transportation equipment	5 years
Office equipment	2-15 years
Others	
Crane	10 years
ASRS	10 years
Cutting	8 years
Others	2-20 years

c. Investing activities affecting both cash and non-cash items

	For the Year Ended December 31	
	2018	**2017**
Acquisition of property, plant and equipment	$ 70,476	$ 179,646
Increase in prepayments for equipment	59,636	30,104
Decrease (increase) in payables for purchased equipment	12,912	(10,963)
Cash paid for acquisition of property, plant and equipment	$ 143,024	$ 198,787

11. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2018	**2017**
Notes payable		
Operating	$ 225,931	$ 203,704
Non-operating	13,158	31,258
	$ 239,089	$ 234,962
Accounts payable - non-related parties		
Operating	$ 73,254	$ 83,565

Notes payable

The Group’s notes payable from non-operating activities and were used for acquisition of property, plant and equipment.

Accounts payable

The average credit period of purchasing materials and supplies was 30-90 days. The Group has a financial risk management policy to ensure all payment based on the agreed terms.

12. OTHER PAYABLES

	December 31	
	2018	2017
Payable for employees' compensation and remuneration of directors and supervisors	$ 193,614	$ 176,173
Payable for bonuses	100,858	91,029
Payable for salaries	23,816	23,596
Payable for purchase of equipment	15,866	10,678
Others	105,728	101,045
	$ 439,882	$ 402,521

13. REFUND LIABILITY/PROVISIONS

The refund liability/provision was based on historical experience, management's judgments and other known reasons to estimate sales returns. The refund liability/provision was recognized as a reduction of operating revenue in the year of the related goods sold. The movements of refund liability/provision was as follows:

a. Refund liability - 2018

	For the Year Ended December 31, 2018
Balance at January 1, 2018, per IAS 37	$ -
Adjustment on initial application of IFRS 15	19,520
Balance at January 1, 2018, per IFRS 15	19,520
Recognized	5,470
Usage	(6,747)
Balance at December 31, 2018, per IAS 37	$ 18,243

b. Provisions - 2017

	For the Year Ended December 31, 2017
Balance at January 1, 2017	$ 14,836
Recognized	4,684
Balance at December 31, 2017	$ 19,520

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and King Slide Technology Co., Ltd. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2.4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 78,139	$ 72,121
Fair value of plan assets	(38,724)	(31,846)
Net defined benefit liability	$ 39,415	$ 40,275

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2017	$ 69,547	$ (22,593)	$ 46,954
Service cost			
Current service cost	334	-	334
Past service cost	462	-	462
Net interest expense (income)	869	(288)	581
Recognized in profit or loss	1,665	(288)	1,377
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	25	25
Actuarial loss - changes in demographic assumptions	2,540	-	2,540
Actuarial loss - experience adjustments	(1,631)	-	(1,631)
Recognized in other comprehensive income	909	25	934

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	$ -	$ (8,990)	$ (8,990)
Balance at December 31, 2017	72,121	(31,846)	40,275
Service cost			
Current service cost	267	-	267
Past service cost	-	-	-
Net interest expense (income)	901	(404)	497
Recognized in profit or loss	1,168	(404)	764
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(848)	(848)
Actuarial loss - changes in demographic assumptions	1,337	-	1,337
Actuarial loss - changes in financial assumptions	1,059	-	1,059
Actuarial loss - experience adjustments	3,084	-	3,084
Recognized in other comprehensive income	5,480	(848)	4,632
Contributions from the employer	-	(6,256)	(6,256)
Benefits paid	(630)	630	-
Balance at December 31, 2018	$ 78,139	$ (38,724)	$ 39,415

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Operating costs	$ 390	$ 792
Selling and marketing expenses	80	118
General and administrative expenses	192	266
Research and development expenses	102	201
	$ 764	$ 1,377

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	**2017**
Discount rate (%)	1.125	1.25
Expected rate of salary increase (%)	2	2
Mortality rate (%)	The 5th life insurance mortality table in Taiwan	The 5th life insurance mortality table in Taiwan
Turnover rate (%)	0-17	0-21
The average duration of the defined benefit obligation	11.1 years	11.4 years

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	**2017**
Discount rate		
0.25% increase	$ (2,141)	$ (2,034)
0.25% decrease	$ 2,226	$ 2,116
Expected rate of salary increase		
0.25% increase	$ 2,167	$ 2,062
0.25% decrease	$ (2,095)	$ (1,992)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	**2017**
Expected contributions to the plan for the next year	$ 2,542	$ 6,251
Average duration of the defined benefit obligation	11.1 years	11.4 years

15. EQUITY

a. Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	138,000	138,000
Shares authorized	$ 1,380,000	$ 1,380,000
Number of shares issued and fully paid (in thousands)	95,297	95,297
Shares issued	$ 952,971	$ 952,971

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

Number of shares authorized, which granted for employee shares options retained 2,500 thousands options.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of ordinary shares	$ 794,341	$ 794,341
Arising from treasury share transactions	2,350	2,350
	$ 796,691	$ 796,691

The above-mentioned capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Appropriation of earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors, refer to employee's compensation and remuneration of directors and supervisors in Note 17-d.

The Company's dividends policy is also in line with the current and future development plans, environment, capital needs and domestic and international competition in order to promote shareholders' interests. Thus, the Company may retain some of its earnings according to the Company's operation, and the residual earnings may be distributed in cash or shares. However, cash dividends should be at least 10% of total dividends.

Legal reserve may be used to offset a deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meeting on June 26, 2018 and June 23, 2017, respectively. The appropriations of earnings for 2017 and 2016 were as follows:

	Appropriation of Earnings		**Dividends Per Share**	
	2017	**2016**	**2017**	**2016**
Cash dividends	$ 476,485	$ 786,201	$ 5.0	$ 8.25

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on February 27, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
	2018	**2018**
Legal reserve	$ 177,596	
Cash dividends	905,322	$ 9.5
	$ 1,082,918	

The appropriation of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 26, 2019.

d. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (2,942)	$ (539)
Effect of change in tax rate	106	-
Exchange differences on translating foreign operations, net	(1,766)	(2,896)
Related income tax	353	493
Balance at December 31	$ (4,249)	$ (2,942)

16. REVENUE

	For the Year Ended December 31	
	2018	**2017**
Revenue from contracts with customers		
Revenue from sale of goods	$ 4,435,607	$ 4,110,572

a. Contract balances

	December 31	
	2018	2017
Notes and accounts receivable (Note 7)	$ 1,050,844	$ 956,646

b. Disaggregation of revenue

For the year ended December 31, 2018

	Reportable Segments			
Type of goods	The Company	King Slide Technology Co., Ltd.	Others	Total
Rail kits	$ 1,440,302	$ 2,707,304	$ 47,466	$ 4,195,072
Others	178,133	54,923	7,479	240,535
	$ 1,618,435	$ 2,762,227	$ 54,945	$ 4,435,607

For the year ended December 31, 2017

	Reportable Segments			
Type of goods	The Company	King Slide Technology Co., Ltd.	Others	Total
Rail kits	$ 1,521,660	$ 2,301,319	$ 48,680	$ 3,871,659
Others	181,793	45,818	11,302	238,913
	$ 1,703,453	$ 2,347,137	$ 59,982	$ 4,110,572

17. NET PROFIT

a. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains (losses), net	$ 235,089	$ (555,555)
Mold income	29,378	7,916
Sample income	19,633	22,512
Others	8,574	3,262
	$ 292,674	$ (521,865)

b. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 140,720	$ 140,479
Intangible assets	1,005	1,573
	$ 141,725	$ 142,052
Analysis of depreciation by function		
Operating costs	$ 124,788	$ 126,668
Operating expenses	15,932	13,811
	$ 140,720	$ 140,479
Analysis of amortization by function		
Operating costs	$ 26	$ 319
Operating expenses	979	1,254
	$ 1,005	$ 1,573

c. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salary	$ 634,105	$ 565,434
Others	110,335	101,823
	744,440	667,257
Post-employment benefits		
Defined contribution plans	21,104	19,938
Defined benefit plans (Note 14)	764	1,377
	21,868	21,315
	$ 766,308	$ 688,572
An analysis of employee benefits expense by function		
Operating costs	$ 497,973	$ 459,945
Operating expenses	268,335	228,627
	$ 766,308	$ 688,572

d. Employees' compensation and remuneration of directors and supervisors

According to the Article of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates no less than 1‰ and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which have been approved by the Company's board of directors on February 27, 2019 and February 27, 2018, respectively, were as follows:

Accrual rate and amount

	For the Year Ended December 31			
	2018		2017	
	Cash	%	Cash	%
Employees' compensation	$ 74,726	3.7	$ 42,220	3.9
Remuneration of directors and supervisors	6,500	0.3	6,500	0.6

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 529,444	$ 107,168
Foreign exchange losses	(294,355)	(662,723)
Foreign exchange gains (losses), net	$ 235,089	$ (555,555)

18. INCOME TAX

a. The major components of income tax expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 274,010	$ 223,475
Income tax on unappropriated earnings	91,850	159,772
Adjustments for prior years	(339)	53
	365,521	383,300
Deferred tax		
Effect of change in tax rate	(5,759)	-
In respect of the current year	36,152	(68,170)
	30,393	(68,170)
Income tax expense recognized in profit or loss	$ 395,914	$ 315,130

A reconciliation of accounting profit and income tax expense and the applicable tax rate is as follows:

	For the Year Ended December 31	
	2018	**2017**
Profit before income tax	$ 2,171,878	$ 1,223,830
Income tax expense calculated at the statutory rate	$ 434,375	$ 208,051
Tax-exempt income	(113,611)	(83,145)
Others	4	3
Difference of basic tax payable	-	23,766
Income tax on unappropriated earnings	91,850	159,772
Unrecognized deductible temporary differences	(10,606)	6,630
Effect of tax rate changes	(5,759)	-
Adjustments for prior years' tax	(339)	53
Income tax expense recognized in profit	$ 395,914	$ 315,130

In 2017, the applicable corporate income tax rate used by the Group in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Effect of change in tax rate	$ 866	$ -
In respect of the current year		
Remeasurement on defined benefit plans	926	159
Translation of foreign operations	353	493
Total income tax recognized in other comprehensive income	$ 2,145	$ 652

c. Current tax assets and liabilities

	December 31	
	2018	**2017**
Current tax liabilities		
Income tax payable	$ 252,781	$ 256,704

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2018

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred Tax Assets				
Temporary differences				
Share of profit using equity method	$ 8,140	$ 1,842	$ -	$ 9,982
Unrealized exchange losses	32,442	(32,442)	-	-
Defined benefit liabilities	8412	719	1,686	10,817
Others	5,389	6,609	-	11,998
	$ 54,383	$ (23,272)	$ 1,686	$ 32,797
Deferred Tax liabilities				
Temporary differences				
Land value increment tax	$ 47,090	$ -	$ -	$ 47,090
Unrealized exchange gains	-	5,753	-	5,753
Defined benefit liabilities	1,533	1,368	-	2,901
Exchange differences on translating the financial statements of foreign operations	(606)	-	(459)	(1,065)
	$ 48,017	$ 7,121	$ (459)	$ 54,679

For the year ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred Tax Assets				
Temporary differences				
Share of profit (loss) using equity method	$ 8,369	$ (229)	$ -	$ 8,140
Unrealized exchange losses	-	32,442	-	32,442
Defined benefit liabilities	8,253	-	159	8,412
Others	5,281	108	-	5,389
	$ 21,903	$ 32,321	$ 159	$ 54,383
Deferred Tax liabilities				
Temporary differences				
Land value increment tax	$ 47,090	$ -	$ -	$ 47,090
Unrealized exchange gains	37,382	(37,382)	-	-
Defined benefit liabilities	-	1,533	-	1,533
Exchange differences on translating the financial statements of foreign operations	(113)	-	(493)	(606)
	$ 84,359	$ (35,849)	$ (493)	$ 48,017

e. Information about tax-exemptions

As of December 31, 2018, profit attributable to the following expansion projects is exempted from income tax for a 5-year period:

Expansion of Construction Project	Tax-exemption Period
Five-year tax exemption for manufacturing and related technology services	2014.03.04-2019.03.03

f. Income tax assessments

The tax returns of the Company and King Slide Technology Co., Ltd. through 2015 and 2016 have been assessed by the tax authorities, respectively.

19. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share are as follows:

Net profit for the year - attributable to owner of the Company

	For the Year Ended December 31	
	2018	2017
Net profit used in the computation of earnings per share	$ 1,775,964	$ 908,700

Weighted average number of ordinary shares outstanding

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares used in the computation of basic earnings per share	95,297	95,297
Effect of diluted potential ordinary shares		
Employees' compensation	249	129
Weighted average number of ordinary shares used in the computation of diluted earnings per share	95,546	95,426

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation to be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. OPERATING LEASE ARRANGEMENTS

Operating leases between the subsidiary and the government are related to leases of land with 20 years lease terms, which will expire in May 2027 and January 2033, respectively. When the value of land is re-assessed by the government according to the law, the rent shall be adjusted. The Group does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 41,783	$ 34,658
Later than 1 year and not later than 5 years	167,132	138,631
Later than 5 years	277,491	264,826
	$ 486,406	$ 438,115

21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the last 2 years.

The Group is not subject to any externally imposed capital requirements.

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management believes that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

b. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (Note 1)	$ -	$ 7,792,478
Measured at amortized cost (Note 1)	9,111,294	-
Financial liabilities		
Measured at amortized cost (Note 2)	752,263	721,048

Note 1: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, other receivables, and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise notes payable, accounts payable, other payables, and refundable deposits (including in other current liability).

c. Financial risk management objectives and policies

The Group's Treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Treasury function reports quarterly to the Group's management.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates. Refer to foreign currency risk and interest rate risk below.

a) Foreign currency risk

The Group have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 85% of the Group's sales is denominated in currencies other than the functional currency of the Group making the sale, which almost 6% of costs is denominated in currencies other than the functional currency.

The carrying amounts (including the denominated monetary items in consolidated financial statements which were eliminated) of the Group's foreign currency denominated monetary assets and monetary liabilities exposing to foreign currency risk at the end of the reporting year are set out in Note 25.

Sensitivity analysis

The Group is mainly exposed to the risk from the fluctuation of USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency rate against the relevant foreign currencies. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency.

	USD impact	
	For the Year Ended December 31	
	2018	**2017**
Profit or loss	$ 73,778	$ 71,271

The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Range of sensitivity analysis included outstanding deposits, receivables and payables.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting year are as follows:

	December 31	
	2018	**2017**
Cash flow interest rate risk		
Financial assets	$ 1,108,015	$ 1,287,921

Sensitivity analysis

The sensitivity analysis below was based on the Group’s exposure to interest rates for non-derivative instruments at the end of the reporting year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting year was outstanding for the whole year. A 1% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group’s pre-tax profit for the years ended December 31, 2018 and 2017 would have been higher/lower by $11,080 thousand and by $12,879 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group’s maximum exposure to credit risk which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation provided due to the financial guarantees provided by the Group, could be the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group is continuously monitoring and spreading the aggregate transactions to each credit - qualified counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Because the Group’s current assets or cash and cash equivalents are much more than current liabilities, the Group have no liquidity risk.

23. TRANSACTIONS WITH RELATED PARTIES

Compensation of key management personnel

	For the Year Ended December 31	
	2018	**2017**
Short-term benefits (including salaries, compensation or bonuses)	$ 20,879	$ 15,821
Post-employment benefits	155	155
	$ 21,304	$ 15,976

The remuneration of directors and other key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments were as follows:

	December 31	
	2018	2017
a. Unused letters of credit for purchases of raw materials and machinery and equipment	$ 256,358	$ 169,821
b. Unrecognized commitments of acquisition of property, plant and equipment	19,364	5,148
c. Contracts for purchases of raw materials		
Total amount	118,394	107,650
Issued promissory notes	29,741	29,651

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	Foreign Currencies	Exchange Rate		Carrying Amount
December 31, 2018				
Financial assets				
Monetary items				
USD	$ 240,998	30.73	(USD:NTD)	$ 7,405,879
Financial liabilities				
Monetary items				
USD	915	30.73	(USD:NTD)	28,124
December 31, 2017				
Financial assets				
Monetary items				
USD	240,003	29.85	(USD:NTD)	7,164,090
Financial liabilities				
Monetary items				
USD	1,239	29.85	(USD:NTD)	36,994

The Group is mainly exposed to US dollar and RMB. The following information was aggregated by the functional currencies of the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	Exchange Rate		Net Foreign Exchange Gains (Losses)
For the year ended December 31, 2018			
USD	30.73	(USD:NTD)	$ 237,825
Others			(2,736)
			$ 235,089
For the year ended December 31, 2017			
USD	29.85	(USD:NTD)	$ (555,622)
Others			67
			$ (555,555)

26. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees

1) Financing provided to others: None.

2) Endorsement and guarantees provided: None.

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None.

4) Marketable securities acquired and disposed at cost or price at least NT$300 million or 20% of the paid-in capital: None.

5) Acquisition of individual real estate at cost of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 1 (attached).

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 2 (attached).

9) Trading in derivative instruments: None.

10) Inter-company business relationship and material transactions and its amount: Table 3 (attached).

11) Information on investees: Table 4 (attached).

b. Information on investments in mainland China

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limited amount of investment in mainland China areas: Table 5 (attached).

Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

1) The amount and percentage of purchases and the balance and percentage of related payables at the end of the year: None.

2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year:

	Amount
a) Transaction	
Sales of goods	
King Slide Technology (China). Co., Ltd.	$ 34,081
b) Accounts receivable	
King Slide Technology (China). Co., Ltd.	$ 13,218

3) The amount of property transactions and the amount of gains or losses generated: None.

4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and purposes: None.

5) The highest balance, the end of year balance, the interest rates range, and total current year interest with respect to financing of funds: None.

6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.

27. SEGMENT INFORMATION

Information is provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance, focusing on types of goods or services that are delivered or provided.

The Group's reporting segments are as follows:

a. King Slide Works Co., Ltd. mainly manufactures, processes and sells the rail kits for computer and network communication equipment, furniture accessories, slides and molds.

b. King Slide Technology Co., Ltd. mainly R&D, designs and sells the rail kits for servers and network communication equipment.

The following is an analysis of the Group's revenue and results from operations by the reporting segments:

	The Company	King Slide Technology Co., Ltd.	Others	Adjustment and Elimination	Consolidated Amount
For the year ended December 31, 2018					
Revenue from external customers	$ 1,618,435	$ 2,762,227	$ 54,945	$ -	$ 4,435,607
Inter-segment revenue	314,078	86,445	-	(400,523)	-
Segment revenue	$ 1,932,513	$ 2,848,672	$ 54,945	$ (400,523)	$ 4,435,607
Segment profit (loss)	$ 369,433	$ 1,368,994	$ (6,781)	$ 6,550	$ 1,738,196
Interest income					141,008
Other gains and losses					292,674
Consolidated profit before income tax					2,171,878
Income tax					(395,914)
Consolidated net profit					$ 1,775,964
December 31, 2018					
Total segment assets	$ 4,389,129	$ 6,836,520	$ 150,835	$ (169,829)	$ 11,206,655
Total segment liabilities	$ 616,503	$ 668,422	$ 15,347	$ (168,168)	$ 1,132,104
For the year ended December 31, 2017					
Revenue from external customers	$ 1,703,453	$ 2,347,137	$ 59,982	$ -	$ 4,110,572
Inter-segment revenue	291,790	100,684	-	(392,474)	-
Segment revenue	$ 1,995,243	$ 2,447,821	$ 59,982	$ (392,474)	$ 4,110,572
Segment profit (loss)	$ 491,971	$ 1,170,393	$ (2,562)	$ 5,275	$ 1,665,077
Interest income					80,618
Other gains and losses					(521,865)
Consolidated profit before income tax					1,223,830
Income tax					(315,130)
Consolidated net profit					$ 908,700
December 31, 2017					
Total segment assets	$ 4,274,836	$ 5,622,993	$ 152,514	$ (164,304)	$ 9,886,039
Total segment liabilities	$ 612,250	$ 643,225	$ 13,233	$ (161,994)	$ 1,106,714

Segment profit represented the profit before tax earned by each segment without allocation of interest income, gains or losses on disposal of property, plant and equipment, exchange gains or losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

a. Revenue from major products refer to Note 16 (b)

b. Other segment information

	Depreciation and Amortization	
	2018	2017
The Company	$ 32,416	$ 34,188
King Slide Technology Co., Ltd.	104,699	105,126
Others	4,610	2,738
	$ 141,725	$ 142,052

c. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2018	2017	2018	2017
Taiwan	$ 1,145,461	$ 1,174,345	$ 1,449,480	$ 1,456,976
USA	1,114,376	918,434	-	-
China	890,718	688,597	-	-
Others	1,285,052	1,329,196	108,728	114,780
	$ 4,435,607	$ 4,110,572	$ 1,558,208	$ 1,571,756

Non-current assets exclude deferred income tax assets and refundable deposits.

d. Information about major customers

The customer from which sales revenue accounted for over 10% of the Group's consolidated operating revenue is shown below:

	For the Year Ended December 31			
	2018		2017	
	Amount	% to Operating Revenue, Net	Amount	% to Operating Revenue, Net
Group A	$ 641,514	14	$ 549,289	13
Group B	422,917	10	303,283	8
	$ 1,064,431	24	$ 852,572	21

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Non-arm's Length Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	King Slide Technology Co., Ltd.	Subsidiary	Sales	$ 273,355	14	90 days after monthly closing	Note 1		$ 118,858	27	Note 2

Note 1: The sales price is based on cost.

Note 2: It was eliminated on consolidation.

TABLE 2

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (%)	Overdue		Amounts Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	King Slide Technology Co., Ltd.	Subsidiary	$ 118,858 (Note 1)	2.73 (Note 2)	$ -	-	$ 58,418	$ -

Note 1: It was eliminated on consolidation.

Note 2: The computation of turnover rate was not included in the non-operating receivables which were not from sales of goods.

TABLE 3

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Investee Company	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	The Company	King Slide Technology Co., Ltd.	1	Sales	$ 273,335	Note 1	6
0	The Company	King Slide Technology Co., Ltd.	1	Notes receivable	88,543	Note 4	1
0	The Company	King Slide Technology Co., Ltd.	1	Accounts receivable	30,315	Note 4	-
0	The Company	King Slide Technology Co., Ltd.	1	Other receivables	1,182	Note 4	-
0	The Company	King Slide Technology Co., Ltd.	1	Processing income	6,662	Note 2	-
0	The Company	King Slide Technology Co., Ltd.	1	Service revenue	2,607	Note 3	-
0	The Company	King Slide Technology Co., Ltd.	1	Technology and service income	1,942	Note 6	-
0	The Company	King Slide Technology (China) Co., Ltd.	1	Sales	34,081	Note 2	1
0	The Company	King Slide Technology (China) Co., Ltd.	1	Accounts receivable	13,218	Note 4	-
1	King Slide Technology Co., Ltd.	The Company	2	Sales	86,445	Note 1	2
1	King Slide Technology Co., Ltd.	The Company	2	Notes receivable	24,866	Note 4	-
1	King Slide Technology Co., Ltd.	The Company	2	Accounts receivable	9,584	Note 4	-
2	King Slide USA, Inc.	The Company	2	Commissions	107	Note 5	-
2	King Slide USA, Inc.	The Company	2	Other revenue	607	Note 2	-
2	King Slide USA, Inc.	King Slide Technology Co., Ltd.	3	Commissions	3,894	Note 5	-
2	King Slide USA, Inc.	King Slide Technology Co., Ltd.	3	Other receivables	410	Note 4	-

Note 1: The price is based on cost.

Note 2: The sales price is based on cost plus gross profit, and the processing and other income are based on cost.

Note 3: The revenue is based on the number of hours provided.

Note 4: The payment term is the same as the average customers' payment term of 90 days, and the commissions is paid in 10 days.

Note 5: Commission is based on the ratio of the sales amount of a specific customer.

Note 6: The price is based on the ratio of the net sales of a specific product.

TABLE 4

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2018	December 31, 2017	Shares/ Unit	%	Carrying Amount			
The Company	King Slide Technology Co., Ltd.	Kaohsiung	Manufacturing and selling of rail kits	$ 1,500,000	$ 1,500,000	112,600,000	100	$ 6,168,098	$ 1,388,330	$ 1,388,330	Note
	King Slide (Samoa) Co., Ltd.	Samoa	International investment	158,122	158,122	5,000,000	100	121,704	343	343	Note
	King Slide USA, Inc.	USA	Trade of server rail kits, slides and accessories	32,588	32,588	100,000	100	12,123	(2,371)	(2,371)	Note
	King Slide (Hong Kong) Co., Limited	Hong Kong	International investment	158,122	158,122	5,000,00	100	121,704	343	343	Note

Note: It was eliminated on consolidation.

TABLE 5

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss)of the Investee (Note 2)	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
King Slide Technology (China) Co., Ltd.	Wholesale and related services for rail kits, slides and accessories	$ 157,282	Note 1	$ 157,282	$ -	$ -	$ 157,282	$ 353	100	$ 353	$ 123,364	$ -	

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
King Slide Technology (China) Co. Ltd.	$157,282	$157,282	$6,044,731

Note 1: Set King Slide (Hong Kong) Co., Limited in Hong Kong to invest in King Slide Technology (China) Co. Ltd.

Note 2: The amount was recognized based on the audited financial statement.

Note 3: Upper limit on the amount of investment in mainland China: $10,074,551×60%=$6,044,731.

INDEPENDENT AUDITORS' REPORT

King Slide Works Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of King Slide Works Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2018 and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies. (collectively referred to as the "parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's parent company only financial statements for the year ended December 31, 2018 are stated as follows:

<u>Impairment assessment of accounts receivable</u>

As disclosed in Note 7 to the parent company only financial statements, as of December 31, 2018, the net amount of accounts receivable of the Company was NT$261,563 thousand, representing 3% of the Company's total assets, and the management estimated the allowance for impairment loss based on the aging of accounts receivable and the expected recovery status. Since the allowance for impairment loss involved significant estimates and judgment, therefore, we assessed whether the amount of the allowance for impairment loss of accounts receivable was reasonable.

We assessed the correctness of the Company's accounting policy of allowance for impairment loss and tested the aging schedule prepared by the Company against the supporting documents on a sample basis. We assessed individually the recoverability of overdue accounts or doubtful accounts. We reviewed the reasonableness of the impairment loss based on the historical experience of collection and other available information.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

Those charged with governance, including the supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chiu-Yen Wu and Lee - Yuan Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2019

<u>*Notice to Readers*</u>

The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

KING SLIDE WORKS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,302,150	31	$ 3,159,347	34
Notes receivable (Notes 4, 7 and 16)	38,767	-	37,111	-
Notes receivable - related parties (Notes 7, 16 and 22)	88,543	1	81,037	1
Accounts receivable, net (Notes 4, 5, 7 and 16)	261,563	3	294,102	3
Accounts receivable - related parties (Notes 7, 16 and 22)	43,533	-	41,013	1
Other receivables (Note 21)	6,812	-	4,510	-
Other receivables - related parties (Note 22)	1,182	-	2,071	-
Inventories (Notes 4 and 8)	184,585	2	181,700	2
Other current assets	24,800	-	23,971	-
Total current assets	3,951,935	37	3,824,862	41
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 9)	6,301,925	59	5,116,739	55
Property, plant and equipment (Notes 4, 5, 10 and 23)	375,915	4	383,808	4
Other intangible assets (Note 4)	-	-	278	-
Deferred tax assets (Notes 4 and 18)	26,437	-	38,473	-
Prepayments for equipment	34,558	-	27,216	-
Refundable deposits	284	-	199	-
Total non-current assets	6,739,119	63	5,566,713	59
TOTAL	$ 10,691,054	100	$ 9,391,575	100

	December 31, 2018		December 31, 2017	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Notes payable (Note 11)	$ 107,241	1	$ 100,844	1
Notes payable - related parties (Notes 11 and 22)	24,866	-	25,818	-
Accounts payable (Note 11)	33,448	-	44,418	1
Accounts payable - related parties (Note 11 and 22)	9,584	-	11,718	-
Other payables (Note 12)	254,542	3	232,686	3
Other payable - related parties (Note 22)	4	-	9	-
Current tax liabilities (Note 18)	82,280	1	98,271	1
Provisions (Notes 3, 4 and 13)	-	-	3,536	-
Refund liability - current (Notes 3 and 13)	5,470	-	-	-
Other current liabilities	10,727	-	6,658	-
Total current liabilities	528,162	5	523,958	6
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	48,926	1	48,017	1
Net defined benefit liabilities (Notes 4 and 14)	39,415	-	40,275	-
Total non-current liabilities	88,341	1	88,292	1
Total liabilities	616,503	6	612,250	7
EQUITY (Note 15)				
Ordinary shares	952,971	9	952,971	10
Capital surplus	796,691	7	796,691	8
Retained earnings				
Legal reserve	986,023	9	986,023	11
Special reserve	6,221	-	6,221	-
Unappropriated earnings	7,336,894	69	6,040,361	64
Total retained earnings	8,329,138	78	7,032,605	75
Other equity				
Exchange differences on translating the financial statements of foreign operations	(4,249)	-	(2,942)	-
Total equity	10,074,551	94	8,779,325	93
TOTAL	$ 10,691,054	100	$ 9,391,575	100

The accompanying notes are an integral part of the parent company only financial statements.

KING SLIDE WORKS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 13, 16 and 22)				
Operating revenue, net	$ 1,925,851	100	$ 1,988,962	100
Processing revenue	6,662	-	6,281	-
OPERATING REVENUE TOTAL	1,932,513	100	1,995,243	100
OPERATING COSTS (Notes 8, 17 and 22)	1,269,770	66	1,243,670	63
GROSS PROFIT	662,743	34	751,573	37
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(1,661)	-	(2,311)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	2,311	-	2,431	-
REALIZED GROSS PROFIT	663,393	34	751,693	37
OPERATING EXPENSES (Notes 17 and 22)				
Selling and marketing	95,619	5	86,933	4
General and administrative	90,698	5	80,597	4
Research and development	107,643	5	92,192	5
Total operating expenses	293,960	15	259,722	13
PROFIT FROM OPERATIONS	369,433	19	491,971	24
NON-OPERATING INCOME AND EXPENSES (Notes 4, 17 and 22)				
Other gains and losses	102,663	5	(265,933)	(13)
Interest income	61,004	3	41,618	2
Share of profit of subsidiaries	1,386,302	72	764,750	38
Total non-operating income and expenses	1,549,969	80	540,435	27
PROFIT BEFORE INCOME TAX	1,919,402	99	1,032,406	51
INCOME TAX EXPENSE (Notes 4 and 18)	143,438	7	123,706	6
NET PROFIT FOR THE YEAR	1,775,964	92	908,700	45

(Continued)

KING SLIDE WORKS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 14, 15 and 18)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (4,632)	-	$ (934)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	1,686	-	159	-
	(2,946)	-	(775)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(1,766)	-	(2,896)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	459	-	493	-
	(1,307)	-	(2,403)	-
Other comprehensive loss for the year, net of income tax	(4,253)	-	(3,178)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,771,711	92	$ 905,522	45
EARNINGS PER SHARE (Note 19)				
Basic	$ 18.64		$ 9.54	
Diluted	$ 18.59		$ 9.52	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

KING SLIDE WORKS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity	
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
BALANCE, JANUARY 1, 2017	$ 952,971	$ 796,691	$ 986,023	$ 6,221	$ 5,918,637	$ (539)	$ 8,660,004
Appropriation of 2016 earnings (Note 15)							
Cash dividends distributed by the Company - 82.5%	-	-	-	-	(786,201)	-	(786,201)
Net income in 2017	-	-	-	-	908,700	-	908,700
Other comprehensive loss in 2017, net of income tax	-	-	-	-	(775)	(2,403)	(3,178)
Total comprehensive income (loss) in 2017	-	-	-	-	907,925	(2,403)	905,522
BALANCE, DECEMBER 31, 2017	952,971	796,691	986,023	6,221	6,040,361	(2,942)	8,779,325
Appropriation of 2017 earnings (Note 15)							
Cash dividends distributed by the Company - 50%	-	-	-	-	(476,485)	-	(476,485)
Net income in 2018	-	-	-	-	1,775,964	-	1,775,964
Other comprehensive loss in 2018, net of income tax	-	-	-	-	(2,946)	(1,307)	(4,253)
Total comprehensive income (loss) in 2018	-	-	-	-	1,773,018	(1,307)	1,771,711
BALANCE, DECEMBER 31, 2018	$ 952,971	$ 796,691	$ 986,023	$ 6,221	$ 7,336,894	$ (4,249)	$ 10,074,551

The accompanying notes are an integral part of the parent company only financial statements.

KING SLIDE WORKS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,919,402	$ 1,032,406
Adjustments for:		
Depreciation expense	32,138	33,869
Amortization expense	278	319
Expected credit loss recognized on accounts receivable	218	-
Impairment loss recognized on accounts receivable	-	21
Gain on disposal of property, plant and equipment, net	(231)	(285)
Interest income	(61,004)	(41,618)
Share of profit of subsidiaries	(1,386,302)	(764,750)
Write-downs of inventories	478	245
Unrealized gain on transactions with subsidiaries	1,661	2,311
Realized gain on transactions with subsidiaries	(2,311)	(2,431)
Provision for sales allowances	1,934	1,592
Changes in operating assets and liabilities		
Notes receivable	(1,656)	(8,091)
Notes receivable - related parties	(7,506)	(7,507)
Accounts receivable	32,321	19,491
Accounts receivable - related parties	(2,520)	1,966
Other receivables	(108)	(783)
Other receivables - related parties	889	(2,071)
Inventories	(3,363)	(37,335)
Other current assets	(829)	(4,238)
Notes payable	2,395	(3,654)
Notes payable - related parties	(952)	(8,314)
Accounts payable	(10,970)	(635)
Accounts payable - related parties	(2,134)	(4,348)
Other payables	20,414	(31,797)
Other payable - related parties	(5)	(263)
Other current liabilities	4,031	518
Net defined benefit liabilities	(5,492)	(7,613)
Cash generated from operations	530,776	167,005
Interest received	58,810	40,163
Dividends income	200,000	200,000
Income tax paid	(144,339)	(203,044)
Net cash generated from operating activities	645,247	204,124
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(26,755)	(30,919)
Proceeds from disposal of property, plant and equipment	843	606
Increase in refundable deposits	(85)	-
Decrease in refundable deposits	-	3
Net cash used in investing activities	(25,997)	(30,310)

(Continued)

KING SLIDE WORKS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Refunds of guarantee deposits received	$ 38	$ -
Cash dividends	(476,485)	(786,201)
Net cash used in financing activities	(476,447)	(786,201)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	142,803	(612,387)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,159,347	3,771,734
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,302,150	$ 3,159,347

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

KING SLIDE WORKS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

King Slide Works Co., Ltd. (the "Company") was incorporated in September 1986 under the laws of the Republic of China (ROC). The Company mainly manufactures, processes and sells the following products:

- Rail kits for cloud computing servers and data devices.
- Furniture accessories, slides and molds.

Since April 2005, the Company's shares had been traded on the Taipei Exchange, and from June 2008, the Company changed its stock exchange to the Taiwan Stock Exchange.

The parent company only financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors on February 27, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount	
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 3,159,347	$ 3,159,347
Notes and accounts receivable	Loans and receivables	Amortized cost	453,263	453,263
Other receivables	Loans and receivables	Amortized cost	6,581	6,581
Refundable deposits	Loans and receivables	Amortized cost	199	199

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

The Company elects to retrospectively apply IFRS 15 to contracts that are not completed on January 1, 2018. Retrospectively applying IFRS 15 will not have material impact on the Company's retained earnings as of January 1, 2018.

Impact on liabilities	Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Refund liability - current	$ -	$ 3,536	$ 3,536
Provisions - current	3,536	(3,536)	-
Total effect on liabilities	$ 3,536	$ -	$ 3,536

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Lease”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

1) Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

2) The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the parent company only balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the parent company only statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the parent company only statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the parent company only statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at either an amount equal to the lease liabilities, adjusted by the amount of their carrying amount as if IFRS 16 had been applied since the commencement date. Except for the following practical expedients which are to be applied, the Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

a) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

b) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

c) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

3) The Company as lessor

The application will not have a material impact on the accounting of the Company as lessor.

The Company is not expected to have a material impact on assets, liabilities and equity as of January 1, 2019.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the application of other standards and interpretations will have no material impact on the Company’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

The subsidiaries are incorporated in the parent company only financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on consolidated financial statements, the effect of the differences between basis of parent company only and basis of consolidation are adjusted in the investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and related equity.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of parent company only financial statements, the functional currencies of the Company's foreign operations are translated into the presentation currency – the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, work-in-process, finished goods and merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method.

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss, other comprehensive income of the subsidiary, and attributable distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Profits or losses resulting from downstream transactions are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of tangible and intangible assets

At the end of each reporting year, the Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

<u>2018</u>

Financial assets are classified into financial assets at amortized cost.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and ii The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, (including cash and cash equivalents, notes receivable, accounts receivable and other receivables at amortized cost and refundable deposits) are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2017

Financial assets are classified into loans and receivables.

Loans and receivables (including cash and cash equivalents, notes receivable, accounts receivable, other receivables and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets and contract assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience with collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset’s carrying amount and the present value of its estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

<u>2018</u>

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of rail kits. Sales of rail kits are recognized as revenue when the goods are delivered to the customer’s specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller’s reliable estimate of future returns and based on past experience and other relevant factors.

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller’s reliable estimate of future returns and based on past experience and other relevant factors.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, with reference to the principal outstanding and at the applicable effective interest rate.

m. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company is lessee, operating lease payments are recognized as expenses on a straight-line basis over the lease term.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused tax credits for purchase of equipment to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, refer to Note 7.

b. Estimated impairment of accounts receivable - 2017

When there is objective evidence of impairment loss of receivables, the Company takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Useful lives of property, plant and equipment

As described in Note 4 g., the Company reviews the residual value and estimates useful lives of property, plant and equipment at each balance sheet date. During the current period, management determined that the useful lives of certain items of equipment should be shortened, due to developments in technology. Refer to Note 10 for the estimated useful lives.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 60	$ 74
Checking accounts and demand deposits	542,474	519,142
Cash equivalents		
Commercial paper	402,528	-
Time deposits with original maturities less than 3 months	2,357,088	2,640,131
	$ 3,302,150	$ 3,159,347

The market interest rates of cash equivalents at the end of the reporting year were as follows:

	December 31	
	2018	**2017**
Commercial paper (%)	0.42	-
Time deposits (%)	0.6-3.25	0.6-2.90

7. NOTES, ACCOUNTS AND OVERDUE RECEIVABLE, NET

	December 31	
	2018	**2017**
Notes receivable - non-related parties		
At amortized cost		
Operating	$ 38,767	$ 37,111

(Continued)

	December 31	
	2018	2017
Notes receivable - related parties (Note 22)		
At amortized cost		
Operating	$ 87,922	$ 73,899
Non-operating	621	7,138
	$ 88,543	$ 81,037
Accounts receivable - non-related parties		
At amortized cost		
Gross carrying amount	$ 262,617	$ 294,966
Less: Allowance for impairment loss	1,054	864
	$ 261,563	$ 294,102
Accounts receivable - related parties (Note 22)		
At amortized cost		
Operating	$ 43,533	$ 41,013
Overdue receivable (under non-current assets)		
Non-accrual loan	$ 1,213	$ 1,185
Less: Allowance for impairment loss	1,213	1,185
	$ -	$ -

(Concluded)

a. In 2018

The average credit period of sales of goods was 30-150 days. No interest was charged on accounts receivable.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

There were no notes receivable that were past due and not impaired at the end of the reporting year.

The following table details the loss allowance of accounts receivable based on the Company's provision matrix.

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate (%)	0-0.1	1	10	50	100	-
Gross carrying amount	$ 217,547	$ 88,603	$ -	$ -	$ -	$ 306,150
Loss allowance (Lifetime ECL)	(178)	(876)	-	-	-	(1,054)
Amortized cost	$ 217,369	$ 87,727	$ -	$ -	$ -	$ 305,096

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31, 2018		
	Collectively Assessed for Impairment	Individually Assessed for Impairment	
	Accounts Receivable	Overdue Receivable	Total
Balance at January 1, 2018 per IAS 39	$ 864	$ 1,185	$ 2,049
Adjustment on initial application of IFRS 9	-	-	-
Balance at January 1, 2018 per IFRS 9	864	1,185	2,049
Add: Impairment losses recognized on receivables	190	28	218
Balance at December 31, 2018	$ 1,054	$ 1,213	$ 2,267

b. In 2017

The Company applied the same credit policy in 2018 and 2017. In determining the recoverability of accounts receivable, the Company considered any change in the credit quality of the accounts receivable from the initial credit date to the end of the reporting period. Allowance for impairment loss was recognized against accounts receivable based on the estimated unrecoverable amount determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Aging analysis of accounts receivable was as follows:

	December 31, 2017
Not past due	$ 276,909
Past due 1-30 days	51,382
Past due 31-90 days	7,623
Past due over 91 days	65
	$ 335,979

The above aging schedule was based on the number of past due days from the end of the credit term.

There were no accounts receivable that were past due but not impaired on December 31, 2017.

Movements of the allowance for impairment loss on accounts receivable and overdue receivable were as follows:

	For the Year Ended December 31, 2017		
	Collectively Assessed for Impairment	Individually Assessed for Impairment	
	Accounts Receivable	Overdue Receivable	Total
Balance, beginning of year	$ 843	$ 1,185	$ 2,028
Add: Impairment losses recognized on receivables	21	-	21
Balance, end of year	$ 864	$ 1,185	$ 2,049

8. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 43,340	$ 27,783
Work-in-process	32,908	34,523
Raw materials	105,386	116,451
Supplies	2,881	2,915
Merchandise	70	28
	$ 184,585	$ 181,700

The provision for inventory write-downs (included in each cost of goods sold by category) amounted to $5,472 thousand and $4,994 thousand as of December 31, 2018 and 2017, respectively.

The cost of inventories recognized as costs of goods sold was $1,269,770 thousand and $1,243,670 thousand for the years ended December 31, 2018 and 2017, respectively, which included the following items:

	For the Year Ended December 31	
	2018	2017
Write-downs	$ 478	$ 245
Income from sale of scraps	(26,998)	(21,098)
	$ (26,520)	$ (20,853)

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 6,301,925	$ 5,116,739

(Continued)

	December 31	
	2018	2017
Not listed (cabinet) company		
King Slide Technology Co., Ltd.	$ 6,168,098	$ 4,979,768
King Slide (Samoa) Co., Ltd.	121,704	122,901
King Slide USA, Inc.	12,123	14,070
	$ 6,301,925	$ 5,116,739

(Concluded)

	Proportion of Ownership and Voting Rights	
	December 31	
	2018	2017
King Slide Technology Co., Ltd.	100%	100%
King Slide (Samoa) Co., Ltd.	100%	100%
King Slide USA, Inc.	100%	100%

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were recognized based on the subsidiaries' financial statements which have been audited.

10. PROPERTY, PLANT AND EQUIPMENT

a. Movements of cost and accumulated depreciation are as follows:

For the year ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other	Total
Cost							
Balance at January 1, 2018	$ 226,670	$ 197,481	$ 756,150	$ 4,715	$ 35,742	$ 81,519	$ 1,302,277
Additions	-	439	19,091	-	984	4,343	24,857
Disposals	-	-	(9,238)	-	(437)	(640)	(10,315)
Balance at December 31, 2018	$ 226,670	$ 197,920	$ 766,003	$ 4,715	$ 36,289	$ 85,222	$ 1,316,819
Accumulated depreciation							
Balance at January 1, 2018	$ -	$ (128,195)	$ (689,782)	$ (2,917)	$ (30,834)	$ (66,741)	$ (918,469)
Depreciation expense	-	(6,001)	(20,788)	(450)	(1,810)	(3,089)	(32,138)
Disposals	-	-	8,626	-	437	640	9,703
Balance at December 31, 2018	$ -	$ (134,196)	$ (701,944)	$ (3,367)	$ (32,207)	$ (69,190)	$ (940,904)
Carrying amounts at December 31, 2018	$ 226,670	$ 63,724	$ 64,059	$ 1,348	$ 4,082	$ 16,032	$ 375,915

For the year ended December 31, 2017

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Others	Total
Cost							
Balance at January 1, 2017	$ 226,670	$ 196,432	$ 749,778	$ 4,715	$ 36,597	$ 81,075	$ 1,295,267
Additions	-	1,049	22,176	-	3,026	3,058	29,309
Disposals	-	-	(15,804)	-	(3,881)	(2,614)	(22,299)
Balance at December 31, 2017	$ 226,670	$ 197,481	$ 756,150	$ 4,715	$ 35,742	$ 81,519	$ 1,302,277

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Others	Total
Accumulated depreciation							
Balance at January 1, 2017	$ -	$ (122,232)	$ (682,269)	$ (2,468)	$ (33,060)	$ (66,549)	$ (906,578)
Depreciation expense	-	(5,963)	(22,996)	(449)	(1,655)	(2,806)	(33,869)
Disposals	-	-	15,483	-	3,881	2,614	21,978
Balance at December 31, 2017	$ -	$ (128,195)	$ (689,782)	$ (2,917)	$ (30,834)	$ (66,741)	$ (918,469)
Carrying amounts at December 31, 2017	$ 226,670	$ 69,286	$ 66,368	$ 1,798	$ 4,908	$ 14,778	$ 383,808

(Concluded)

b. Estimated useful lives

Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	
Factory	10 years
Office	50 years
Others	2-35 years
Machinery and equipment	
Molding	8 years
Electroplating	8 years
Others	2-11 years
Transportation equipment	5 years
Office equipment	2-15 years
Others	
Crane	10 years
ASRS	10 years
Others	3-20 years

c. Investing activities affecting both cash and non-cash items

	For the Year Ended December 31 2018	2017
Acquisition of property, plant and equipment	$ 24,857	$ 29,309
Increase in prepayments for equipment	7,342	4,859
Increase in payable for purchased equipment	(5,444)	(3,249)
Cash paid for acquisition of property, plant and equipment	$ 26,755	$ 30,919

11. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31 2018	2017
Notes payable - non-related parties		
Operating	$ 101,332	$ 98,937
Non-operating	5,909	1,907
	$ 107,241	$ 100,844

(Continued)

	December 31	
	2018	2017
Notes payable - related parties (Note 22)		
Operating	$ 24,866	$ 25,818
Accounts payable - non-related parties		
Operating	$ 33,448	$ 44,418
Accounts payable - related parties (Note 22)		
Operating	$ 9,584	$ 11,718

(Concluded)

a. Notes payable

The Company's notes payable from non-operating activities were used for acquisition of property, plant and equipment.

b. Accounts payable

The average credit period of purchasing materials and supplies was 30-90 days. The Company has a financial risk management policy to ensure all payment based on the agreed terms.

12. OTHER PAYABLES

	December 31	
	2018	2017
Payable for employees' compensation and remuneration of directors and supervisors	$ 123,446	$ 116,608
Payable for bonuses	62,654	54,547
Payable for salaries	10,422	11,074
Others	58,020	50,457
	$ 254,542	$ 232,686

13. REFUND LIABILITY/PROVISIONS

The refund liability/provision was based on historical experience, management's judgments and other known reasons to estimate sales allowances. The refund liability/provision was recognized as a reduction of operating revenue in the year of the related goods sold. The movements of refund liability/provision was as follows:

a. Refund liability - 2018

	For the Year Ended December 31, 2018
Balance at January 1, 2018, per IAS 37	$ -
Adjustment on initial application of IFRS 15	3,536
Balance at January 1, 2018, per IFRS 15	3,536
Recognized	1,934
Balance at December 31, 2018, per IAS 37	$ 5,470

b. Provisions - 2017

	For the Year Ended December 31, 2017
Balance at January 1, 2017	$ 1,944
Recognized	1,592
Balance at December 31, 2017	$ 3,536

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2.4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 78,139	$ 72,121
Fair value of plan assets	(38,724)	(31,846)
Net defined benefit liability	$ 39,415	$ 40,275

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	$ 69,547	$ (22,593)	$ 46,954
Service cost			
Current service cost	334	-	334
Past service cost	462	-	462
Net interest expense (income)	869	(288)	581
Recognized in profit or loss	1,665	(288)	1,377
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	25	25
Actuarial loss - changes in demographic assumptions	2,540	-	2,540
Actuarial loss - experience adjustments	(1,631)	-	(1,631)
Recognized in other comprehensive income	909	25	934
Contributions from the employer	-	(8,990)	(8,990)
Balance at December 31, 2017	72,121	(31,846)	(40,275)
Service cost			
Current service cost	267	-	267
Past service cost	-	-	-
Net interest expense (income)	901	(404)	497
Recognized in profit or loss	1,168	(404)	764
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(848)	(848)
Actuarial loss - demographic assumptions	1,337	-	1,337
Actuarial loss - changes in financial assumptions	1,059	-	1,059
Actuarial loss - experience adjustments	3,084	-	3,084
Recognized in other comprehensive income	5,480	(848)	4,632
Contributions from the employer	-	(6,256)	6,256
Benefits paid	(630)	630	-
Balance at December 31, 2018	$ 78,139	$ (38,724)	$ 39,415

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Operating costs	$ 390	$ 792
Selling and marketing expenses	80	118
General and administrative expenses	192	266
Research and development expenses	102	201
	$ 764	$ 1,377

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk

   The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

   A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

   The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate (%)	1.125	1.25
Expected rate of salary increase (%)	2	2
Mortality rate (%)	The 5th life insurance mortality table in Taiwan	The 5th life insurance mortality table in Taiwan
Turnover rate (%)	0-17	0-21
The average duration of the defined benefit obligation	11.1 years	11.4 years

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rate		
0.25% increase	$ (2,141)	$ (2,034)
0.25% decrease	$ 2,226	$ 2,116
Expected rate of salary increase		
0.25% increase	$ 2,167	$ 2,062
0.25% decrease	$ (2,095)	$ (1,992)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	2017
Expected contributions to the plan for the next year	$ 2,542	$ 6,251
Average duration of the defined benefit obligation	11.1 years	11.4 years

15. EQUITY

a. Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	138,000	138,000
Shares authorized	$ 1,380,000	$ 1,380,000
Number of shares issued and fully paid (in thousands)	95,297	95,297
Shares issued	$ 952,971	$ 952,971

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

Number of shares authorized, which granted for employee shares options retained 2,500 thousands options.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of ordinary shares	$ 794,341	$ 794,341
Arising from treasury share transactions	2,350	2,350
	$ 796,691	$ 796,691

The above-mentioned capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Appropriation of earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors, refer to employee's compensation and remuneration of directors and supervisors in Note 17-d.

The Company's dividends policy is also in line with the current and future development plans, environment, capital needs and domestic and international competition in order to promote shareholders' interests. Thus, the Company may retain some of its earnings according to the Company's operation, and the residual earnings may be distributed in cash or shares. However, cash dividends should be at least 10% of total dividends.

Legal reserve may be used to offset a deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meeting on June 26, 2018 and June 23, 2017, respectively. The appropriations of earnings for 2017 and 2016 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2017	**2016**	**2017**	**2016**
Cash dividends	$ 476,485	$ 786,201	$ 5.0	$ 8.25

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on February 27, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 177,596	
Cash dividends	905,322	$ 9.5
	$ 1,082,918	

The appropriation of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 26, 2019.

d. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (2,942)	$ (539)
Effect of change in tax rate	106	-
Exchange differences on translating foreign operations, net	(1,766)	(2,896)
Related income tax	353	493
Balance at December 31	$ (4,249)	$ (2,942)

16. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	$ 1,925,851	$ 1,988,962
Processing	6,662	6,281
	$ 1,932,513	$ 1,995,243

a. Contract balances

	December 31	
	2018	2017
Notes and accounts receivable (Note 7)	$ 431,785	$ 446,125

b. Disaggregation of revenue

	December 31	
	2018	2017
Type of goods		
Rail kits	$ 1,476,855	$ 1,558,488
Others	455,658	436,755
	$ 1,932,513	$ 1,995,243

17. NET PROFIT

a. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Foreign exchange gain (losses), net	$ 92,337	$ (274,848)
Sample income	2,360	3,589

(Continued)

	For the Year Ended December 31	
	2018	2017
Mold income	$ 2,988	$ 2,549
Others	4,978	2,777
	$ 102,663	$ (265,933)

(Concluded)

b. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 32,138	$ 33,869
Intangible assets	278	319
	$ 32,416	$ 34,188
Analysis of depreciation by function		
Operating costs	$ 29,037	$ 30,735
Operating expenses	3,101	3,134
	$ 32,138	$ 33,869
Analysis of amortization by function		
Operating costs	$ -	$ -
Operating expenses	278	319
	$ 278	$ 319

c. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salary	$ 339,143	$ 302,232
Others	59,949	55,989
	399,092	358,221
Post-employment benefits		
Defined contribution plans	10,595	10,164
Defined benefit plans (Note 14)	764	1,377
	11,359	11,541
	$ 410,450	$ 369,762
An analysis of employee benefits expense by function		
Operating costs	$ 247,538	$ 231,167
Operating expenses	162,913	138,595
	$ 410,451	$ 369,762

d. Employees' compensation and remuneration of directors and supervisors

According to the Article of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1‰ and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which have been approved by the Company's board of directors on February 27, 2019 and February 25, 2018, respectively, were as follows:

<u>Accrual rate and amount</u>

	For the Year Ended December 31			
	2018		2017	
	Cash	**%**	**Amount**	**%**
Employees' compensation	$ 74,726	3.7	$ 42,220	3.9
Remuneration of directors and supervisors	6,500	0.3	6,500	0.6

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	**2017**
Foreign exchange gains	$ 208,545	$ 49,657
Foreign exchange losses	(116,208)	(324,505)
Foreign exchange gains (losses), net	$ 92,237	$ (274,848)

18. INCOME TAX

a. The major components of income tax expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2018	**2017**
Current tax		
In respect of the current year	$ 85,370	$ 81,171
Income tax on unappropriated earnings	43,144	77,856
Adjustments for prior years	(166)	116
	128,348	159,143

(Continued)

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of tax rate changes	$ (5,759)	$ -
In respect of the current year' tax	20,849	(35,437)
	15,090	(35,437)
Income tax expense recognized in profit or loss	$ 143,438	$ 123,706

(Concluded)

A reconciliation of accounting profit and income tax expense and the applicable tax rate is as follows:

	For the Year Ended December 31	
	2018	2017
Profit before income tax	$ 1,919,402	$ 1,032,406
Income tax expense calculated at the statutory rate	$ 383,881	$ 175,509
Domestic investment income using equity method	(277,666)	(129,778)
Others	4	3
Income tax on unappropriated earnings	43,144	77,856
Effect of change in tax rate	(5,759)	-
Adjustments for prior years	(166)	116
Income tax expense recognized in profit	$ 143,438	$ 123,706

In 2017, the applicable corporate income tax rate used by the Company in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ 866	$ -
In respect of the current year		
Remeasurement on defined benefit plans	926	159
Translation of foreign operations	353	493
Total income tax recognized in other comprehensive income	$ 2,145	$ 652

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	$ 82,280	$ 98,271

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2018

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred Tax Assets				
Temporary differences				
Share of profit using equity method	$ 8,140	$ 1,842	$ -	$ 9,982
Unrealized exchange losses	19,421	(18,274)	-	1,147
Defined benefit liabilities	8,412	719	1,686	10,817
Others	2,500	1,991	-	4,491
	$ 38,473	$ (13,722)	$ 1,686	$ 26,437
Deferred Tax liabilities				
Temporary differences				
Land value increment tax	$ 47,090	$ -	$ -	$ 47,090
Defined benefit liabilities	1,533	1,368	-	2,901
Exchange differences on translating the financial statements of foreign operations	(606)	-	(459)	(1,065)
	$ 48,017	$ 1,368	$ (459)	$ 48,926

For the year ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred Tax Assets				
Temporary differences				
Share of profit (loss) using equity method	$ 8,369	$ (229)	$ -	$ 8,140
Unrealized exchange losses	-	19,421	-	19,421
Defined benefit liabilities	8,253	-	159	8,412
Others	1,904	596	-	2,500
	$ 18,526	$ 19,788	$ 159	$ 38,473
Deferred Tax liabilities				
Temporary differences				
Land value increment tax	$ 47,090	$ -	$ -	$ 47,090
Defined benefit liabilities	17,182	(15,649)	-	1,533

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Exchange differences on translating the financial statements of foreign operations	$ (113)	$ -	$ (493)	$ (606)
	$ 64,159	$ (15,649)	$ (493)	$ 48,017

(Concluded)

e. Income tax assessments

The tax returns of the Company through 2015 have been assessed by the tax authorities.

19. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share are as follows:

Net profit for the year

	For the Year Ended December 31	
	2018	2017
Net profit used in the computation of earnings per share	$ 1,775,964	$ 908,700

Weighted average number of ordinary shares outstanding

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares used in the computation of basic earnings per share	95,297	95,297
Effect of diluted potential ordinary shares		
Employees' compensation	249	129
Weighted average number of ordinary shares used in the computation of diluted earnings per share	95,546	95,426

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will to be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from the last 2 years.

The Company is not subject to any externally imposed capital requirements.

21. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management believes that the carrying amounts of financial assets and financial liabilities recognized in the parent company only financial statements approximate their fair values.

b. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Loans and receivables (Note 1)	$ -	$ 3,619,390
Measured at amortized cost (Note 1)	3,742,834	-
Financial liabilities		
Measured at amortized cost (Note 2)	429,723	415,493

Note 1: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise notes payable (including related parties), accounts payable (including related parties), and other payables (including related parties).

c. Financial risk management objectives and policies

The Company's Treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Treasury function reports quarterly to the Company's management.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. Refer to foreign currency risk and interest rate risk below.

a) Foreign currency risk

The Company have foreign currency sales and purchases, which exposes the Company to foreign currency risk. Approximately 59% of the Company's sales is denominated in currencies other than the functional currency of the Company making the sale, which almost 6% of costs is denominated in currencies other than the functional currency.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposing to foreign currency risk at the end of the reporting year are set out in Note 24.

Sensitivity analysis

The Company is mainly exposed to the risk from the fluctuation of USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the functional currency rate against the relevant foreign currencies. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency.

	USD impact	
	For the Year Ended December 31	
	2018	**2017**
Profit or loss	$ 26,719	$ 30,659

The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Range of sensitivity analysis included outstanding deposits, receivables and payables.

b) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting year are as follows:

	December 31	
	2018	**2017**
Cash flow interest rate risk		
Financial assets	$ 592,642	$ 578,439

Sensitivity analysis

The sensitivity analysis below was based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting year was outstanding for the whole year. 1% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would have been higher/lower by $5,926 thousand and by $5,784 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation due to the financial guarantees provided by the Company, could be the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company is continuously monitoring and spreading the aggregate transactions to each credit-qualified counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Company annually.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Because the Company's current assets or cash and cash equivalents are much more than current liabilities, the Company have no liquidity risk.

22. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

Related Party Name	Related Party Category
King Slide Technology Co., Ltd. (KSTC)	Subsidiaries
King Slide USA, Inc. (KSUSA)	Subsidiaries
King Slide (Samoa) Co., Ltd	Subsidiaries
King Slid (Hong Kong) Co., Limited	Subsidiaries
King Slide Technology (China) Co., Ltd. (KSCC)	Subsidiaries

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
KSTC	$ 273,335	$ 248,720
Others	34,081	36,789
	$ 307,416	$ 285,509

The sale of goods to KSTC were made at the cost prices. However, the sale of goods to KSCC and general customers were made at cost plus gross profit prices. The term of collection was the same as unrelated parties with 90-days term of collection.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
KSTC	$ 86,445	$ 100,684

Purchases from KSTC were made at cost price (general customers were made at cost plus gross profit prices), the payment term was the same as unrelated parties with 90-day payment term.

d. Receivables from related parties

Related Party Category/Name	For the Year Ended December 31 2018	2017
Notes receivable		
KSTC	$ 88,543	$ 81,037
Accounts receivable		
KSTC	$ 30,315	$ 30,931
Others	13,218	10,082
	$ 43,533	$ 41,013
Other receivables		
King Slide Technology	$ 1,182	$ 2,071

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties

Related Party Category/Name	December 31 2018	2017
Notes payable		
KSTC	$ 24,866	$ 25,818
Accounts payable		
KSTC	$ 9,584	$ 11,718
Other payables		
Others	$ 4	$ 9

The outstanding payables from related parties are unsecured.

f. Processing revenue

Related Party Category/Name	For the Year Ended December 31 2018	2017
KSTC	$ 6,662	$ 6,281

Processing revenue was at cost prices, and the term of collection was 90 days.

g. Technical and service revenue

The Company entered into a technical and service contract with the subsidiary, KSTC. The service revenue was based on the ratio of net sales of specific products from KSTC. The original contract is valid on December 31, 1999. However, if the parties have no expression to terminate the contract by its due date, it is deemed to be automatically extended for one year until December 31, 2018. The service revenue was $1,942 thousand and $1,522 thousand (included in other gains and losses) for the years ended December 31, 2018 and 2017, respectively.

h. Commission

Marketing support and post-sales services were provided by KSUSA to the Company, and the commission based on the ratio of the sales amount of a specific customer was $107 thousand and 162 thousand (included in selling and marketing expenses) for the years ended December 31, 2018 and 2017, respectively.

The terms of the commission and payment were the same as unrelated parties.

i. Manpower services

The manpower services between the Company and KSTC were recognized as revenue amounting to $2,607 thousand and $1,896 thousand (included in the manufacturing expenses - service expense) for the years ended December 31, 2018 and 2017, respectively. The charges were based on the actual manpower and number of hours provided.

j. Other expenses

The Company paid service expenses to KSUSA amounting $607 thousand and $699 thousand (included in selling and marketing expenses - other expenses), which were based on the actual cost of services provided for the years ended December 31, 2018 and 2017, respectively.

k. Compensation of key management personnel

	For the Year Ended December 31	
	2018	**2017**
Short-term benefits (including salaries, compensation or bonuses)	$ 20,879	$ 15,821
Post-employment benefits	155	155
	$ 21,034	$ 15,976

The remuneration of directors and other key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

23. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments were as follows:

	December 31	
	2018	**2017**
a. Unused letters of credit for purchases of raw materials and machinery and equipment	$ 197,248	$ 151,364
b. Contracts for purchases of raw materials		
Total amount	107,400	80,641
Issued promissory notes	20,191	20,191

24. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	Foreign Currencies	Exchange Rate		Carrying Amount
December 31, 2018				
Financial assets				
Monetary items				
USD	$ 87,424	30.73	(USD:NTD)	$ 2,686,531
Financial liabilities				
Monetary items				
USD	477	30.73	(USD:NTD)	14,666
December 31, 2017				
Financial assets				
Monetary items				
USD	103,321	29.85	(USD:NTD)	3,084,121
Financial liabilities				
Monetary items				
USD	612	29.85	(USD:NTD)	18,268

The Company is mainly exposed to US dollar. The following information was aggregated by the functional currencies of the Company, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	Exchange Rate		Net Foreign Exchange Gains (Losses)
For the year ended December 31, 2018			
USD	30.73	(USD:NTD)	$ 94,699
Others			(2,362)
			$ 92,337
For the year ended December 31, 2017			
USD	29.85	(USD:NTD)	$ (274,376)
Others			(472)
			$ (274,848)

25. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees

1) Financing provided to others: None.

2) Endorsement and guarantees provided: None.

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None.

4) Marketable securities acquired and disposed at cost or price at least NT$300 million or 20% of the paid-in capital: None.

5) Acquisition of individual real estate at cost of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 1 (attached).

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 2 (attached).

9) Trading in derivative instruments: None.

10) Information on investees: Table 3 (attached).

b. Information on investments in mainland China

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limited amount of investment in the mainland China areas: Table 4 (attached).

Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.

2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year:

	Amount
a) Transaction	
Sales of good	
KSCC	$ 34,081
b) Accounts receivable	
KSCC	$ 13,218

3) The amount of property transactions and the amount of gains or losses generated: None.

4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and purposes: None.

5) The highest balance, the end of year balance, the interest rates range, and total current year interest with respect to financing of funds: None.

6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.

26. SEGMENT INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements, and the parent company only segment information is waived.

TABLE 1

KING SLIDE WORKS CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Non-arm's Length Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	King Slide Technology Co., Ltd.	Subsidiary	Sales	$ 273,335	14	90 days after monthly closing	Note	-	$ 118,858	27	

Note: The sales price is based on cost.

TABLE 2

KING SLIDE WORKS CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (%)	Overdue		Amounts Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	King Slide Technology Co., Ltd.	Subsidiary	$ 118,858	2.73 (Note)	$ -	-	$ 58,418	$ -

Note: The computation of turnover rate was not included the non-operating receivables which were not from sales of goods.

TABLE 3

KING SLIDE WORKS CO., LTD.

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2018	December 31, 2017	Shares/Unit	%	Carrying Amount			
The Company	King Slide Technology Co., Ltd.	Kaohsiung	Manufacturing and selling of server rail kit	$ 1,500,000	$ 1,500,000	112,600,000	100	$ 6,168,098	$ 1,388,330	$ 1,388,330	
The Company	King Slide (Samoa) Co., Ltd.	Samoa	International investment	158,122	158,122	5,000,000	100	121,704	343	343	
The Company	King Slide USA, Inc.	USA	Trade of rail kits, slides and accessories	32,588	32,588	100,000	100	12,123	(2,371)	(2,371)	
King Slide (Samoa) Co., Ltd.	King Slide (Hong Kong) Co., Limited	Hong Kong	International investment	158,122	158,122	5,000,00	100	121,704	343	343	

TABLE 4

KING SLIDE WORKS CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss)of the Investee (Note 2)	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
King Slide Technology (China) Co., Ltd.	Wholesale and related services for rail kits, slides and accessories	$ 157,282	Note 1	$ 157,282	$ -	$ -	$ 157,282	$ 353	100.00	$ 353	$ 123,364	$ -	

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
King Slide Technology (China) Co. Ltd.	$157,282	$157,282	$6,044,731

Note 1: Set King Slide (Hong Kong) Co., Limited in Hong Kong to invest in King Slide Technology (China) Co. Ltd.

Note 2: The amount was recognized based on the audited financial statement.

Note 3: Upper limit on the amount of investment in mainland China: $10,074,551×60%=$6,044,731.

King Slide Works Co., Ltd.

Tsung-Chi Lin

Chairman of the Board